QUESTIONS FOR THE RECORD

FEDERAL MARITIME COMMISSION HEARING

PASSENGER VESSEL FINANCIAL RESPONSIBILITY

MARCH 3, 2010

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.

Questions of Chairman Lidinsky:

1. For each cruise operator that used a surety bond to meet its financial responsibility requirements, how much did it cost to maintain the bond in 2009, and how much do you anticipate it will cost in 2010?

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

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

4. What assessment or measure should the Commission use or look to in an effort to gauge the financial strength and bankruptcy risk of a cruise operator, who may be a private or foreign company? What should the Commission use to ensure a reliable indication of credit risk without having to hire a team of industry and financial analysts?

5. What percentage of unearned passenger revenues (UPR) do credit card companies require you to set aside or protect? What protections for that amount are required to make sure that it is not spent or obligated? What does that protected amount cover? Does it include nonperformance of a cruise, airfare, and/or other costs or reimbursements?

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?

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?

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?

9. If a cruise operator argues for current or reduced bonding or escrow obligations due to its financial health, at what point should a company be required to set aside more UPR for nonperformance? If unforeseen events or economic conditions cause an operator financial hardship, would increasing that operator's financial responsibility requirements at that time be opposed as adding to the hardship?

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?

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?

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?

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?

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?

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?

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?

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?