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FEDERAL MARITIME COMMISSION

QUESTIONS FOR THE RECORD
FEDERAL MARITIME COMMISSION HEARING
PASSENGER VESSEL FINANCIAL RESPONSIBILITY

MAY 3, 2010

ANSWERS OF CRYSTAL CRUISES, INC.

WITH CONFIDENTIAL RESPONSES

REDACTED — Public

The Federal Maritime Commission heard testimony on March 3, 2010 from passenger vessel operators and cruise industry associations concerning the benefits and challenges of the Commission's financial responsibility requirements. The following are questions for which the Commission is seeking further feedback to facilitate its consideration of this matter. The answers presented are those of Crystal Cruises, Inc.

2. How many passengers do your cruises that are subject to the FMC's financial responsibility requirements serve in a year?

Crystal Cruises Answer: Crystal respectfully refers the FMC to the Answer to this Question which is provided by CLIA contemporaneously with these Answers by Crystal. Crystal has nothing to add to the Answer of CLIA.

3. What is your average fare per passenger for cruises that are subject to the FMC's financial responsibility requirements?

Crystal Cruises Answer: Crystal respectfully refers the FMC to the Answer to this Question which is provided by CLIA contemporaneously with these Answers by Crystal. Crystal has nothing to add to the Answer of CLIA.

6. Historically, we understand that credit card companies have reimbursed passengers after cruise line bankruptcies even when their original payment was outside the window established by the Fair Credit Billing Act. Are you aware of any contractual obligation for credit card companies to reimburse for nonperformance? Do the credit card companies make any commitments to cruise operators in exchange for the cruise operator setting aside a portion of UPR for the event of nonperformance?

Crystal Cruises Answer: Crystal is not specifically aware of the possible contractual obligations for credit card companies to reimburse for non-performance as this contract is between the credit card company and the cardholder. The credit card companies do business with Crystal on the condition that Crystal sets aside a portion of the UPR for the event of non-performance. There is no commitment, other than doing business with Crystal, that is made by the credit card companies in return for such set asides.

7. What percentage of your passengers obtain travel insurance that covers cancellation of a cruise because of nonperformance? What percentage of that travel insurance is obtained from a third party as opposed to the cruise operator itself?

Crystal Cruises Answer: Crystal respectfully refers the FMC to the Answer to this Question which is provided by CLIA contemporaneously with these Answers by Crystal. Crystal has nothing to add to the Answer of CLIA.

8. On October 19, 2001, American Classic Voyages declared bankruptcy. Were all passengers fully reimbursed following that bankruptcy? How long did it take for the passengers to be reimbursed if they did not use credit cards?

Crystal Cruises Answer: Crystal respectfully refers the FMC to the Answer to this Question which is provided by CLIA contemporaneously with these Answers by Crystal. Crystal has nothing to add to the Answer of CLIA.

10. If a large cruise operator fails while holding a surety bond that represents only 3% to 5% of its UPR, and passengers are not fully reimbursed, what would be your response to critics who argue that the Commission's financial responsibility requirements were too lax?

Crystal Cruises Answer: Crystal respectfully refers the FMC to the Answer to this Question which is provided by CLIA contemporaneously with these Answers by Crystal. Crystal has nothing to add to the Answer of CLIA.

11. Is it your position that, despite inflation and all of the changes in the industry, the Commission should go beyond twenty years without making an adjustment to its financial responsibility protections? What would happen to a cruise operator that went twenty years without adjusting its fares?

Crystal Cruises Answer: Crystal respectfully refers the FMC to the Answer to this Question which is provided by CLIA contemporaneously with these Answers by Crystal. Crystal has nothing to add to the Answer of CLIA.

Question of Chairman Lidinsky and Commissioner Brennan

12. Please describe your “booking window.” How far in advance do your passengers book their cruises, on average? What do you require for a deposit from your passengers? How far in advance do you require payment of the passenger’s fare, or of portions of the passenger’s fare?

Crystal Cruises Answer: Crystal’s booking window for 2009 was 205 days on average. However, the average payment window is much less, as Crystal does not require final payment until 75 (90 for the World Cruise) days prior to the cruise departure date. Crystal requires 10% of the total cruise fare within 7 days of the date of booking. Crystal requires full payment, as set forth above, 75 (90 for World Cruise) days prior to the cruise departure date, which is when Crystal receives the majority of its UPR.

Questions of Commissioner Dye

13. What types of reasonable information regarding passenger travel insurance and credit card protections for nonperformance of a cruise could your company report to the Commission which would assure repayment to passengers in the event of nonperformance?

Crystal Cruises Answer: Crystal respectfully refers the FMC to the Answer to this Question which is provided by CLIA contemporaneously with these Answers by Crystal. Crystal has nothing to add to the Answer of CLIA.

14. How could the Commission amend its financial responsibility regulations to provide regulatory relief to those passenger vessel operators who have unearned passenger revenue less than 15 million dollars without raising the Commission’s current 15 million dollar cap?

Crystal Cruises Answer: Crystal respectfully refers the FMC to the Answer to this Question which is provided by CLIA contemporaneously with these Answers by Crystal. Crystal has nothing to add to the Answer of CLIA.

15. How could the Commission amend its regulations, which currently require coverage of no less than 110 percent of the highest unearned passenger revenue amount of the previous two fiscal years, to better reflect the highly volatile unearned passenger revenue of seasonal passenger vessel operators?

Crystal Cruises Answer: Crystal respectfully refers the FMC to the Answer to this Question which is provided by CLIA contemporaneously with these Answers by Crystal. Crystal has nothing to add to the Answer of CLIA.



16. Do you believe the Commission continues to need a 10 percent fixed amount of unearned passenger revenue in escrow accounts filed at the Commission by passenger vessel operators?

Crystal Cruises Answer: Crystal respectfully refers the FMC to the Answer to this Question which is provided by CLIA contemporaneously with these Answers by Crystal. Crystal has nothing to add to the Answer of CLIA.

17. How could the Commission amend its passenger vessel operator financial responsibility regulations to better reflect the existence of current Federal consumer credit card protections?

Crystal Cruises Answer: Crystal respectfully refers the FMC to the Answer to this Question which is provided by CLIA contemporaneously with these Answers by Crystal. Crystal has nothing to add to the Answer of CLIA.