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May 15, 2002

Bryant L. **VanBrakle**, Secretary
Federal Maritime Commission
800 North Capitol Street, NW, Room 1046
Washington, D C 20573-3001

**RE: Financial Responsibility Requirements for Nonperformance of Transportation –
Discontinuance of Self-Insurance and the Sliding Scale, and Guarantor Limitations
(Docket No. 02-07) (the “Proposed Rulemaking”)**

Dear Mr **VanBrackle**:

Carnival Corporation (“Carnival”) submits the following comments on the Proposed Rulemaking. These comments are submitted by Carnival on behalf of Carnival Cruise Lines, Holland America Line, Cunard Line, **Seabourn** Cruise Line, Costa Cruises and **Windstar** Cruises, all of which are owned by Carnival.

The Commission should reconsider certain issues relating to the financial responsibility of passenger vessel operators’ (“PVOs”) to indemnify passengers for nonperformance of transportation. The rapid increase in the fleets of the larger PVOs over the last several years has substantially increased the shortfall in coverage between the current cap of \$15 million per operator and the actual amount of unearned passenger revenues. In addition, recent bankruptcies of several U S and foreign cruise lines support the need to adopt better policies and procedures for the protection of the U S consumer

Carnival believes that the Commission’s proposal to eliminate the self-insurance provision while maintaining the current cap levels for financial responsibility does little to provide the needed financial security to U S passengers. American consumers will continue to have at risk hundreds of millions of dollars of unprotected cruise deposits held by non-investment grade cruise operators. The Commission should set rules which provide adequate protection to the cruising public and adopt standards which are self-adjusting as cruise lines increase in size, so as to avoid the need to return to this issue every few years, as has been the case since the mid-1990’s.

We attach and resubmit the formal comments originally made by Carnival to the Commission in response to proposed rules issued in 1994 and 1996 In those previous submissions, Carnival strongly urged the Commission to revise the self-insurance rules to allow foreign and U S

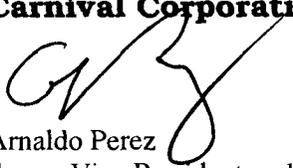
companies with investment grade credit ratings and strong balance sheets to qualify for self-insurance and to increase, in a substantial manner, the current \$15 million cap on bonds or guarantees submitted by PVOs who would not qualify for self-insurance. The U S passengers adversely affected by the recent cruise line bankruptcies would have been more adequately protected by these measures we previously recommended. We urge the Commission to implement rules consistent with our previous comments so that passenger deposits and advances are truly protected in the future.

In addition, we recommend that the Commission actively and publicly support a change in Public Law 89-777 to extend the financial responsibility requirements to voyages embarking U S passengers in foreign ports. We refer to a letter dated October 2, 1996, from then Commission Chairman, Harold J. Creel, Jr. in support of such expansion (a copy of which is enclosed). This change alone would expand the breadth of the law to protect thousands of U S passengers who purchase their cruises in the U S but are not protected by Public Law 89-777 simply because their cruise sails from a foreign port. The distinction under current law between U S and foreign ports is irrelevant and serves no purpose given the marketing practices of the modern-day cruise industry. We hope that recent events in the industry will convince the Commission to take an aggressive stance for this change.

We would be willing to meet with the Commission to discuss our comments in more detail in the hope of issuing meaningful protection to the U S public while at the same time recognizing the financial security and strength of cruise companies such as Carnival. Should you have any questions or require additional information, please do not hesitate to contact the undersigned.

Very truly yours,

Carnival Corporation


Arnaldo Perez
Senior Vice President and General Counsel