



# OFFICES OF THE GOVERNORS

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CALIFORNIA

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April 4, 2008

Via facsimile: (202) 282-8236

The Honorable Michael Chertoff  
Secretary of Homeland Security  
Washington, DC 20528

**RE: Hawaiian Coastwise Cruises: Docket Number USCBP-2007-0098**

Dear Mr. Secretary,

We write to express our continued, serious concern about an interpretative rule proposed by the U.S. Bureau of Customs and Border Protection (CBP) at the request of the U.S. Maritime Administration. The proposal concerns Hawaiian coastwise cruises, as described in the November 21, 2007, CBP Hawaiian Coastwise Cruises (Docket Number USCBP-2007-0098) Federal Register Notice.

While the intent of this rule is to protect U.S. flagships, it is likely instead to result in unintended, disastrous consequences and cause wide-ranging economic damage in Hawaii, California and throughout the rest of the country. The Office of Management and Budget should rule that an economic impact statement be completed before that damage occurs.

The outstanding growth and continued boon to our economies that California and Hawaii have seen from the cruise industry over the past several years simply will not survive if CBP adopts this rule as drafted. The criteria it creates – such as requiring the amount of time at the foreign port to be more than 50 percent of the total amount of time at the U.S. ports of call and the stop at the foreign port to last at least 48 hours – are so out of line with industry standards that nearly all passenger cruises from U.S. ports will be affected. A vessel call of that duration is extremely rare in any U.S. cruise market. At three to five days in length, many cruises are too short to justify a 48-hour vessel call anywhere. Most longer cruises have three or four port-of-call stops, also making a 48-hour call in any port difficult, if not impossible, to achieve.

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Adoption of this rule would disrupt an industry that brings billions of dollars and more than 50,000 jobs to our two states. According to the Cruise Lines International Association, across the entire country this rule could upend an estimated \$17 billion in spending and endanger more than 300,000 jobs that are generated by the international cruise lines industry.

In both California and Hawaii, the cruise industry has been a terrific economic success during the past few years. Based on 2006 data, the estimated direct impact of the loss of all international cruise ships in Hawaii would be a reduction in expenditures on Hawaii-produced goods and services of about \$80 million. The total economic impacts on Hawaii include: 1) reduction in total sales by \$155 million; 2) reduction in total earnings by \$44 million; and 3) reduction in employment by 1,400 jobs. In fact, the industry has doubled since 2004, with an estimated 1.6 million visits to Hawaiian ports of call in 2006.

In California, the growth has been similar, and the direct spending the industry creates is close to \$2 billion per year. San Diego's cruise business has more than tripled in the past five years. Los Angeles and its port have invested \$30 million in infrastructure to support the cruise industry since 2000, with \$100 million more in investments planned over the next few years. The City of Long Beach has also invested in cruise facility improvements, with more than 100 cruise calls from Long Beach to Mexico. San Francisco's cruise business is growing quickly and includes more than 50 annual port calls as ships serve passengers heading to Alaska and the Pacific Northwest. The cruise industry employs an estimated 44,000 people in California.

Given that essentially every passenger cruise trip in the United States will be directly and adversely affected by this rule, we hope you will agree that these losses are simply too great to afford. We strongly urge you to send this rule back for needed alterations and economic analysis.

Sincerely,



Governor Arnold Schwarzenegger



Governor Linda Lingle