

Statement of

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Before the

United States Senate
Committee on Commerce, Science and Transportation

On S. 1510,
U.S. Cruise Ship Tourism Development Act of 1999

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DRAFT Testimony on S. 1510 / MEBA President Lawrence O'Toole

Thank you for this opportunity to speak to you today about S. 1510, the U.S. Cruise Ship Tourism Development Act. My name is Larry O'Toole, and I am the President of the Marine Engineers' Beneficial Association (MEBA). I am testifying today on behalf of my own union as well as the International Organization of Masters, Mates & Pilots (MM&P) and the Sailors' Union of the Pacific (SUP).

Less than a year ago, I was serving on board a U.S.-flag tanker in the Persian Gulf. It was one of many assignments in my career in the United States merchant marine that has taken me to places around the world, far from home and family, doing a job that demands a high degree of training and responsibility, but also one that I and other Americans who serve on U.S.-flag ships are justifiably proud.

Today is the first time that I have testified before a congressional committee since my election last December as president. And I am pleased that at my first opportunity to appear before you I can speak about a bill that our maritime labor unions believe can make our industry stronger, provide badly needed maritime jobs, and offer new opportunities for our nation's economy to grow.

The American working men and women of our maritime labor unions strongly support S. 1510, because it represents the only realistic, workable approach to give American companies and

American workers a fighting chance to make it in the U.S. domestic cruise industry. Today's market for vacation and business-related cruises, on large, modern cruise vessels, is served almost entirely by foreign-flag vessel operations. If this situation is ever to change, and we believe it can, it will only be through the innovative approach envisioned in S. 1510.

The bill calls for a temporary, limited waiver of the Passenger Vessel Services Act, to allow a short-term opportunity to use large, foreign-built and foreign-flag cruise vessels to test the viability of new domestic cruise markets. There should be no mistaking the fact that such a waiver represents a marked departure for us. Maritime labor has long defended America's domestic shipping statutes, including the Passenger Vessel Services Act. But it has become abundantly clear to us that if something is not done, if a new and different approach is not tried, the cruise market in America will continue to be dominated by foreign-flag vessel operators, and there will be no opportunities for American workers and American companies to make any inroads into this constantly growing industry.

S. 1510 represents a thoughtfully crafted compromise among a broad range of interests – including maritime labor, representatives of American ports and others who are members of the Cruising America coalition. Under the leadership of Chairman McCain, our maritime labor unions have sought compromise with other interests, and we are proud to have played a role in producing a proposal that gives our members and the American companies they work for a real shot at success.

Our support for S. 1510 in no way conflicts with our continuing and wholehearted support for the Jones Act. Our maritime labor unions have always been, and will continue to be, strong defenders of the Jones Act, because it remains essential to the economic and national security of the United States. S. 1510 contains language specifically stating that the limited use of foreign-built, foreign-flag cruise ships in the domestic trades shall not affect or modify the requirements applicable to the carriage of cargo under the Jones Act. This bill also recognizes the undeniable fact that the conditions in our Jones Act cargo trades and in the domestic cruise trades could not be more different.

Clearly, maintaining the status quo will never lead to the development of a large-vessel, American domestic cruise industry. The status quo has not and will not ever lead to more American maritime jobs. And the status quo has not and will not give American vacationers an American alternative to foreign-flag vessels – vessels that are crewed by Third World nationals, and whose owners use their foreign-flag status as a way to avoid the jurisdiction of American laws and to avoid paying state and federal taxes.

Once you come to the conclusion, as we have, that the status quo is not an acceptable situation, and that American workers are being shut out of their country's own cruise markets, it becomes clear that a new approach is called for. What we are proposing is an opportunity – a limited window of opportunity – that has the potential to pay off in a big way for American companies and American workers. This window of opportunity will allow foreign vessels to come into new and undeveloped cruise markets, and provide that, if their efforts succeed, the

market will ultimately be served by U.S.-flag, U.S.-built and U.S.-citizen crewed vessels.

I want to emphasize that S. 1510 is aimed at encouraging a rapid transition – from foreign-flag test market to permanent, thriving U.S.-flag market. For the first year after enactment of S. 1510, only U.S.-flag vessels will be allowed to offer domestic cruise service, so ships brought under the U.S. flag will have first shot at the best new markets. Only U.S.-flag vessels will be able to offer the “convention tax deduction,” so U.S.-flag vessels will have an undeniable edge in the business convention market. And, U.S.-flag vessels will be able to “bump” competing foreign-flag vessels off an itinerary comparable to its own. And only U.S.-flag vessels will be able to remain in the domestic trades after 2006.

Most importantly, it is the clear intent of this legislation, which we strongly support, that U.S. laws apply equally to all vessels in our U.S. cruise trade. Any foreign-flag vessels brought into the domestic trades under this bill will have to comply with all U.S. rules and regulations relating to health, safety, environmental protection and other operating standards, as set forth by the Secretary of Transportation. And these foreign-flag vessels will be subject to U.S. corporate income tax on the income they earn during the domestic portion of their operations.

I also want to emphasize that this bill as we understand it does not adversely affect any American company. It represents opportunity for American companies, pure and simple. If someone can show that they would be economically disadvantaged and harmed by this bill, we would be happy to work with them to find a solution that meets their needs. But as I have said,

this bill represents real opportunity and hope for U.S. companies and American workers, while the alternative – the status quo – offers us nothing.

Right now, the only place in the United States where a large U.S.-flag cruise ship can be found is in the Hawaiian Islands. Outside of the Hawaii trades, no one has operated a large cruise vessel in the United States in more than 40 years. But it is obvious that there is a market for vacation cruises outside the Hawaiian islands, because large, modern cruise ships leave American ports outside Hawaii every day, carrying thousands of American vacationers. S. 1510 represents the best, most reasonable, most workable approach to give our country's workers an opportunity to benefit from those vacation dollars.

In closing, I would like to thank you once again, Chairman McCain, for your leadership and for this opportunity to express our strong support for S. 1510. We also wish to thank the cosponsors of this important piece of legislation -- Senators Hutchison, Feinstein and Murkowski. The Marine Engineers' Beneficial Association, the International Organization of Masters, Mates & Pilots, and the Sailors' Union of the Pacific together hope to see our nation's domestic cruise markets served by large, modern, attractive cruise vessels flying the U.S. flag and carrying trained, loyal American-citizen merchant mariners. I would be happy to answer any questions you might have.