

**FLORIDA DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
PILOTAGE RATE REVIEW COMMITTEE**

FILED	
Department of Business and Professional Regulation Deputy Agency Clerk	
CLERK	Brandon Nichols
Date	4/3/2017
File #	

In re: Application for a Change in Rates of Pilotage, filed by the Florida-Caribbean Cruise Association, and Alternative Application for a Change in Rates of Pilotage for PortMiami, filed by Biscayne Bay Pilots, Inc.

Case No.: PRRC 2014-1

BISCAYNE BAY PILOTS' MOTION TO DISMISS FCCA PETITION

Pursuant to section 310.151(2), Florida Statutes, and rule 28-106.204, Florida Administrative Code, the Biscayne Bay Pilots, Inc. ("BBP" or "the Pilots") file this Motion to Dismiss the Application for a Change in Rates of Pilotage of the Florida-Caribbean Cruise Association ("FCCA"). The grounds for this motion are that FCCA's "substantial interests" in the pilotage rates established by the Pilotage Rate Review Committee ("PRRC" or "the Committee") are not "directly affected," as required by section 310.151(2), Florida Statutes, and the Florida Administrative Procedure Act ("APA"). Thus, FCCA lacks standing to pursue its application and this Committee has no jurisdiction to act on it. In support of the motion, the Pilots state:

1. In March of 2014 FCCA filed an application to reduce the rates of pilotage in PortMiami for passenger vessels by 25 percent. Although a hearing was held by the PRRC on this application in late July and August of that year, no final decision was reached by the Committee because the First District Court of Appeal determined that two Committee members should not have participated in the hearing because of their ties to FCCA's member cruise lines. *Biscayne Bay Pilots, Inc. v. Florida-Caribbean Cruise Association*, 177 So. 3d 1043, 1044-45 (Fla. 1st DCA 2015). Additional challenges to the membership of the Committee by both BBP and FCCA were

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rejected by the court in 2016, and the hearing on FCCA's application is now scheduled for May 17-19, 2017.¹

2. FCCA's application is purportedly filed pursuant to section 310.151(2), Florida Statutes, which provides in relevant part:

Any pilot, group of pilots, or other person or group of persons whose substantial interests are directly affected by the rates established by the committee may apply to the committee for a change in rates.

(Emphasis supplied). In its application, FCCA attempts to satisfy this statutory standing requirement as follows:

The cruise ships operated by Applicant's members are vessels subject to pilotage under Florida Statute §310.141, and thus are required to "have a licensed state pilot or certificated deputy pilot on board to direct the movements of the vessel when entering or leaving" ports in the State of Florida. Collectively, Applicant's vessels call on PortMiami hundreds of times per year and account for *millions* of dollars paid in pilotage fees annually. In 2013, Applicant estimates that its members alone paid in excess of \$5 million dollars in pilotage fees to PortMiami's port pilots, which accounted for approximately fifty percent or more of the pilots' total incoming revenue. Large passenger vessels calling on PortMiami in 2013 were levied a pilotage fee ranging from \$9,000 to \$12,000 *per call* on port, which requires about four hours of work from a pilot. Thus, Applicant – as representative of its members who pay millions of dollars each year in pilotage fees for calls on PortMiami – is clearly and directly affected by the established pilotage rates at PortMiami and maintains a substantial interest adequate to pursue a pilotage rate change as set forth in Chapter 310, Florida Statutes.

FCCA Application, pp.1-2 (italicized emphasis in the original; underlined emphasis supplied).

3. However, as recent testimony in a Texas pilotage rate proceeding makes clear, pilotage fees are not paid by FCCA's member cruise lines. These costs are passed on to the cruise lines' passengers, as a senior executive with Carnival Cruise Lines acknowledged in his testimony

¹ The purpose of the hearing also is to consider a competing application for an increase in the rates of pilotage in PortMiami that was filed by the Pilots in 2016. This motion is directed not only at FCCA's own application to reduce rates of pilotage, but also to any effort by FCCA to intervene in, or otherwise participate as a party in, BBP's application for a rate increase.

before the Board of Pilot Commissioners for Galveston County Ports. *See* Transcript of Public Meeting, March 7, 2017, at pages 116-133, where Terry Thornton, senior vice president of port operations for Carnival Cruise Lines and also chair of FCCA's marketing committee,² repeatedly testified that pilotage fees are passed on to passengers.³ For example, Mr. Thornton made the following statements:

So, this is a cost component that is passed to the guests. But let me tell you how the guests look at this. If I charge a certain amount for the cruise price and a certain amount of this cost that gets passed to them, they don't care what two buckets they're in. They give you a credit card for the whole amount. So, to them it doesn't matter whether it's passed or not. Tr., p. 125 (emphasis supplied).

Cruise price is one thing. There's a component we charge in addition to the cruise price. We call it taxes, fees, and port expenses. And that category **does** include the cost of the pilots. Tr., p. 126 (emphasis supplied).

The guests are the ones that pay the taxes, fees, and port expenses. They are also the ones that we make very clear in the disclosure how much it is and before booking that they have awareness of what it is. Tr., p. 133 (emphasis supplied).

(Tr. excerpt attached as **Exhibit 1**).

4. Moreover, ticket contract information available on FCCA cruise line members' websites confirms Mr. Thornton's testimony, as it provides that pilotage fees will be passed on to

² Tr., p. 117. (**Exhibit 1**).

³ Carnival Corporation is FCCA's largest member, and its former Chairman and Chief Executive Officer, Mickey Arison, served as chairman of FCCA's executive committee for more than a decade before stepping down on January 1 of this year. <http://www.prnewswire.com/news-releases/adam-goldstein-to-become-new-chairman-of-the-fcca-executive-committee-300335709.html>. *See also* Comments on behalf of the International Organization of Masters, Mates and Pilots on the FCCA and Biscayne Bay Pilots Association Applications for a Change in Rates of Pilotage, by Captain George A. Quick, Vice President, MM&P, April 21, 2016, at 5 (submitted to the PRRC's Investigative Committee). According to Captain Quick, the reduction in pilotage costs proposed by FCCA in PortMiami would amount to less than \$1.50 per passenger per cruise ship transit.

passengers. For example, Carnival’s website includes a “Legal Notice” with the following statement:

(c) Cruise Fare does not include Cruise Taxes, Fees, and Port Expenses. “Cruise Taxes, Fees, and Port Expenses” may include any and all fees, charges, tolls and taxes imposed on Carnival, by governmental or quasi-governmental authorities, as well as third party fees and charges arising from a vessel’s presence in a harbor or port. Cruise Taxes, Fees and Port Expenses may include U.S. Customs fees, head taxes, Panama Canal tolls, dockage fees, wharfage fees, inspection fees, pilotage, immigration and naturalization fees, and Internal Revenue Service fees, as well as fees associated with navigation, berthing, stevedoring, bagging handling/storage, and security services. Cruise Taxes, Fees, and Port Expenses may be assessed per passenger, per berth, per ton or per vessel. Assessments calculated on a per ton or per vessel basis will be spread over the number of passengers on the Vessel. Cruise Taxes, Fees and Port Expenses are subject to change and Carnival reserves the right to collect any increases in effect at the time of sailing even if the fare has already been paid in full.

See **Composite Exhibit 2** (excerpt of Carnival Legal Notice, full text of which can be found at <https://ww.carnival.com/about-carnival/legal-notice/ticket-contract.aspx>). (Emphasis supplied).

5. Other FCCA cruise line members include similar language in their ticket contracts:

- Royal Caribbean Cruise Line:

d. ‘Cruise Fare’ or ‘CruiseTour Fare’ includes the amount due for the Cruise or Cruise Tour, whether such amounts are owing and/or have been paid by the Passenger, but does not include amounts due for other products or services such as air transportation, photographs, gratuities, telephone calls, or medical services which can be purchased separately, nor does it include government or quasi-governmental taxes and fees, whether assessed on a per passenger, per vessel, per berth or per ton basis

See **Composite Exhibit 2** (excerpt of contract, full text of which can be found at http://media.royalcaribbean.com/content/en_US/pdf/CTC_Not_For_BR.pdf). (Emphasis supplied).

- Norwegian Cruise Line:

Fares do not include certain taxes, fees, port expenses and charges imposed by governmental or quasi-governmental authorities, including port authorities, service charges or the cost of the fuel supplement, nor any security surcharges or similar incidental surcharges, for which passengers will be charged. If governmental or quasi-governmental action results in any element of such taxes and fees exceeding the estimates used by Carrier for purposes of computing the quoted amount, Carrier reserves the right to pass through the extra amount. The Guest agrees that the Carrier shall not be liable to make any refund

to the Guest for tickets that are wholly or partially unused by the Guest except as otherwise expressly stated in this Contract, any law or government regulation to the contrary notwithstanding.

See **Composite Exhibit 2** (excerpt of contract, full text of which can be found at <https://www.ncl.com/sites/default/files/Guest-Ticket-Contract-11-2015.pdf> (Emphasis supplied).

- **Princess Cruise Line:**

"Taxes, Fees & Port Expenses" as used by Carrier, may include any and all fees, charges, tolls and taxes imposed on us by governmental or quasi-governmental authorities, as well third party fees and charges arising from a vessel's presence in a harbor or port. Taxes, Fees & Port Expenses may include U.S. Customs fees, head taxes, Panama Canal tolls, dockage fees, wharfage fees, inspection fees, pilotage, air taxes, hotel or VAT taxes incurred as part of a land tour, immigration and naturalization fees, and Internal Revenue Service fees, as well as fees for navigation, berthing, stevedoring, baggage handling/storage and security services. Taxes, Fees, & Port Expenses may be assessed per guest, per berth, per ton or per vessel. Assessments calculated on a per ton or per vessel basis will be spread over the number of passengers on the Ship. Taxes, Fees & Port Expenses are subject to change and Carrier reserves the right to collect any increases in effect at the time of sailing even if the fare has already been paid in full.

See **Composite Exhibit 2** (excerpt of contract, full text of which can be found at http://www.princess.com/legal/passage_contract/pcl.html. (Emphasis supplied).

- **Celebrity Cruise Line:**

c. "Cruise or CruiseTour Fare" includes the amount due for the Cruise or Cruise Tour, whether such amounts are owing and/or have been paid by the Passenger, but does not include amounts due for other products or services such as air transportation, photographs, gratuities, telephone calls, or medical services which can be purchased separately, nor does it include government or quasi-governmental taxes and fees, whether assessed on a per passenger, per vessel, per berth or per ton basis

See **Composite Exhibit 2** (excerpt of contract, full text of which can be found at http://media.celebritycruises.com/celebrity/content/en_US/pdf/Celebrity CTC Eff 08 01 10.pdf (Emphasis supplied).

6. Finally, reported case law makes clear that cruise lines for years have been passing on "port charges," which include pilotage, to their passengers. See, e.g., *Latman v. Costa Cruise Lines, N.V.*, 758 So. 2d 699, 701 (Fla. 3d DCA 2000) ("For the time period at issue here, the passengers' ticket price was calculated as follows: (a) cruise price + port charges = total ticket

price.”). The court concluded in *Latman* that “where the cruise line bills the passenger for port charges but keeps part of the money for itself, that is a deceptive practice under FDUTPA [the Florida Deceptive and Unfair Trade Practices Act].” *Id.* at 703. The Court went on to note that “[r]eliance and damages are sufficiently shown by the fact that the passenger parted with money for what should have been a ‘pass-through’ port charge, but the cruise line kept the money.” *Id.* (Emphasis supplied).

7. The sworn testimony of Carnival’s executive in the Texas pilotage rate proceeding confirms what the Pilots have long alleged in this proceeding, i.e., that FCCA simply passes on pilotage fees to passengers. For example, in March 28, 2016, the undersigned sent a letter to counsel for FCCA requesting financial information from the member cruise lines, including information about “how pilotage fees are factored into passenger pricing for the voyage and any on-board purchases.” *See* Letter from Donna E. Blanton to Thomas F. Panza, Re: FCCA Application for Change in Rates – Port Miami, March 28, 2016. **Exhibit 3.** FCCA’s counsel refused to provide the information, stating in part that “[y]our letter fails to connect the dots as to how per passenger pilotage fees costs, per passenger income and revenue, or any passenger financial data is relevant to whether the current pilotage fees charged are sufficient to maintain ‘efficient, reliable, and safe piloting services.’” *See* Letter from Thomas F. Panza to Donna E. Blanton, Re: Response to Request for Documentation, April 11, 2016. **Exhibit 4.** Thus, although FCCA bases its standing allegations in its application on FCCA “members who pay millions of dollars per year in pilotage fees for calls on PortMiami,” FCCA refuses to provide any information whatsoever to support those allegations. FCCA Application, p. 2.

8. The now-confirmed fact that FCCA members do not themselves pay pilotage fees, but instead pass them on to passengers, means that under established Florida Administrative

Procedure Act (“APA”) case law, FCCA does not have standing to bring its application, and the PRRC does not have jurisdiction to consider the application. *E.g.*, *Florida Society of Ophthalmology v. State, Bd. of Optometry*, 532 So. 2d 1279 (Fla. 1st DCA 1988); *Mid-Chattahoochee River Users v. Dep’t of Envtl. Prot.*, 948 So. 2d 794 (Fla. 1st DCA 2007). Standing in the administrative context is a matter of subject matter jurisdiction, *Abbott Laboratories v. Mylan Pharmaceuticals, Inc.*, 15 So. 3d 642, 651 n.2 (Fla. 1st DCA 2009), and an agency’s lack of subject matter jurisdiction can be raised at any time. R. 28-106.204(2), Fla. Admin. Code.

9. Whether a “party” has standing under the Florida APA is a question of law. *Hospice of Palm Beach County, Inc. v. State, Agency for Health Care Admin.*, 876 So. 2d 4, 7 (Fla. 1st DCA 2004). The term “party” is defined in section 120.52(13), Florida Statutes. The definition, in relevant part, includes (1) “specifically named persons” whose substantial interests are being determined in the proceeding; (2) those who are denominated as parties by the constitution, a statute, or rule; and (3) those whose “substantial interests” will be affected by proposed agency action. § 120.52(13)(a)-(b), Fla. Stat. Although section 310.151(2) provides statutory standing for a person or group of persons “whose substantial interests are directly affected” by the rates established by the PRRC, any such person or entity must prove that their substantial interests are, in fact, “directly affected.” FCCA has made no effort to do so and, in fact, cannot do so.⁴

10. In order to satisfy the substantial interests test under the Florida APA, an applicant or petitioner must meet the long-established two-part test articulated in *Agrico Chemical Company v. Department of Environmental Regulation*, 406 So. 2d 478, 482 (Fla. 2d DCA 1981): (1) the

⁴ Trade associations such as FCCA only have standing if their members have standing. *Biscayne Bay Pilots, Inc. v. Florida Caribbean-Cruise Ass’n*, 160 So. 3d 559, 560 n.2 (Fla. 1st DCA 2015); *Florida Home Builders Ass’n v. Dep’t of Labor and Employment Security*, 412 So. 2d 351 (Fla. 1982).

petitioner will suffer injury in fact that is of sufficient immediacy to entitle that person or entity to a hearing; and (2) the petitioner's substantial injury is of a type or nature that the proceeding is designed to protect. *See also Mid-Chattahoochee River Users*, 948 So. 2d at 797. The first element of the test pertains to the degree of the injury, and the second element deals with the nature of the injury. *Agrico*, 406 So. 2d at 482.

11. FCCA cannot meet either prong of the *Agrico* test. Concerning the "injury in fact" prong, the cruise lines suffer no injury at all, given that pilotage fees are passed through to passengers. The cruise lines pay nothing for pilotage. Even if the cruise lines could show that any change in a passenger's total ticket price could affect a passenger's decision whether to purchase a ticket, such attenuated impact does not meet the "immediacy" requirement in the injury-in-fact test. In *Florida Society of Ophthalmology*, organizations representing physicians practicing ophthalmic medicine and their trade organizations attempted to participate in hearings regarding certification of optometrists to prescribe and administer certain types of drugs. The court found that the ophthalmologists could not meet either prong of the *Agrico* test. Concerning injury-in-fact, the court reasoned:

While appellants may well suffer some degree of loss due to economic competition from optometrists certified to perform services that appellants alone were previously permitted to perform, we fail to see how this potential injury satisfies the "immediacy requirement."

532 So. 2d at 1285 (emphasis supplied).

12. Similarly, in *City of Sunrise v. South Florida Water Management District*, 615 So. 2d 746 (Fla. 4th DCA 1993), a city water company sought standing to oppose a development district's request for a consumptive use permit to withdraw water from the Floridian Aquifer. The city argued that the request, if granted, would result in a duplication of facilities and would increase rates to all customers. The court rejected the city's standing, noting that "[w]hile Sunrise may

suffer losses and its customers incur expenses due to economic competition and under utilized capacity, this does not satisfy the ‘immediacy’ requirement.” *Id.* at 747.

13. Courts in both *Florida Society of Ophthalmology* and *City of Sunrise* also found that the appellants didn’t meet the second prong of the *Agrico* test because the economic interests of the appellants were not intended to be protected in the underlying proceeding. In *Florida Society of Ophthalmology*, the court reasoned that “the allegations in the petition that these activities by certified optometrists will adversely affect the economic affairs of appellants are legally insufficient because the alleged economic injury does not fall within the zone of interest to be protected by the applicable statutes.” 532 So. 2d at 1285. The court in *City of Sunrise* found that “[c]ompetitive economic considerations do not fall within the zone of protection that the district is authorized to consider under Chapter 373, Florida Statutes. The permitting process contemplates addressing the problems of water supply, not economic issues.” 615 So. 2d at 747.

14. Numerous other cases also have found that alleged economic injuries of would-be parties are not within the zone of interests of the underlying statutory scheme and, therefore, the petitioner does not have standing to participate in a proceeding governed by that statute. *See, e.g., Village of Key Biscayne v. Dep’t of Environmental Protection*, 206 So. 3d 788, 790-91 (Fla. 3d DCA 2016) (“The purpose of Chapter 373 . . . is the protection of and conservation of the water resources of the state. . . . Petitioner’s allegations regarding economic investments and contractual obligations . . . are not the types of interests protected by this type of proceeding.”); *Mid-Chattahoochee River Users*, 948 So. 2d at 799 (“[A]ny economic injury suffered by appellant’s members as a result of the notice of denial is not of the type that chapter 373’s permitting process was designed to protect.”) Courts make a distinction when the underlying statutory schemes expressly contemplate consideration of economic interests of would-be parties and allow standing

in those cases. *See, e.g., Shands Jacksonville Medical Center, Inc. v. Florida, Dep't of Health*, 123 So. 3d 86, 93 (Fla. 1st DCA 2013) (statutory licensing scheme for trauma centers contemplated impact of new centers on existing trauma centers). But absent such considerations in the underlying statute, economic interests alone are insufficient to meet the second prong of the *Agrico* test. *Gadsden Jai Alai, Inc. v. State, Dep't of Bus. & Prof. Reg.*, 26 So. 3d 68, 69 (Fla. 1st DCA 2010) (absent statutory provision contemplating impact on competition, economic interests alone are insufficient to confer standing).

15. Nothing in section 310.151, Florida Statutes, which governs rates of pilotage, addresses or takes into consideration the economic impact of pilotage rates on cruise lines. To the contrary, economic impact considerations are limited to those non-pilot entities who specifically claim financial hardship. § 310.151(2), Fla. Stat. (“In the case of an application for a rate change filed on behalf of persons other than a pilot or group of pilots, information regarding the financial state of interested parties other than pilots shall be required only to the extent that such financial information is made relevant by the application or subsequent argument before the committee.”). *See also* R. 61G14-22.006, Fla. Admin. Code (requiring financial statements from applicants other than pilots only when such applicants claim “financial hardship”). In its application for a reduction in pilotage rates, FCCA specifically checked a box labeled “NO” when responding to this question: “Is the application for a rate decrease which alleges that financial hardship is caused to the applicant as a result of existing rates of pilotage?” FCCA Application, p. 15. Moreover, FCCA refused to produce financial information in response to a request from BBP in connection with this proceeding. *See Exhibits 3 and 4*. Nonetheless, FCCA spends much of its application complaining about pilotage rates and their alleged financial impact on cruise lines, even though the association has not claimed financial hardship.

16. The underlying purpose of section 310.151 is protection of the public interest, not protection of the economic interests of cruise lines. Section 310.151(5)(a) provides: “In determining whether the requested rate change will result in fair, just and reasonable rates, the committee shall give primary consideration to the public interest in promoting and maintaining efficient, reliable, and safe piloting services.” (Emphasis supplied). That section goes on to list twelve factors the committee must consider in establishing rates. None of these factors relate in any way to the economic effect of pilotage rates on cruise lines. *See also* § 310.001 (pilotage regulation is deemed necessary “in the interest of public health, safety, and welfare”); § 310.0015(1) (“Piloting is an essential service of such paramount importance that its continued existence must be secured by the state and may not be left open to market forces.”); § 310.0015(3) (“The rate-setting process, the issuance of licenses only in numbers deemed necessary or prudent by the board, and other aspects of the economic regulation of piloting established in this chapter are intended to protect the public from the adverse effects of unrestricted competition which would result from an unlimited number of licensed pilots being allowed to market their services on the basis of lower prices rather than safety concerns.”)

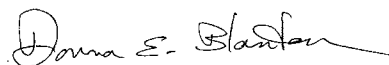
17. Moreover, none of the vessel characteristics on which the PRRC must fix rates of pilotage relates to the type of vessel being piloted. FCCA proposes a 25 percent reduction in the rates of pilotage for passenger vessels only, not for cargo ships or any other types of vessel. Section 310.151(6), Florida Statutes, lists such characteristics as length, beam, tonnage, freeboard or height above the waterline, and draft or molded depth as among the relevant characteristics that must be considered. Nothing in section 310.151(6) contemplates treating one type of vessel – i.e., cruise ships – different from other types of vessels when the committee establishes rates. Thus, the rate proceeding currently scheduled for May 17-19, 2017, is not designed to protect the economic or

other interests of FCCA, and FCCA cannot establish standing under the second prong of the *Agrico* test.

18. Put simply, FCCA has not and cannot demonstrate that its “substantial interests are directly affected by the rates established” by the PRRC. Given that cruise line passengers – not cruise lines – pay the costs of pilotage, FCCA has no “injury in fact” that is required to demonstrate standing. Any argument that FCCA may make concerning the effect of possible changes in ticket prices as a result of pilotage costs is so attenuated as to not meet the “immediacy” requirement of the “injury in fact” test as discussed in Florida case law cited above. Nor can FCCA show that its alleged “injury” (i.e., economic impact of pilotage on its cruise line members) is the type contemplated by section 310.151, Florida Statutes, and the hearing scheduled by the PRRC pursuant to that statute.⁵ Thus, FCCA lacks standing, and the PRRC lacks jurisdiction to consider FCCA’s application.

For the reasons expressed, FCCA’s application should be dismissed, and FCCA should not be permitted to intervene as a party in BBP’s rate change application.

Respectfully submitted,



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⁵ As discussed, FCCA plainly fails the “routine” *Agrico* standing test under the Florida APA. The statutory standing test established pursuant to section 310.151(2), Florida Statutes (“substantial interests are directly affected by the rates established by the committee”), imposes an even higher threshold for standing, given the overriding public interest in safe pilotage that is articulated in section 310.151 and in other parts of chapter 310. FCCA cannot meet either test.

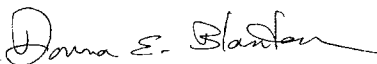
CERTIFICATE OF SERVICE

I certify that the original of this pleading was filed with the Agency Clerk and the Executive Director at the Department of Business and Professional Regulation and that a true copy was served this 3rd day of April, 2017, via email to the following:

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BOARD OF PILOT COMMISSIONERS
FOR GALVESTON COUNTY PORTS
PUBLIC MEETING
MARCH 7, 2017

Reported by:
Janel Wilson, CSR



11:23

1 needs a break.

2 (Recess from 11:09 a.m. to 11:23 a.m.)

3 CHAIRMAN KONCABA: Mr. Brown, do you
4 have any more questions for Mr. Gee?

11:23

5 MR. BROWN: No.

6 CHAIRMAN KONCABA: All right.

7 MR. HAROWSKI: Our next witness we'd
8 like to call is Mr. Terry Thornton with Carnival Cruise
9 Lines.

11:23

10 TERRY THORNTON,

11 having been first duly sworn, testified as follows:

12 MR. HAROWSKI: Commissioners, we didn't
13 have representatives at the initial rate hearing from
14 the cruise lines themselves. We thought then and
15 continue to believe that the focus ought to be on the
16 pilots and whether they've, you know, justified the
17 need in their business for the rate increase they are
18 seeking. We continue to urge that, you know. But
19 given the comments then and developments since, we

11:23

20 thought it was a good idea to ask representatives to
21 come to explain to you why they care, why this matters
22 to the cruise line. And that's what we've asked
23 Mr. Thornton to come talk about.

11:24

24

25

11:24

1

EXAMINATION

2

BY MR. HAROWSKI:

3

Q. So, Mr. Thornton, would you please tell us

4

your name and your position.

11:24

5

A. My name is Terry Thornton. I'm senior vice

6

president of port operations. I've been with the

7

Carnival Cruise Lines brand for over 30 years. I've

8

worked in a number of different areas including --

9

THE REPORTER: I'm sorry?

11:24

10

A. The team that decides where all the ships go,

11

all the itineraries for over 20 years.

12

Q. (BY MR. HAROWSKI) All right. Thank you. And

13

in response to that, can you tell us a little bit why

14

Carnival is here and is objecting to this rate

11:24

15

increase.

16

A. So. I'm going to start, if I could, at the

17

very top and explain to you a little bit about our

18

business model and who our target audience is. I'm

19

specifically talking about the Carnival Cruise Lines

11:25

20

brand here. Okay. So, not to be confused with

21

Carnival Corporation who has ten other brands. This is

22

specifically Carnival Cruise Lines...

23

THE REPORTER: Do you mind just scooting

24

a little closer to me?

11:25

25

THE WITNESS: Sure.

11:25 1 THE REPORTER: Thank you.

2 A. So, our business model is premised on four

3 things, full ships, moderate cruise prices, the lowest

4 operating cost in the industry, and the ability to

11:25 5 deliver a great experience. If any of those components

6 don't work, then our whole business model falls apart.

7 Our target audience is very much middle America. They

8 are not wealthy people. We operate a whole different

9 range of itineraries to bring the cost down. So, the

11:25 10 price of our cruise is very important; and the

11 affordability is very important for us to really make

12 the whole business work.

13 So, as a business model, we focus very

14 closely on all of the components of operating costs

11:25 15 because if we get operating costs out of whack, and

16 something happens and we can't charge for it in our

17 prices, our business model doesn't work. So,

18 we're probably the lowest operating cost provider in

19 the industry by far, including our sister companies.

11:26 20 So, that is how laserly focused we are around cost.

21 And it may seem -- well, minor things. Well, minor

22 things matter or smaller things matter because in the

23 totality of this, we don't have the ability to change

24 our cruise prices to adjust for cost differences. It's

11:26 25 very difficult. I want to give you a really quick

11:26 1 fact. We're in a very competitive industry. And you
2 think, well, is it... that's a very small part of the
3 compensation. I'll give you one fact. Our whole
4 industry did 14 million guests in North America, the
11:26 5 whole industry. Las Vegas and Orlando had 120 million
6 visitors. So, Orlando and Vegas are ten times our
7 industry size.

8 So, my point is we're in the vacation
9 business. Land-based resorts are our competition. And
11:27 10 it's massive in terms of what we have to focus on in
11 order to deliver the results we have to. So, costs --
12 we're laserly focused around costs because that is how
13 it really drives our business model. Now, we'll do
14 almost 700,000 guests out of Galveston. We'll have
11:27 15 almost 200 different cruise terms in Galveston. And
16 we've worked really hard over the last ten years to
17 build our business in Galveston. And we've been
18 successful with Galveston, and we would like to do
19 more. What you have to understand is any changes in
11:27 20 cost increasing -- and I don't mean this in a
21 threatening way. So, don't take it in a threatening
22 way. But we measure our profitability and our results
23 at a market level.

24 So, we look at Galveston; and we'll see
11:27 25 how things are going in Galveston. We'll look at the

11:27 1 New Orleans market completely differently. We'll look
2 at what happens in Miami differently. So, we evaluate
3 our performance on a market to market level. So,
4 that's why when we have -- something happens in a given
11:28 5 market, cost, it isn't so much relevant what else is
6 going on in the other markets and costs and other
7 things. We have to make capacity decisions of our
8 ships and where they go, where they can do the best,
9 right? We're a big public company. So, we have to put
11:28 10 our ships where they'll do the best. And so we make
11 those judgments all the time about capacity allocation.
12 The beauty of our business, if you want
13 to call it beauty, is that our hotels move. And so we
14 have the ability to make capacity changes either in
11:28 15 moving ships completely or to reduce size of ships
16 because we have different size ships across our fleet.
17 And those kind of capacity allocation decisions we make
18 all the time. So, when we start thinking about costs
19 and those kind of things, we start to evaluate what --
11:28 20 is the capacity allocations right. And I'm not saying
21 we're going to do this. But if it turned out that
22 costs, things like this, in the Galveston market, if we
23 decided then, okay, we're going to reduce the size of
24 the ship, we're going to actually pull a ship -- we
11:28 25 have three ships year-round in Galveston now -- the

11:29 1 economic impact to the community would be massive.
2 Because if you think of all the jobs that we create and
3 all the supply services for -- to the pilot ships, all
4 the jobs we have and people that are employed in
11:29 5 Galveston, all the tourism dollars we're bringing to
6 Galveston because of people coming before or after
7 their cruise to take advantage of the things in
8 Galveston, all the things that -- suppliers that we use
9 here in Texas, in the State of Texas is a massive
11:29 10 economic flood through.

11 So, it is something we have to consider
12 carefully all the time. And that's why we take things
13 like this seriously. It isn't necessarily this
14 specific issue, but cost to us make us re-evaluate.

11:29 15 How we're doing and whether that capacity allocation in
16 the markets is appropriate or not. And, again, I don't
17 mean this in a threatening way. I just want you to
18 understand that that's the dynamics of our business.

19 And we have -- and the Carnival Cruise Lines brand has
11:29 20 more U.S. home ports than any other cruise brand. We
21 operate from 12 different U.S. home ports. So, we have
22 the ability to move capacity around.

23 COMMISSIONER LANGLEY: You're saying
24 "home ports"?

11:30 25 A. Yeah, home ports meaning that's where the

11:30 1 ships leave from, not the itineraries, not the ports
2 they visit on the itineraries, home ports, yeah, as
3 Galveston is a home port. Or New Orleans is a home
4 port. Miami is a home port.

11:30 5 COMMISSIONER PORRETTO: How many total
6 ships does the line that you're speaking for have in
7 the total thing?

8 THE WITNESS: We have 25 ships in the
9 Carnival Cruise Lines brand. The Carnival Corporation
11:30 10 has 106.

11 COMMISSIONER PORRETTO: No -- I know.
12 I'm just interested in what you're representing today.

13 THE WITNESS: Yeah, just our 25 --

14 COMMISSIONER PORRETTO: Twenty five.

11:30 15 CHAIRMAN KONCABA: Four call Galveston
16 home port; is that correct?

17 THE WITNESS: The port of Galveston
18 would be a home port, yes. We have three ships
19 home-ported in Galveston year-round. We have two ships
11:30 20 that do seven-day cruises and one ship that does a four
21 and five-day rotation. Just so you understand the
22 difference, a weekly ship gives the pilots 52 calls a
23 year or so. The three, four, or five ship gives almost
24 80 calls because of the rotation. So, the volume comes
11:31 25 in the shorter cruise durations that we also offer.

11:31 1 COMMISSIONER PORRETTO: I'm good. Thank
2 you.

3 Q. (BY MR. HAROWSKI) And just one follow-up,
4 is -- I guess it's a little unfortunate that we have to
11:31 5 scrutinize the pilots' rates in this setting. In the
6 normal course of business, if you're not dealing with
7 the pilot organization, how would you go about doing
8 that?

9 A. Well, it's very much a competitive situation
11:31 10 in most other components of cost. So, we obviously
11 have very competitive bids. We would go at things on a
12 competitive situation and we would come to the most
13 appropriate -- I call it value, price for what the
14 product that you're actually acquiring. It's not
11:31 15 always about cheapest price. It's always about the
16 price you pay for the service that you're getting. And
17 we'd be in a competitive environment, which we are in
18 almost every other area of cost.

19 Q. As you do with every cost that's a component
11:32 20 in your business, you're given this increase that
21 impacts your business close scrutiny; and this is the
22 forum in which you have to do that, correct?

23 A. This is the forum that we have to participate
24 because of the structure of the way the pilot
11:32 25 organization operates. And so that's why we're here

11:32 1 today though because we want you to understand that
2 this is important to us. And we believe that we're a
3 good partner and a good economic interest for the state
4 of Texas. So, we want you to understand that this is

11:32 5 bigger than maybe just the pilot thing we talked about
6 today. But it is the components that we're very
7 worried about the cost to our business.

8 MR. HAROWSKI: Thank you. That's all I
9 have.

11:32 10 CHAIRMAN KONCABA: Mr. Brown did you
11 have anything?

12 MR. BROWN: No.

13 CHAIRMAN KONCABA: Mr. Crew?

14 CROSS-EXAMINATION

11:32 15 BY MR. CREW:

16 Q. Mr. Thornton, thank you very much for coming
17 here today.

18 A. Thanks --

19 Q. We've asked for representation from Carnival
11:32 20 to come to these things before and we're glad you're
21 here. I want to let you know that as a resident here
22 in the county, we're very happy that you guys call here
23 for what you do. But you understand what we're really
24 here about today is safely moving your ships and
11:33 25 everybody else's ships that call on Galveston County

11:33 1 ports and to facilitate the infrastructure that the
2 pilots need to do that.

3 And I heard a little bit about this is a
4 cost concern to Carnival, what you just said. What I'd
11:33 5 like to understand is how exactly that cost affects
6 Carnival Cruise Lines.

7 A. Okay. I'll explain that in detail. So, this
8 is a cost component that is passed to the guests. But
9 let me tell you how the guests look at this. If I
11:33 10 charge a certain amount for the cruise price and a
11 certain amount of this cost that gets passed to them,
12 they don't care what two buckets they're in. They give
13 you a credit card for the whole amount. So, to them it
14 doesn't matter whether it's passed or not. Their
11:33 15 vacation costs the amount that we hit their credit card
16 for. So, any kind of cost increases, increases the
17 price that the customer gives us for the credit card
18 and makes us less competitive.

19 Q. To elaborate on that a little bit. Part of
11:34 20 what your passengers pay for is the fare, to board your
21 ship, the hotel stay so to speak; and then the other
22 part is port costs, correct, like wharfage, dockage,
23 government expenses. Included in that is pilotage,
24 right?

11:34 25 A. There is a component -- cruise price may be

11:34 1 one thing --

2 THE REPORTER: Okay. I'm sorry.

3 A. Cruise price is one thing. There's a
4 component we charge in addition to the cruise price.

11:34 5 We call it taxes, fees, and port expenses. And that
6 category does include the cost of the pilots.

7 Q. (BY MR. CREW) And so can you tell us what
8 percentage of your cruise costs for a complete price
9 for a passenger who goes on let's say the Carnival

11:34 10 BREEZE, what percentage of that total fare would
11 pilotage consist of?

12 A. I don't have that exact number in my -- in
13 my -- I don't know what the exact number would be. But
14 all I can tell you however small or big it is, if it

11:35 15 changes in the direction of going up, it will make us
16 less competitive; and we will not be able to recoup it
17 by raising our cruise prices.

18 Q. Mr. Thornton, are you also a board member of
19 the FCCA?

11:35 20 A. I'm not a board member.

21 Q. Are you a -- do you have any sort of role in
22 the FCCA?

23 A. I do. I'm the chairman of the marketing
24 committee for FCCA.

11:35 25 Q. Is that a compensated position?

11:35 1 A. No, it's not.

2 Q. Is it typical for members of the various
3 officers of various cruise lines to be involved with
4 the FCCA?

11:35 5 A. Can you define involved?

6 Q. Acting on boards.

7 A. I am honestly not aware of what all the
8 different executives of the cruise lines would be
9 involved in. So, I can't give you an accurate answer
10 to that.

11:35

11 Q. Is one of the FCCA's goals to maximize
12 passenger spending on board the ship?

13 A. No, not to my understanding, not on board the
14 ship.

11:36 15 Q. In any way towards the cruise line?

16 A. There is initiatives I'm trying to work
17 with that -- for those of you that don't know what the
18 FCCA is, its a trade association that really works with
19 all the Caribbean destinations to form partnerships

11:36 20 that will benefit the industry. So, one of the
21 initiatives that the FCCA is involved in is helping
22 destinations -- and these are more ports of call than
23 what I was calling home ports. These are ports that

24 would go on the itinerary, to find ways so they can
11:36 25 sell more shore excursions, so they can get more

11:36 1 employment, or the retail operations could be better so
2 that they can drive more revenue for the destinations.
3 And those sometimes benefit the industry but also
4 sometimes benefits the destinations.

11:36 5 Q. Part of the port costs -- so, let's say
6 you're going to do a five-day cruise out of Galveston
7 and they're going to call on three different ports of
8 call, give me an example of one of your five-day
9 cruises out of Galveston where they might call.

11:37 10 A. Well, all the five-day cruises out of
11 Galveston call on Progresso, Mexico and Cozumel,
12 Mexico.

13 Q. And then back to Galveston.

14 A. Round trip to Galveston.

11:37 15 Q. And so those charges that a passenger would
16 pay consists of whatever charges are in Galveston,
17 whatever charges are in Progresso. Whatever charges
18 are in Cozumel, correct?

19 A. Well, I want to -- I don't want to call them
11:37 20 port charges. We really want to be very specific.
21 These are taxes, fees, and port expenses.

22 Q. Okay. Taxes, fees, and port expenses. And
23 Carnival's position at least is that even a one-penny
24 increase in those charges is too much?

11:37 25 A. I'm not going to define it as a penny. I can

11:37 1 tell you from my revenue management days -- I did this
2 for a very long time. Very small changes of price
3 affect demand, and that has a financial impact on how
4 much you can charge for a cruise. Very small changes
11:38 5 affect demand.

6 Q. Have you seen any repercussions from
7 Carnival's gratuity charge on passengers? Are you
8 familiar with what I'm talking about?

9 A. I am. So, the difference between gratuities
11:38 10 and the other pricing structures of cruise price and
11 other things we've talked about as gratuities are
12 totally changeable by the guests. They are not
13 mandatory. The guests can raise them. They can lower
14 them. They can take them off completely. It's
11:38 15 completely up to the discretion of our guests. So,
16 it's not a mandatory charge of any kind.

17 Q. What is the sell and sign account?

18 A. It's a -- sell and sign is similar to when
19 you go to a hotel and you check in and they give you a
11:38 20 card and you can charge things during your stay at the
21 hotel or restaurant charges or bar charges. So, we
22 establish an account for guests, a sell and sign
23 account, where people can make on-board purchases using
24 a card.

11:39 25 Q. Okay. And so I want to make sure that I

11:39 1 understand this right. Is it not a mandatory policy
2 that each guest is charged a gratuity charge, an
3 automatic gratuity charge now as part of their stay on
4 board of a Carnival's ship?

11:39 5 A. We do charge the gratuities to their on board
6 sell and signing account. It is -- it came about as
7 more of a convenience for guests than it is -- it's
8 more of a processing thing. Now, they fully have the
9 capability of changing it even after the charges...

11:39 10 They can raise it. They can lower it.

11 The reason we did it many, many years
12 ago is the guests used to provide the gratuities to the
13 crew with cash. So, what did that mean? They had to
14 go to a desk, get cash, put it in an envelopes, take it
15 to the -- you know, the waiter or the room steward and
16 it would just make it difficult for the guests to do.
17 So, we decided to put it on their account but give them
18 complete flexibility in raising it, lowering it, or
19 taking it off.

11:39 20 Q. Do you know whether or not that the gratuity
21 charge -- let's just say they don't modify it in any
22 way -- is higher or lower than what a passenger would
23 pay for Galveston, Texas City pilot charges as part of
24 their total ticket price?

11:40 25 A. I don't know that number. I don't know that

11:40 1 number.

2 Q. Mr. Thornton, if it was that important to
3 Carnival, don't you think that that would be something
4 that would typically be quantified?

11:40 5 A. Could you rephrase the question. I'm not
6 sure what you're asking --

7 Q. Sure. If this was something that was
8 important enough to Carnival about the price that they
9 are paying for pilotage, don't you think that would be
11:40 10 something that would be pretty easy to quantify how
11 much a person is paying for that charge?

12 A. Oh, we can quantify it. We could quantify
13 it. And I'm -- all I'm telling you is if it's -- even
14 if it's a relatively minor amount -- I'll make it up.
11:40 15 I'm not saying this is it, but let's say it's \$5.

16 Q. Okay.

17 A. Let's just say it's five. If I added -- if I
18 could add \$5 to my cruise ticket price now, I should be
19 doing that. So, I could tell you adding \$5 to the
11:40 20 price of -- of the overall vacation for our guests will
21 affect demand.

22 Q. Is your -- I guess your opinion that that
23 overall price is going to be affected by increases, is
24 that -- is that in any way involved with your -- I
11:41 25 guess these past lawsuits that people were filing about

11:41 1 the charges not being accurately reflected because they
2 would be surprised after they got a big charge for port
3 fees on their credit card? Are you familiar with what
4 I'm talking about, these lawsuits in Florida that
11:41 5 happened with the port charges?

6 A. I am familiar with the situation for port
7 charges, but I'm not understanding the question you're
8 asking.

9 Q. Well, I'm curious. Is it part of the
11:41 10 sensitivity towards guests because they are often
11 surprised when they get a large port charge expense on
12 their credit card when they are charged? Is that kind
13 of what you're alluding to?

14 A. When we make a booking today and when -- in
11:41 15 all the disclosures for the guests, whether they call
16 us or they go on Carnival.com to our website, they will
17 see the cruise price is this much; the taxes, fees, and
18 port expenses are this much; and your total price is
19 this much. There is absolutely a hundred percent
11:42 20 disclosure upfront of what they pay, and they have
21 total knowledge about what is included in those
22 categories.

23 Q. Okay. But just so I'm clear, the guests are
24 the ones that are informed on how much they are going
11:42 25 to be charged for the governmental fees, taxes,

11:42 1 expenses. And I'm sorry I didn't get the right
2 nomenclature that referred you.

3 A. The guests are the ones that pay the taxes,
4 fees, and port expenses. They are also the ones that
11:42 5 we make very clear in the disclosure how much it is and
6 before booking that they have awareness of what it is.

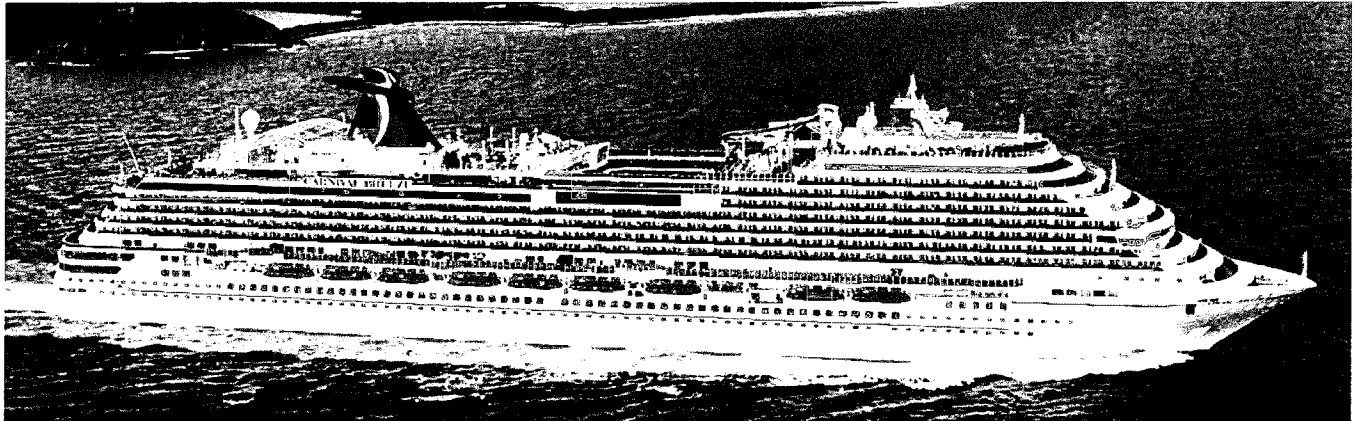
7 Q. You said something earlier about that you
8 want to make sure that the experiences is a positive
9 one because if it's not, they -- the guests won't come
11:42 10 back. Is that fair?

11 A. We strive for very high guest satisfaction.

12 Q. And you understand that a big factor for
13 guest satisfaction in Galveston is that we have a
14 problem with fog, fair?

11:43 15 A. We have had situations with fog. But I want
16 to be very clear. I want to separate that discussion
17 from the discussion we're having today. The discussion
18 we're having today is about the cost of the pilots.
19 The fog is something else we'd like to talk to the
11:43 20 pilots, but I'd like to separate the discussion today.

21 Q. Okay. Well, I just wanted to make sure
22 because that is an issue that the cruise lines have
23 brought forward to the pilots, you know, asking if
24 we'll have -- put extra pilots on the cruise ships to
11:43 25 move them in the fog. So, that would directly impact



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LEGAL NOTICE

There is nothing more important to us than the safety of our guests. Comprehensive, fleet-wide security practices have been in place for many years, which include the reporting of alleged crimes to the FBI. However, as a result of the Cruise Vessel Security and Safety Act of 2010, statistics for cruise ship crime allegations will now be posted on the internet for public viewing. Public reporting requirements, mandated by this law, are unique to the cruise industry and similar requirements do not exist for other travel suppliers such as airlines, hotels and theme parks.

The statistics, cited within the U.S. Coast Guard's web site, represent crime allegations in different categories occurring on cruise ships sailing from North America, which must be reported in accordance to the Cruise Vessel Security and Safety Act of 2010.

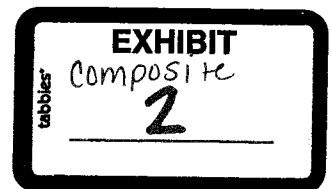
It is worth noting that these alleged incidents are no longer under investigation by the FBI and may have been reported without sufficient evidence. Additionally, it is most important to put these statistics within proper context so that everyone can understand that the incidence of crime on board is very small given the large number of guests we carry.

With 23 of our 24 ships currently sailing from US ports, we carry more guests in North America than any other line.

This year, more than four million guests will sail with Carnival, so the number of alleged incidents is a small fraction of those carried. The likelihood of having an incident occur on board one of our ships is therefore remote.

A Carnival cruise remains one of the safest vacation options available.

[Incident Reporting Statistics Site](#)



TICKET CONTRACT

IMPORTANT NOTICE TO GUESTS: THIS DOCUMENT IS A LEGALLY BINDING CONTRACT ISSUED BY CARNIVAL CRUISE LINE TO, AND ACCEPTED BY, GUEST SUBJECT TO THE IMPORTANT TERMS AND CONDITIONS APPEARING BELOW.

NOTICE: THE ATTENTION OF GUEST IS ESPECIALLY DIRECTED TO CLAUSES 1, 4, AND 11 THROUGH 14, WHICH CONTAIN IMPORTANT LIMITATIONS ON THE RIGHTS OF GUESTS TO ASSERT CLAIMS AGAINST CARNIVAL CRUISE LINE, THE VESSEL, THEIR AGENTS AND EMPLOYEES, AND OTHERS, INCLUDING FORUM SELECTION, CHOICE OF LAW, ARBITRATION AND WAIVER OF JURY TRIAL FOR CERTAIN CLAIMS.

IMPORTANT TERMS AND CONDITIONS OF CONTRACT – READ CAREFULLY

In consideration of the receipt of the full cruise fare, Carnival Cruise Line (“Carnival”) agrees to transport Guest on the above - specified voyage on the following terms and conditions:

1. DEFINITIONS AND SCOPE OF CONTRACT

(a) Whenever the word “Carnival” is used in this Contract it shall mean and include the Vessel, and all its owners, operators, employees, agents, charterers and tenders. The term “Guest” shall include the plural where appropriate, and means all persons or entities booking or purchasing passage and/or traveling under this Contract, including heirs, representatives and any accompanying minors. The masculine includes the feminine. “Guest” shall have the same meaning as “Passenger” in this Contract.

(b) “Cruise Fare” or “Fare” means the amount paid for the cruise which includes full board, ordinary ship’s food during the voyage, but not gratuities, spirits, wine, beer, soft drinks or mineral waters, shore excursions, salon and spa services, Carnival LIVE concerts, or any other incidental charge or expense. The cruise fare shall be deemed to be earned when paid and not refundable except as stated in Carnival’s brochure applicable to the voyage and as provided in Clauses 7 and 8, herein.

(c) Cruise Fare does not include Cruise Taxes, Fees, and Port Expenses. “Cruise Taxes, Fees, and Port Expenses” may include any and all fees, charges, tolls and taxes imposed on Carnival, by governmental or quasi-governmental authorities, as well as third party fees and charges arising from a vessel’s presence in a harbor or port. Cruise Taxes, Fees and Port Expenses may include U.S. Customs fees, head taxes, Panama Canal tolls, dockage fees, wharfage fees, inspection fees, pilotage, immigration and naturalization fees, and Internal Revenue Service fees, as well as fees associated with navigation, berthing, stevedoring, baggage handling/storage, and security services. Cruise Taxes, Fees, and Port Expenses may be assessed per passenger, per berth, per ton or per vessel. Assessments calculated on a per ton or per vessel basis will be spread over the number of passengers on the Vessel. Cruise Taxes, Fees and Port Expenses are subject to change and Carnival reserves the right to collect any increases in effect at the time of sailing even if the fare has already been paid in full.

(d) Cruise Fare does not include fuel supplement charges, security surcharges, or similar incidental surcharges (“surcharges”); Carnival reserves the right to impose or pass any of these surcharges and no right of cancellation shall be implied. “Fuel supplement” shall mean any additional charge to defray a portion of Carnival’s fuel costs. The amount of fuel supplements and government fees and taxes collected are subject to change. Carnival reserves the right to charge a fuel supplement of up to \$9.00 USD, or its equivalent in foreign currency, per person per day, without prior notice, in the event that the price of light sweet crude oil according to the NYMEX (New York Mercantile Exchange Index) is greater than \$70.00 USD per barrel of oil. Carnival may collect any fuel supplement in effect at the time of sailing, even if the cruise fare has been paid in full.

(e) This ticket is valid only for the person(s) named hereon as Guests and cannot be transferred or modified without Carnival’s written consent. The acceptance or use of this ticket by the person(s) named hereon as Guests shall be deemed acceptance and agreement by each of them to all of the terms and conditions of this cruise Contract.

(f) All rights, exemptions from liability, defenses and immunities of Carnival under this contract shall also inure to the benefit of Carnival’s facilities, whether at sea or ashore, servants, agents, managers, affiliated or related companies, suppliers, shipbuilders and manufacturers of component parts and independent contractors, including, but not limited to, shore excursion or tour operators, ship’s physician, ship’s nurse, retail shop personnel, health and beauty staff, fitness staff, video diary staff, and other concessionaires, who shall have no liability to the Guest, either in contract or in tort, which is greater than or different from that of Carnival.

(g) Except as otherwise expressly provided herein, this contract constitutes the entire agreement between Carnival and Guest and supersedes all other agreements, oral or written. Any alteration to any term of this contract must be in writing and authorized by Carnival. In the event of a direct conflict between a provision of this contract and a provision of the Cruise Industry Passenger Bill of Rights (PBOR) in effect at the time of booking PBOR controls. Guests purchasing Carnival LIVE concert tickets, spa services or shore excursions through Carnival are subject to the additional terms and conditions which are incorporated by reference. Except as provided in Clause 13 below, should any provision of this contract be contrary to or invalid by virtue of the law of the jurisdiction in which this contract is sought to be enforced or be so held by a court of competent jurisdiction, such



Cruise/Cruisetour Ticket Contract

IMPORTANT NOTICE TO GUESTS

YOUR CRUISE/CRUISETOUR TICKET CONTRACT CONTAINS IMPORTANT LIMITATIONS ON THE RIGHTS OF PASSENGERS. IT IS IMPORTANT THAT YOU CAREFULLY READ ALL TERMS OF THIS CONTRACT, PAYING PARTICULAR ATTENTION TO SECTION 3 AND SECTIONS 9 THROUGH 11, WHICH LIMIT OUR LIABILITY AND YOUR RIGHT TO SUE, AND RETAIN IT FOR FUTURE REFERENCE.

THIS AGREEMENT REQUIRES THE USE OF ARBITRATION FOR CERTAIN DISPUTES AND WAIVES ANY RIGHT TO TRIAL BY JURY TO RESOLVE THOSE DISPUTES. PLEASE READ SECTION 10 BELOW.

1. INTRODUCTION:

This Cruise/CruiseTour Ticket Contract (the '**Ticket Contract**') describes the terms and conditions that will apply to the relationship between the Passenger (as defined in Section 2.f below) and the Carrier (as defined in Section 2.b below) for the Vessel with respect to the Cruise or CruiseTour covered by this Agreement. Except as otherwise expressly provided herein, this Agreement supersedes any other written or oral representations or agreements relating to the subject matter of this Agreement or the Cruise or the CruiseTour but excluding the terms of the Cruise Lines International Association ("CLIA") Passenger Bill of Rights that the Vessel's Operator has adopted as a requirement of being a member of CLIA. In the event of a direct conflict between a provision of this Ticket Contract and a provision of the CLIA Passenger Bill of Rights in effect at the time of booking (the "CLIA Passenger Bill of Rights"), the CLIA Passenger Bill of Rights controls.

Purchase or use of this Ticket Contract, whether or not signed by the Passenger, shall constitute the agreement by Passenger, on behalf of himself and all other persons traveling under this Ticket Contract (including any accompanying minors or other persons for whom the Ticket Contract was purchased), to be bound by the terms and conditions of this Ticket Contract. This Ticket Contract cannot be modified except in a writing signed by a corporate officer of Operator. In addition, Guest acknowledges the availability of and Guest agrees to abide by the terms and conditions, including but not limited to certain payment terms such as minimum deposit requirements and payment due dates, which appear in the applicable Carrier brochure or online at www.RoyalCaribbean.com. In the event of any conflict between such other brochure or website materials and this Ticket Contract, the terms of this Ticket Contract shall prevail.

2. DEFINITIONS:

- a. '**Agreement**' or '**Contract**' means the terms and conditions set forth in this Ticket Contract together with the Cruise or CruiseTour Fare due for Your Cruise or CruiseTour. Together, the items described in the preceding sentence shall constitute an agreement between Passenger and Operator for the Cruise or CruiseTour.
- b. '**Carrier**' shall include: (i) the Vessel, or any substituted ship; (ii) the Vessel's Operator; and (iii) with respect to the Land Tour portion of any CruiseTour, the operator of that Land Tour ('LTO') together with the owners, managers, charterers, affiliates, successors and assigns of the entities identified in subsections (i), (ii) and (iii) of this sentence. Carrier also shall include the officers, directors, employees, agents, crew or pilots of the entities identified in the preceding sentence. The exclusions or limitations of liability of Carrier set forth in the provisions of this Ticket Contract, as well as all rights, defenses or immunities set forth herein, shall also apply to and be for the benefit of agents, independent contractors, concessionaires and suppliers of Carrier, as well as owners and operators of all shoreside properties at which the Vessel or the Transport may call, as well as owners, designers, installers, suppliers and manufacturers of the Vessel or Transport, or any component parts of either, together with the employees and servants of each of the foregoing, and/or any launches, craft or facilities of any kind belonging to or provided by any of the entities identified in this paragraph.
- c. '**Cruise**' means the specific cruise covered by this document, as the same may be modified and shall include those periods during which the Guest is embarking or disembarking the Vessel and those periods when the Guest is on land while the Vessel is in port.
- d. '**Cruise Fare**' or '**CruiseTour Fare**' includes the amount due for the Cruise or Cruise Tour, whether such amounts are owing and/or have been paid by the Passenger, but does not include amounts due for other products or services such as air transportation, photographs, gratuities, telephone calls, or medical services which can be purchased separately, nor does it include government or quasi-governmental taxes and fees, whether assessed on a per passenger, per vessel, per berth or per ton basis, nor any fuel surcharges, security surcharges or similar assessments made by airlines, trains, buses, hotels or other third parties which are subject to change and are due and payable by Passenger upon request. For CruiseTours that include air travel, airfare is included in the CruiseTour Fare.
- e. '**CruiseTour**' shall mean the combined vacation package officially published and offered by Carrier, which includes the applicable cruise and associated Land Tour.
- f. '**Operator**' means the entity identified in Section 18 below.
- g. '**Passenger**' or '**Guest**' or '**Your**' means all persons traveling under this Ticket Contract and persons in their care, together with their respective heirs and representatives. '**Passenger**' shall include the plural and the use of the masculine shall include the feminine.

h. '**Land Tour**' shall mean the land tour component of a CruiseTour to be provided either prior to the initial embarkation on the cruise or after the final debarkation from the cruise.

i. '**Transport**' means the railcars, buses and other modes of transportation or accommodation provided by a LTO in connection with a Land Tour.

j. '**Vessel**' means the ship owned or chartered or operated by Operator on which Passenger may be traveling or against which Passenger may assert a claim, as well as any substituted ship used in the performance of this Ticket Contract.

3. BAGGAGE, PROPERTY AND LIMITATIONS OF LIABILITY:

- a. **Baggage Limits and Prohibited Items.** Each adult Passenger is permitted to carry onboard the Vessel or check-in only the wearing apparel and personal effects reasonably necessary for the cruise, including suitcases, trunks, valises, satchels, bags, hangers containing clothing, toiletries and similar items. In no event shall any Passenger bring on board the Vessel or check-in, or in connection with the Land Tour, any illegal controlled substances, fireworks, live animals (except under the terms of Section 12.d below), weapons, firearms, explosives or other hazardous materials, or any other items prohibited by applicable law or Carrier policy. Carrier reserves the right to refuse to permit any Passenger to take on board the Vessel or on any mode of Transport any item Carrier deems inappropriate.
- b. **Liability for Loss of or Damage to Baggage.** Unless negligent, Carrier is neither responsible nor liable for any loss of or damage to Passenger's property, whether contained in luggage or otherwise. Liability for loss of or damage to Passenger's property in connection with any air or ground transportation shall be the sole responsibility of the provider of the service and in accordance with applicable limitations.
- c. **Limitation of Liability for Lost or Damaged Property.** Notwithstanding any other provision of law or this Agreement, Carrier's liability for loss or damage to property during the Land Tour portion of a CruiseTour is limited to \$300.00 per Passenger. Notwithstanding any other provision of law or this Agreement, Carrier's liability for loss or damage to property for the cruise (or for the cruise only portion of a CruiseTour) shall be limited to \$300.00 per Passenger, unless Passenger declares the true value of such property in writing to the Carrier at the address specified in Section 10.a below and pays Carrier within 10 days of final payment for the cruise, a fee of five percent (5%) of the amount that such value exceeds \$300.00. In such event, Carrier's liability shall be limited to its true declared value, but not exceeding \$5,000.
- d. **Limited Carriage.** Carrier does not undertake to carry as baggage any tools of trade, household goods (including but not limited to appliances and furniture) fragile or valuable items, precious metals, jewelry, documents, negotiable instruments or other valuables, including but not limited to those specified in Title 46 of the United States Code, Appendix Section 181. Each Passenger warrants that no such item will be presented to Carrier within any receptacle or container as baggage, and hereby releases Carrier from any liability whatsoever for loss of or damage to such items when presented to Carrier in breach of this warranty. In no event shall Carrier be liable for normal wear or tear of luggage or property, or loss of or damage to jewelry, cash, negotiable paper, photographic/electronic, medical or recreational equipment, dental hardware, eyewear, medications or other valuables unless they are deposited with Carrier on the Vessel for safekeeping against receipt (LTOs do not accept valuables for deposit). Carrier's liability, if any, for loss of or damage to valuables so deposited shall not exceed the amounts indicated in Section 3.c above.

4. MEDICAL CARE AND OTHER PERSONAL SERVICES:

- a. **Availability of Medical Care.** Due to the nature of travel by sea and the ports visited, the availability of medical care onboard the Vessel and in ports of call may be limited or delayed and medical evacuation may not be possible from the Vessel while at sea or from every location to which the Vessel sails.
- b. **Relationship with Service Providers.** To the extent Passengers retain the services of medical personnel or independent contractors on or off the Vessel, Passengers do so at their sole risk. Any medical personnel attending to a Passenger on or off the Vessel, if arranged by Carrier, are provided solely for the convenience of the Passenger, work directly for the Passenger, and shall not be deemed to be acting under the control or supervision of the Carrier, as Carrier is not a medical provider. Likewise, any onboard concessions (including but not limited to the gift shops, spas, beauty salon, art program, photography, formalwear concessions) are either operated by or are independent contractors on board the Vessel, on Transport or elsewhere and are provided solely for the convenience of Passenger. Even though the Carrier shall be entitled to charge a fee and earn a profit for arranging such services, all such persons or entities shall be deemed independent contractors and not acting as agents or representatives of Carrier. Carrier assumes no liability whatsoever for any treatment, failure to treat, diagnosis, misdiagnosis, actual or alleged malpractice.

IMPORTANT NOTICE: Guests are advised to carefully read the terms and conditions of the Guest Ticket Contract set forth below which affect your legal rights and are binding. The Guest's attention is specifically directed to Paragraphs 10 and 14 of the Terms and Conditions of the Guest Ticket Contract. Acceptance or use of this Contract shall constitute the agreement of Guest to these Terms and Conditions.

**NORWEGIAN CRUISE LINE
Guest Ticket Contract**

1. Definitions: This Contract is between the Carrier and the Guest. The "Guest" is each person whose name appears on the face of this ticket and/or who uses the ticket for passage on the voyage described in the ticket, and includes any accompanying minors, and any of their heirs, successors, assigns or representatives. The word "Carrier" shall mean NCL (Bahamas) Ltd. doing business as Norwegian Cruise Line and shall include its subsidiaries, affiliates, agents, assigns, as well as the vessel upon which the voyage was booked or any vessel substituted in its place, including the master and crew of the vessel(s) for Guest's voyage. However, for voyages on the Pride of America, the word "Carrier" shall mean NCL America LLC doing business as NCL America and shall include its subsidiaries, affiliates, agents, assigns, as well as the vessel Pride of America, or any vessel substituted in its place, including the master and crew of the vessel(s) for Guest's voyage.

2. The Contract: The Guest agrees that this Contract governs the relationship between the Guest and the Carrier, regardless of the Guest's age, whether the Guest purchased the ticket on his or her own behalf, and/or whether the ticket has been held and/or presented by another person on behalf of the Guest. The Guest agrees that, except as expressly provided herein, this Contract constitutes the entire agreement between the Guest and Carrier, and shall supersede and exclude any prior representations that may have been made in relation to the cruise to the Guest or anyone representing him/her by anyone, including but not limited to anything stated in the Carrier's brochures, advertisements, and other promotional materials, by Norwegian Cruise Line or NCL America employees or by third persons such as travel agents. In the event of a direct conflict between a provision of this Contract and a provision of the *Cruise Industry Passenger Bill of Rights (PBOR)* in effect at the time of booking, the PBOR controls. No person other than the person(s) named in the Ticket Contract can use the Ticket Contract without the express written agreement of the Carrier. This Contract is only valid for the cruise specified in the accompanying ticket. The terms herein shall be binding upon payment of the cruise fare by the Guest and Guest accepts and agrees to the terms upon presenting this Contract to the Carrier for boarding even if no payment of the cruise fare has been made. The rights, defenses, immunities and limitations of liability set forth herein shall inure to the benefit of the Carrier and all concessionaires, independent contractors or other service providers; and affiliated or related companies, parents, subsidiaries, successors, assigns or fictitiously named entities; all suppliers, shipbuilders, component part manufacturers; and its or their owners, operators, managers, charterers, agents, pilots, officers, crew and employees.

3. Terms of Fare:

(a) Items Included in Fare: The fare paid by the Guest for this ticket includes transportation on the vessel named herein, full board, and ordinary vessel food, but does not include beer, wine, spirits, sodas or mineral waters, nor expenses incurred for other incidental or personal services/purchases. Fares do not include certain taxes, fees, port expenses and charges imposed by governmental or quasi-governmental authorities, including port authorities, service charges or the cost of the fuel supplement, nor any security surcharges or similar incidental surcharges, for which passengers will be charged. If governmental or quasi-governmental action results in any element of such taxes and fees exceeding the estimates used by Carrier for purposes of computing the quoted amount, Carrier reserves the right to pass through the extra amount. The Guest agrees that the Carrier shall not be liable to make any refund to the Guest for tickets that are wholly or partially unused by the Guest except as otherwise expressly stated in this Contract, any law or government regulation to the contrary notwithstanding. Refunds shall be made as specified herein and in the cancellation policy section of the Terms and Conditions of the cruise brochure, which policy is incorporated herein by reference.

(b) Upgrades/Errors: Carrier reserves the right to collect the fare in effect for the accommodations selected by the Guest. Carrier shall be entitled to, but not obligated to, upgrade any guest free of charge to higher priced accommodations, at the sole discretion of Carrier. Carrier shall not be obligated to honor any booking resulting from, nor shall be responsible or liable whatsoever in connection with, misprints or

Welcome!

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PASSAGE CONTRACT

PRINCESS CRUISE LINES, LTD PASSAGE CONTRACT

IMPORTANT NOTICE TO GUESTS: PLEASE CAREFULLY READ THE FOLLOWING PASSAGE CONTRACT TERMS THAT GOVERN ALL DEALINGS BETWEEN YOU AND CARRIER, AFFECT YOUR LEGAL RIGHTS AND ARE BINDING ON YOU, TO THE FULL EXTENT PERMITTED BY LAW; PARTICULARLY SECTION 12 GOVERNING THE PROVISION OF MEDICAL AND OTHER PERSONAL SERVICES, SECTIONS 13 AND 14 LIMITING CARRIER'S LIABILITY FOR YOUR DEATH, ILLNESS, INJURY, OR DAMAGE CLAIMS RELATING TO BAGGAGE OR PERSONAL PROPERTY, AND SECTION 15 LIMITING YOUR RIGHT TO SUE, AND REQUIRING ARBITRATION AND WAIVER OF JURY TRIAL FOR CERTAIN CLAIMS.

1. INTRODUCTION; DEFINITIONS; GOVERNING LAW.

Upon booking the Cruise, each Guest named on the travel summary explicitly agrees to the terms of this Passage Contract. Any Guest booking or purchasing the Cruise represents that he or she is authorized by all accompanying Guests to accept and agree to all the terms and conditions set forth herein.

You acknowledge and agree that, except as otherwise expressly provided herein, the resolution of any and all disputes between Carrier and any Guest shall be governed exclusively and in every respect by the general maritime law of the United States without regard to its choice of law principles, except in cases involving death arising outside the United States which shall be governed exclusively by the Death on the High Seas Act, 46 U.S.C. § 30301, *et seq.* You agree this choice of law provision replaces, supersedes and preempts any provision of law of any state or nation to the contrary.

This Passage Contract constitutes the entire understanding and agreement between You and Princess Cruise Lines, Ltd., the operator of the ship ("**Carrier**"), and supersedes any other prior oral, implied, written or other representations or agreements between You and Carrier, except that in the event of a direct conflict between a provision of this Passage Contract and a provision of the *Cruise Industry Passenger Bill of Rights* (PBOR) in effect at the time of booking, the PBOR controls. This Passage Contract governs the relationship between You and Carrier, whether the Cruise is purchased by You or on Your behalf, and can only be modified by a subsequent writing signed by Carrier. You may not sell, assign or transfer Your booking, eDocs or airline eTickets and no person other than that named on the boarding pass may use the boarding pass. "eDocs" refers to Your travel summary, boarding pass and luggage tags. Any portion or provision of this Passage Contract which is invalid, illegal or unenforceable shall be ineffective only to the extent of such invalidity, illegality or unenforceability and, except as noted in Section 15(B)(ii) below, shall be severed from this Contract without affecting in any way the remaining provisions of the Passage Contract which shall remain in full force and effect.

You and Carrier agree and intend that certain third party beneficiaries derive rights and exemptions from liability as a result of this Passage Contract. Specifically, all of Carrier's rights, exemptions from liability, defenses and immunities under this Passage Contract (including, but not limited to, those described in Sections 4, 6, 7, 12, 13, 14, and 15) will also inure to the benefit of the following persons and entities who shall be considered "Carrier" only for purposes of such rights, exemptions from liability, defenses and immunities: Carrier's employees, agents, the ship named on the travel summary and/or boarding pass (or any substituted ship), the ship's tenders, the ship's owners, operators, managers, charterers, and agents, any affiliated or related companies thereof and their officers, crew, pilots, agents or employees, and all concessionaires, independent contractors, physician and medical personnel, retail shop personnel, health and beauty staff, fitness staff, photographers, shore excursion providers, tour

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operators, shipbuilders and manufacturers of all component parts, launches, appurtenances, craft or facilities, whether provided at sea or on shore, belonging to any such ship or owned or operated by its owners, operators, managers, agents, charterers, contractors or concessionaires.

"Cruise" means the scheduled voyage as published in the travel summary and/or boarding pass issued in connection with this Passage Contract, as may be amended pursuant to this Passage Contract, from the port of embarkation to the port of disembarkation, and also includes any air, rail, road or sea transport and any land accommodation components of any land-sea package sold, taken with or included in the price of the Cruise, and any activities, shore excursions, tours, or shoreside facilities related to or offered during the Cruise.

"Cruise Fare" means the amount payable by You to Carrier for Your Cruise. It covers the Cruise, scheduled meals and accommodations while on board, air programs and/or other travel components added to Your Cruise Fare and charged to Your stateroom account and/or credit card. The Cruise Fare does not include beer, wine, spirits, sodas or other bottled or specialty beverages, or charges for other incidental items, activities, excursions, transportation or personal services during or in connection with the Cruise; or any Taxes, Fees, Port Expenses, airline or other carriers' services or baggage fees, for which a separate charge may be imposed.

"You," "Your" and "Guest" mean the person(s) booking or purchasing the Cruise or named on the travel summary and persons in their care, including any minor, and their heirs, relatives, successors in interest, traveling companions, and personal representatives.

"Taxes, Fees & Port Expenses" as used by Carrier, may include any and all fees, charges, tolls and taxes imposed on us by governmental or quasi-governmental authorities, as well third party fees and charges arising from a vessel's presence in a harbor or port. Taxes, Fees & Port Expenses may include U.S. Customs fees, head taxes, Panama Canal tolls, dockage fees, wharfage fees, inspection fees, pilotage, air taxes, hotel or VAT taxes incurred as part of a land tour, immigration and naturalization fees, and Internal Revenue Service fees, as well as fees for navigation, berthing, stevedoring, baggage handling/storage and security services. Taxes, Fees, & Port Expenses may be assessed per guest, per berth, per ton or per vessel. Assessments calculated on a per ton or per vessel basis will be spread over the number of passengers on the Ship. Taxes, Fees & Port Expenses are subject to change and Carrier reserves the right to collect any increases in effect at the time of sailing even if the fare has already been paid in full.

2. GUEST'S OBLIGATIONS.

- (A) Before You board the ship, You must
 - (i) Pay Your Cruise Fare.
 - (ii) Familiarize yourself with the terms of the Passage Contract.
 - (iii) Bring all necessary travel documents such as passports, visas, proof of citizenship, re-entry permits, minor's permissions, medical certificates showing all necessary vaccinations, and all other documents necessary for ports of call in the countries to which You will travel.

It is the Guest's sole responsibility to obtain and have available when necessary the appropriate valid travel documents. All Guests are advised to check with their travel agent or the appropriate government authority to determine the necessary documents. You will be refused boarding or disembarked without liability for refund, payment, compensation, or credit of any kind if You do not have proper documentation, and You will be subject to any fine or other costs incurred by Carrier which result from improper documentation or noncompliance with applicable regulations, which amount may be charged to Your stateroom account and/or credit card.

PASSPORT REQUIREMENT WHEN MINORS TRAVEL WITH ONE ADULT ON VOYAGES GOVERNED BY U.S. WESTERN HEMISPHERE TRAVEL INITIATIVE ("WHTI") (includes travel within BERMUDA, CANADA, CARIBBEAN, MEXICO, UNITED STATES)

When minors are traveling with only one adult 21 years of age or older, Carrier requires that all guests must be in possession of a valid passport. Carrier has implemented this requirement so that

Cruise/Cruisetour Ticket Contract (excludes Celebrity Xpedition)

IMPORTANT NOTICE TO GUESTS

YOUR CRUISE/CRUISETOUR TICKET CONTRACT CONTAINS IMPORTANT LIMITATIONS ON THE RIGHTS OF PASSENGERS. IT IS IMPORTANT THAT YOU CAREFULLY READ ALL TERMS OF THIS CONTRACT, PAYING PARTICULAR ATTENTION TO SECTION 3 AND SECTIONS 9 THROUGH 11, WHICH LIMIT OUR LIABILITY AND YOUR RIGHT TO SUE, AND RETAIN IT FOR FUTURE REFERENCE.

THIS AGREEMENT REQUIRES THE USE OF ARBITRATION FOR CERTAIN DISPUTES AND WAIVES ANY RIGHT TO TRIAL BY JURY TO RESOLVE THOSE DISPUTES. PLEASE READ SECTION 10 BELOW.

1. INTRODUCTION:

This Cruise/CruiseTour Ticket Contract (the "Ticket Contract") describes the terms and conditions that will apply to the relationship between the Passenger (as defined in Section 2.f below) and the Carrier (as defined in Section 2.b below of the Vessel with respect to the Cruise or CruiseTour covered by this Agreement. Except as otherwise expressly provided herein, this Agreement supersedes any other written or oral representations or agreements relating to the subject matter of this Agreement or the Cruise or the CruiseTour.

Purchase or use of this Ticket Contract, whether or not signed by the Passenger, shall constitute the agreement by Passenger, on behalf of himself and all other persons traveling under this Ticket Contract (including any accompanying minors or other persons for whom the Ticket Contract was purchased), to be bound by the terms and conditions of this Ticket Contract. This Ticket Contract cannot be modified except in a writing signed by a corporate officer of Operator. In addition, Guest acknowledges the availability of and Guest agrees to abide by the terms and conditions, including but not limited to certain payment terms such as minimum deposit requirements and payment due dates, which appear in the applicable Carrier brochure or online at www.celebritycruises.com. In the event of any conflict between such other brochure or website materials and this Ticket Contract, the terms of this Ticket Contract shall prevail.

2. DEFINITIONS:

- a. "Agreement" or "Contract" means the terms and conditions set forth in this Ticket Contract together with the Cruise or CruiseTour Fare due for Your Cruise or CruiseTour. Together, the items described in the preceding sentence shall constitute an agreement between Passenger and Operator for the Cruise or CruiseTour.
- b. "Carrier" shall include: (i) the Vessel, or any substituted ship; (ii) the Vessel's Operator; and (iii) with respect to the RCT Land Tour portion of any CruiseTour, Royal Celebrity Tours Inc. ("RCT") together with the owners, managers, charterers, affiliates, successors and assigns of the entities identified in subsections (i), (ii) and (iii) of this sentence. Carrier also shall include the officers, directors, employees, agents, crew or pilots of the entities identified in the preceding sentence. The exclusions or limitations of liability of Carrier set forth in the provisions of this Ticket Contract, as well as all rights, defenses or immunities set forth herein, shall also apply to and be for the benefit of agents, independent contractors, concessionaires and suppliers of Carrier, as well as owners and operators of all shoreside properties at which the Vessel or the Transport may call, as well as owners, designers, installers, suppliers and manufacturers of the Vessel or Transport, or any component parts of either, together with the employees and servants of each of the foregoing, and/or any launches, craft or facilities of any kind belonging to or provided by any of the parties identified in this paragraph.
- c. "Cruise or CruiseTour Fare" includes the amount due for the Cruise or Cruise Tour, whether such amounts are owing and/or have been paid by the Passenger, but does not include amounts due for other products or services such as air transportation, photographs, gratuities, telephone calls, or medical services which can be purchased separately, nor does it include government or quasi-governmental taxes and fees, whether assessed on a per passenger, per vessel, per berth or per ton basis, nor any fuel surcharges, security surcharges or similar assessments made by airlines, trains, buses, hotels or other third parties which are subject to change and are due and payable by Passenger upon request. For CruiseTours that include air travel, airfare is included in the CruiseTour Fare.

Carrier reserves the right to impose a supplemental charge relating to unanticipated occurrences including, but not limited to, increases in the price of fuel. Any such supplement charges may apply, at Carrier's sole discretion, to both existing and new bookings (regardless of whether such bookings have been paid in full). Such supplements are not included in the Cruise or CruiseTour Fare.

- d. "CruiseTour" shall mean the combined vacation package officially published and offered by Carrier, which includes the applicable cruise and associated RCT Land Tour.
- e. "Operator" means the entity identified in Section 18 below.
- f. "Passenger" or "Guest" or "Your" means all persons traveling under this Ticket Contract and persons in their care, together with their respective heirs and representatives. "Passenger" shall include the plural and the use of the masculine shall include the feminine.
- g. "RCT Land Tour" shall mean the land tour component of a CruiseTour to be provided either prior to the initial embarkation on the cruise or after the final debarkation from the cruise.
- h. "Transport" means the railcars, buses and other modes of transportation or accommodation provided by RCT in connection with a RCT Land Tour.
- i. "Vessel" means the ship owned or chartered or operated by Operator on which Passenger may be traveling or against which Passenger may assert a claim, as well as any substituted ship used in the performance of this Ticket Contract.

3. BAGGAGE, PROPERTY AND LIMITATIONS OF LIABILITY:

- a. **Baggage Limits and Prohibited Items.** Each adult Passenger is permitted to carry onboard the Vessel or check-in only the wearing apparel and personal effects reasonably necessary for the cruise, including suitcases, trunks, valises, satchels, bags, hangers containing clothing, toiletries and similar items. In no event shall any Passenger bring on board the Vessel or check-in, or in connection with the RCT Land Tour, any illegal controlled substances, fireworks, live animals (except under the terms of Section 12.d below), weapons, firearms, explosives or other hazardous materials, or any other items prohibited by applicable law or Carrier policy. Carrier reserves the right to refuse to permit any Passenger to take on board the Vessel or on any mode of Transport any item Carrier deems inappropriate.
- b. **Liability for Loss of or Damage to Baggage.** Unless negligent, Carrier is neither responsible nor liable for any loss of or damage to Passenger's property, whether contained in luggage or otherwise. Liability for loss of or damage to Passenger's property in connection with any air or ground transportation shall be the sole responsibility of the provider of the service and in accordance with applicable limitations.
- c. **Limitation of Liability for Lost or Damaged Property.** Notwithstanding any other provision of law or this Agreement, Carrier's liability for loss or damage



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March 28, 2016

Mr. Thomas F. Panza
Panza Maurer & Maynard
3600 N. Federal Highway, Third Floor
Fort Lauderdale, Florida 33308

Re: FCCA Application for Change in Rates – PortMiami

Dear Mr. Panza:

In the Florida-Caribbean Cruise Association (“FCCA”) application for a change of rates of pilotage in PortMiami, you allege that the “current pilotage rates at PortMiami are grossly excessive, particularly as it relates to large passenger vessels calling on PortMiami with frequency.” FCCA Application, p. 4. During the 2014 rate hearing concerning your application, Admiral Baumgartner testified that the cruise lines consider pilotage rates in determining where to base ships, and there was discussion about cruise lines passing pilotage costs on to passengers. (Tr., pp. 548, 574.)

The Legislature has directed the Pilotage Rate Review Committee (“PRRC”) to give “primary consideration to the public interest in promoting and maintaining efficient, reliable, and safe piloting services.” § 310.151(5)(a), Fla. Stat. The public interest certainly includes analysis of the per-passenger cost of pilotage fees and whether those costs are, in fact, passed on to passengers. The public interest also requires specific facts and analysis of the financial burden imposed on each of the cruise line members of the FCCA by the present rates at PortMiami. Now that a new hearing on your application has been scheduled for June 1-3, 2016, information about these issues should be made available for consideration by the PRRC.

Therefore, and consistent with the requirements of Chapter 310, I request that for calendar years 2013, 2014, and 2015, the members of the FCCA provide me all documents reflecting the financial condition and operating expenses of each member company including, but not limited to, any and all financial statements, profit and loss statements, balance sheets, statements of operating expenses, and annual financial reports. In addition, and more specifically, please provide the following:

All documents, computer programs, or other data reflecting the pricing methodology for each member cruise line, and how pilotage fees are factored into passenger pricing for the voyage and any on-board purchases;

The per-passenger income and profit for years 2013-2015;



Mr. Thomas F. Panza
March 28, 2016
Page 2 of 2



The per-passenger cost of pilotage fees for ships calling on PortMiami;

The passenger cost of pilotage fees for these same ships calling on other ports in the United States; and

The per passenger cost of each specific Port Charge for ships calling on PortMiami.

Please provide us with responsive documents within 30 days from today's date. Should you have any questions about this request, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read 'Donna E. Blanton'.

Donna E. Blanton

cc: Tom Campbell
Clark Jennings



THOMAS F. PANZA
 ATTORNEY AT LAW
 FORT LAUDERDALE

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 (954) 390-0100 Fax (954) 390-7991
 Please reply to Fort Lauderdale Office

MIAMI
 Two Alhambra Plaza
 Suite 102
 Coral Gables, FL 33134
 (305) 906-0155

April 11, 2016

VIA EMAIL: dblanton@radevlaw.com

Donna E. Blanton, Esq.
 Radey Law Firm
 301 S. Bronough, Suite 200
 Tallahassee, FL 32301

Re: Response to Request For Documentation
 Our File No.: 2127/14-20520

Dear Ms. Blanton:

I am in receipt of your March 28th letter, requesting documentation and information from FCCA cruise line members. We will not provide you the information requested.

Foremost, it is clear from the statutes and prior rate proceedings that there is no right to discovery in pilotage rate review proceedings. We previously requested extensive information from the Biscayne Bay Port Pilots regarding their financial condition, which was staunchly refused by BBP. BBP has no right to request documents or data from the FCCA (or vice versa) and each party is free to make their presentation based on the information available to them at the time of the final hearing.

Moreover, your request is extremely overbroad, seeks confidential and proprietary business information, and is not consistent with the requirements of Chapter 310. Your letter fails to connect the dots as to how per passenger pilotage fee costs, per passenger income and revenue, or any passenger financial data is relevant to whether the current pilotage fees charged are sufficient to maintain "efficient, reliable, and safe piloting services".

Thank you for your time and consideration.

Sincerely,

THOMAS F. PANZA

