

(H. B. 1584)

**(No. 124-2018)**

(Approved June 30, 2018)

## **AN ACT**

To amend Sections 4, 5, and 6 of Act No. 113-2011, known as the “Puerto Rico Cruise Ship Industry Promotion and Development Act,” as amended, in order to extend the effective term of the incentives to Fiscal Year 2019-2020; and for other related purposes.

### **STATEMENT OF MOTIVES**

Throughout its history, the cruise ship industry has fulfilled the vacation desires of its passengers and embraced innovation when developing new destinations, new ship designs, as well as various amenities and facilities. Cruise lines provide passengers with many deals and stay options that conform to the needs of potential customers. Such offers are obtained through airlines and modern port infrastructures that make cruise ships an accessible vacation option for a growing and affluent customer base, thus offering pleasant vacation experiences to millions of passengers worldwide every year.

The cruise ship industry has become an integral part of the tourism sector and contributes significantly to the economy. Furthermore, this industry is a prime example of globalization, with a large number of ports and destinations all around the world, multinational and multicultural customers and personnel from all continents, as well as a never before seen level of independence from communities and nations. All of the foregoing has important economic, environmental, and social implications.

The cruise ship industry is the fastest growing industry in the leisure travel market. Since 1980, this industry has experienced a constant growth of approximately 7% each year. From 2005 to 2015, cruise ship travel demand increased by 62%. In 2016, the cruise ship industry served 24.2 million passengers worldwide.

The tourism industry has fueled development despite the difficult economic situation that Puerto Rico has faced during the past decade. However, we are still far from becoming the tourism leaders in the Caribbean, which is a commitment of this administration. The road towards this goal has been set by initiatives such as Act No. 17-2017, known as the “Act to Promote Puerto Rico as a Destination,” which creates a destination marketing organization (DMO) for the purpose of developing Puerto Rico’s tourism brand, promoting the Island to attract visitors, and guaranteeing the continuity of such efforts, among other purposes.

One of the core pillars of our tourism industry is the cruise ship sector, which has experienced unprecedented growth these past years. In order to maintain this trend, it is necessary to promulgate measures and implement public policies that are consistent with the needs of the industry. The Plan for Puerto Rico set the goal of promoting the cruise ship industry on page 55. The Plan acknowledges that, despite recent advances, our Island is lagging in the number of passengers received when compared to other Caribbean destinations. In order to rectify this situation, it is the public policy of this administration to promote investment in the maintenance and improvement of port infrastructure and the development of ports such as the Ponce and Mayagüez ports, among other strategies.

At a global scale, the average expenditure per cruise ship passenger across all destinations is \$103.83, and the average expenditure per crewmember is \$67.10. The highest expenditure per passenger was \$191.26 in St. Maarten, and the highest expenditure per crewmember was \$149.44 in Puerto Rico.

The average cruise ship trip carrying 3,000 passengers and 1,250 crewmembers generates \$311,490 in passenger spending. The income generated from crewmembers who disembark in Puerto Rico is approximately \$186,800. Moreover, cruise ships spend approximately \$110,000 in fuel, provisions, and port personnel, not including indirect taxes.

For the past years, Puerto Rico has experienced a steady increase in the number of cruise ship passengers as a result of the incentives granted through Act No. 113-2011, as amended, which allowed more local transportation and tour companies to offer their services to cruise ship passengers. The aforementioned Act was the result of a joint effort between the public and private sectors, the latter of which is mostly comprised of cruise ship and tourist transportation companies.

Last winter, 14 cruise ships, 4 more than the winter before, used Puerto Rico as their home port. The year 2018 is shaping up to be a year of substantial growth for the cruise ship industry, with a projection of 1.8 million passengers, 300,000 more than in 2015. This represents an economic impact of approximately \$250 million. Among other factors, this growth was fostered by the arrival of more OASIS-class ships in 2017, in addition to the first-ever visit of the Viking Sea luxury cruise ship. In May 2018, Royal Caribbean significantly increased the capacity of their home port in San Juan by scheduling the Freedom of the Seas for weekly departures year-round, thus bringing 50,000 additional passengers. We are also expecting the first visit of a new generation of cruise ships such as the MSC Seaside. Likewise, Royal Caribbean and Holland America started visiting the Ponce port.

Act No. 113-2011, as amended, establishes that the incentives shall be granted until Fiscal Year 2017-2018. Since cruise ship itineraries are planned two years in advance, it is essential to amend the Act in order to extend the effectiveness of the incentives to Fiscal Year 2020-2021. This extension is necessary to guarantee the industry's growth in our Island.

For the purpose of maintaining the stability and growth of the cruise ship industry, this Legislative Assembly deems it beneficial to extend the incentives provided under Act No. 113-2011, as amended, to June 30<sup>th</sup>, 2020. This measure shall provide an immediate assurance to cruise lines during the process of planning trips to Puerto Rico, allowing for new historic visitor records.

***BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:***

Section 1.- Section 4 of Act No. 113-2011, is hereby amended to read as follows:

“Section 4.- Tourism Company Fund - Creation

...

(a) During Fiscal Year 2011-2012 until Fiscal Year 2013-2014, one million five hundred thousand dollars (\$1,500,000) annually from the funds of the Puerto Rico Tourism Company. During Fiscal Year 2013-2014, five million five hundred thousand dollars (\$5,500,000) from the funds of the Puerto Rico Tourism Company and five million five hundred thousand dollars (\$5,500,000) earmarked by the Office of Management and Budget as part of the General Budget, subject to compliance with Section 5 of this Act. During Fiscal Years 2014-2015, 2015-2016, 2016-2017, and 2017-2018, six million two hundred fifty thousand dollars (\$6,250,000) from the funds of the Puerto Rico Tourism Company, and six million five hundred thousand dollars (\$6,500,000) earmarked by the Office of Management and Budget as part of the General Budget, subject to compliance with Section 5 of this Act. During Fiscal Years 2018-2019 and 2019-2020, the amounts needed for the payment of the incentives shall derive from the revenues of the Puerto Rico Tourism Company, subject to compliance with Section 5 of this Act.

(b) ...

(c) ...

(d) ...

(e) ...”

Section 2.- Section 5 of Act No. 113-2011 is hereby amended to read as follows:

“Section 5.- Establishment of Incentives for Cruise Ship Companies or Operators:

(a) Cruise ship companies or operators that visit any port in the jurisdiction of Puerto Rico may be eligible for the following benefits:

1. Cruise Ship Company Incentive:

i. For cruise ships that dock in a port in the jurisdiction of Puerto Rico through June 30, 2020, four dollars and ninety-five cents (\$4.95) shall be deducted from the thirteen dollars and twenty-five cents (\$13.25) tax imposed per passenger as fixed by the head or administrative authorities of the ports of Puerto Rico. This incentive shall apply to the first one hundred forty thousand (140,000) passengers arriving to any port of Puerto Rico in the company’s cruise ships within the twelve (12)-month period of the fiscal year, beginning Fiscal Year 2011-2012. Likewise, seven dollars and forty-five cents (\$7.45) per passenger shall be deducted when the company has exceeded such number of passengers. If the port tax is less than the thirteen dollars and twenty-five cents (\$13.25)-tax, four dollars and ninety-five cents (\$4.95) shall be deducted from the tax applicable to said port. If there is any reduction in the official fixed taxes, the incentive herein provided shall be reduced in the same proportion.

ii. ...

2. Home Port Frequent Visit Incentive:

...

3. Cruise Ship Home Port Bilateral Marketing Program:

...

4. Port of Call Incentive:

...

5. Supplies and Service Incentives:

...

(b) To ensure the fiscal soundness and reliability of the incentives program, it shall be in effect until Fiscal Year 2019-2020.

(c) ...

(d) ...”

Section 3.- Section 6 of Act No. 113-2011 is hereby amended to read as follows:

“Section 6.- Establishment of Incentives for Organizations Authorized by the Tourism Company to Offer Tourist Transportation in Piers.

(a) Any tour company authorized by the Puerto Rico Tourism Company to offer tours or tourist transportation in the piers of Puerto Rico in which it collects and drops off passengers shall be entitled to provide its services and contract directly with cruise ship companies and may receive a basic one dollar (\$1.00)-contribution per cruise ship passenger that purchases a tour in the cruise ship in which he travels. Tour companies may receive a special four dollar (\$4.00)-contribution for each cruise ship passenger that purchases a tour in the cruise ship in which he travels; provided, such tour includes a visit to the municipalities of Vieques and/or Culebra. The special contribution for tours to Vieques and Culebra shall be in addition to the basic contribution. The Puerto Rico Tourism Company may change the contribution per passenger, according to the need to incentivize the purchase of these tours and the market competitiveness. The incentives described in this subsection shall be in effect until Fiscal Year 2019-2020, inclusively.”

Section 4.- This Act shall take effect on July 1<sup>st</sup>, 2018.

## CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 124-2018 (H. B. 1584)** of the **3<sup>rd</sup> Regular Session** of the **18<sup>th</sup> Legislative Assembly of Puerto Rico**:

**AN ACT** to amend Sections 4, 5, and 6 of Act No. 113-2011, known as the “Puerto Rico Cruise Ship Industry Promotion and Development Act,” as amended, in order to extend the effective term of the incentives to Fiscal Year 2019-2020; and for other related purposes.

has been translated from Spanish to English and that the English version is correct.

In San Juan, Puerto Rico, on this 8<sup>th</sup> day of January, 2019.

Orlando Pagán-Ramírez  
Director