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Mr. Bryant L. Van Brakle, Secretary  
Federal Maritime Commission  
800 North Capitol Street, N.W., Room 1046  
Washington, DC 20573-0001

**RE: FMC Docket 02-15, Passenger Vessel Financial Responsibility**

Dear Secretary Van Brakle:

The travel industry has been seriously harmed since events of September 11, 2001. While we were starting to see some recovery, events of the past six months including the war in Iraq, continuing weak economy, higher unemployment, an anemic stock market and other factors continue to seriously affect our industry. A direct effect of the financial hardship on the travel industry has been the demise of a small number of marginal cruise lines. Certainly we understand the concern of the Federal Maritime Commission in protecting consumer interests in this situation. However, we are deeply concerned about the ramifications of the Passenger Vessel Financial Responsibility Rule the FMC is considering. I would like to share some views with you that I think are very relevant in your consideration of the rule.

The rule as proposed is an overreaction to the situation and would only further harm the travel industry in my opinion. The additional costs that would be passed on to consumers by cruise lines to meet the requirements of the rule would further reduce the number of passengers willing and financially able to cruise. Consumers are currently covered by credit card programs protecting their purchases, third party Travel Protection Insurance and other available protections such as residual equity value and bankruptcy provisions affording consumer deposit priority. These protections have resulted in no consumers losing money.

The proposal would negatively impact the health and ultimately the competitive landscape for agents and cruise lines. Moreover, the protection would not cover a substantial portion of the cost of the vacation including airfare, transfers, shore excursions etc.

- We depend on a healthy and growing cruise industry for a large share of our business. Approximately 70% of our total business is cruise related. This is vitally important as airlines and other segments of the travel business rely on travel agents less and less. One of the bright spots in our business is the growth and expanding vacation opportunities in the cruise industry.
- Both the cruise lines and the travel agents understand that keeping cruise customers happy is essential to the business. We often go above and beyond

what we're legally required to do in order to keep a customer happy. No government agency requires this -- it's just makes good business sense.

- It would likely cost the cruise lines a lot of money to change the way they handle passenger deposits. Such a cost would not be justified if the purpose is to make sure they provide the cruises they promise. Cruise lines already do this to keep their customers happy.
- If the idea is to make sure that passenger deposits are protected if a cruise line stops operating, such a rule makes some sense but only for operators who have one or a few older ships. But it is almost impossible to imagine how the large, established cruise lines would stop operating. They have too much invested in the ships and the business to just stop operating.
- Changes in rules that hurt the cruise industry also hurt the travel agent business. Ultimately, added costs are passed along to the customer, making it more expensive to take a cruise. We strongly oppose rules changes that add unnecessary costs to the cruise industry. We are also very strongly opposed to changes that unnecessarily add to our administrative costs in complying with various government rules.
- Almost no cruise customer buys insurance against the possibility that they will lose their money because a cruise line stops operating. If they believed they might lose their money they wouldn't book the cruise in the first place. We do not support having the FMC require the cruise lines themselves to, in effect, buy such insurance by setting aside customer deposits except to the extent needed to keep unscrupulous operators out of the business.

Your consideration of our concerns in your deliberations is appreciated very much.

Jerry Vaughn  
President  
Cruise Holidays of Federal Way