



January 27, 2005

Ms. Karen Chun
Na Kai 'Ewalu Canoe Club
P. O. Box 330226
Kahului, HI 96733

Ms. Mahina Martin
Hawaiian Canoe Club
c/o Department of Hawaiian Home Lands
655 Kaumuali'i Street, Suite 1
Wailuku, HI 96793

Dear Ms. Chun and Ms. Martin:

As we discussed at the Maui Cruise Ship Task Force meeting on November 16, 2004 I am sending you some information which corrects some of the inaccuracies in the flyer distributed at the meeting titled "Cruise Ships Damaging Hawaiian Culture", on the Save Kahului Harbor website, and websites that are linked to your website.

This may not be a comprehensive list of comments but in the interest of correcting the record in a timely manner we would like to submit this for your review and ask that you retract any inaccurate statements.

Pier 2C Issues

"Pier 2C of the Kahului Harbor Expansion is designed to accommodate the projected quadrupling of cruise ships in Kahului Harbor."

It is not true that pier 2C is designed to accommodate increase in cruise ship traffic. At a meeting with the Department of Transportation and NCL on November 17, 2004, Glenn Soma stated this pier was intended primarily to accommodate barges and tugs, not cruise ships.

As I told representatives of the Maui Cruise Ship Task Force and representatives of Na Kai 'Ewalu and the Hawaiian Canoe Club at the task force's meeting on October 19, 2004, Norwegian Cruise Line and NCL America did not ask for Pier 2C to be built. We are content to be berthed Pier 1A for the Pride of Aloha, the Pride of America and the Pride of Hawaii. Pier 1 is long enough to accommodate any of our ships and the Matson

ships at the same time without any additional improvements. The only improvements that would enhance operations would be modifications to the terminal building, which would allow for separation of cargo operations from passengers and provide a more aesthetically pleasing environment for our guests.

"Cruise ships have pushed aside freight and caused Matson to have to put up its own money to extend pier 1."

Cruise ships have not pushed aside freight ships. According to the Department of Transportation, pier 1 is currently used by Matson, bulk carriers and cruise ships. Young Brothers will occasionally bring a barge to pier 1. We understand that pier 1 will continue to be a mixed-use pier and we support this use of the pier for both cargo and passengers. In speaking to the other current users they do not see that this poses a problem for their operations.

Our port operations staff engages in regular dialogue with Matson, Young Brothers and harbor officials to resolve any scheduling conflicts and we intend to continue this practice with all current and future harbor users. The harbor users have not expressed to us any concern that our future expansion will cause any scheduling conflicts that cannot be resolved through our usual practice of communication and cooperation.

As far as funding for the pier 1 extension, our understanding is that the improvements are being funded under the capital advancement program authorized by Section 266-19.5, Hawaii Revised Statutes and that Matson is not paying for the improvements but is advancing the cost of the improvements and will be reimbursed by a credit on future payments of port fees.

It is also not true that cruise ships take up space that could be used for freight barges or ships and that mainland freight shipping could be tripled if cruise ships did not call on Kahului Harbor. Cargo carriers including fuel barges, bulk cargo ships carrying sugar, coal and tin plate and other cargo and container vessels have priority. Cruise ships are scheduled on a first-come, first-served basis after that. In fact, the scheduler for Kahului Harbor, Steve Pfister stated in a recent Maui News article (November 21, 2004), "The volume has increased, but nobody's been kicked out. Nobody has to sit out there and cut doughnuts (circle the waters outside the harbor until a space opens up)." When conflicts occur, NCL works with harbor officials and harbor users to either move arrival or departure times, change the port NCL calls to or change the berth we tie up at.

Environmental Issues

"Cruise ships dump all their sewage and garbage into the waters off our coasts."

NCL does not dump any untreated waste anywhere and clearly not off Hawaii's coasts. We comply with the Memorandum of Understanding between the State of Hawaii and the Northwest Cruiseship Association and discharge *treated* effluent outside of state waters with permission from the State Department of Health. The effluent that we discharge is the same quality of effluent that we are allowed to discharge *in port* in Alaska.

We comply with all laws and regulations and, in fact, have set company standards that generally exceed these requirements. For example, our wastewater treatment plants on board produce effluent that have suspended solids of 10 mg/l, biochemical oxygen demand (BOD) of 5 to 10 mg/l and non-detectable amounts of fecal coliform. This is in contrast to Hawaii's shoreside municipal treatment plants that produce effluent containing up to 30 mg/l of suspended solids, 30 mg/l of BOD and between 2.2/100 ml and 23/100 ml of fecal coliform.

Each component of our waste stream is managed by waste treatment systems to ensure compliance with all rules, regulations, laws as well as our own internal stringent policies. Examples of how waste streams are managed follow.

Oily Bilge Water

- Treated in an oily water separator to separate the oil from the water
- Clear water at end of treatment. Cleaned water can be discharged by environmental officer, who has the only key to the valves. All openings and closings of the valves are automatically recorded.
- Oily sludge is landed and tested. The sludge is processed and reused for power generation.

Black and Gray Water

- Advanced wastewater treatment systems are installed on all Hawaii ships.
- Effluent is treated through a 5-step treatment process through micro-filters, bioreactors and a finishing treatment with UV light.
- Clear, clean water at end of treatment. Cleaned water meets standards for continuous discharge in Alaska but is discharged 4 miles off-shore (NCL has permission to discharge 1 mile off-shore but our practice is to discharge 4 miles out.)

Solid Waste

- Waste is collected, separated and managed appropriately
- Guests and crew generate 3 to 3.5 pounds per day of solid waste as compared to 6.9 pounds per person per day for people shoreside in Hawaii. Of that amount, over 60% is recycled, compared to a recycle rate of 28% for all Hawaii counties.
- Paper is incinerated at sea (cardboard baler will be installed on the Pride of Aloha so cardboard can be recycled).
- Bottles are crushed and landed for recycling on Maui.
- Cooking oil is landed on Maui for processing into bio-diesel
- Cans are crushed, compacted and landed for recycling on Maui.
- Plastic is compacted and landed for recycling on Maui.
- Biodegradable food waste is pulped and either disposed on-shore or discharged at sea according to international and local regulations

Air Emissions

- Meet all applicable agreements and standards
- Use best fuel available and additives to get the cleanest burn possible

- Finely tune engines to reduce emissions
- Emissions are monitored by opacity monitors
- Load management minimizes number of generators running while sailing and alongside to further reduce emissions.
- The following table compares air emissions for our ships and cars. The comparison is based on emissions per passenger mile. Since there are 1.24 cars per person in Hawaii this analysis assumes that there is one passenger per automobile.

Emission Type	Ship Sailing	Ship in Harbor	Automobile
Hydrocarbon	.37	.15	2.8
Carbon Monoxide	.17	.07	20.9
Oxides of Nitrogen	4.5	1.8	1.4
Carbon Dioxide	.41	.16	.92

Hazardous Waste

- Includes dry cleaning fluids, batteries and cleaning chemicals. The number of chemicals on board has been reduced from 2,000 to 200.
- Collected, properly stored on board and disposed of shoreside
- Shoreside disposal vendors are inspected to assure proper disposal
- All hazardous waste put ashore in Hawaii and shipped to the Mainland for ultimate disposal

Ballast Water

- Open ocean exchange to prevent introduction of non-native species
- NCL has proposed a new patented process to use recycled clear wastewater as ballast water. Use of this process has already been approved by the State of Washington.
- Hulls are painted with non-toxic, slippery coating paint to mitigate hull fouling.

In addition, NCL has established an Environmental Hotline, which is available to crew, and guests to report concerns directly to the Environmental and Regulatory Affairs Department.

Management of waste streams for all cruise ships in U. S. waters is regulated by international agreements and federal laws (including the Clean Water Act), which are enforced by the U. S. Coast Guard. As part of the Northwest Cruiseship Association, NCL and the State of Hawaii have also signed a Memorandum of Understanding that provides for additional requirements for discharge in the waters around Hawaii. The requirements of the MOU are equal to or, in many cases, more stringent than the federal laws and international agreements that govern these waters. More importantly, the MOU covers waters that the state has no jurisdiction in.

Under the federal Clean Water Act the state can only regulate the discharge of sewage by ships by prohibiting discharge *if the EPA determines that the State has adequate facilities to safely remove and treat any off loaded sewage.* All of NCL's ships in Hawaii have advanced wastewater treatment facilities that treat black and gray water so the resulting effluent is clear and clean water. If the state required that this effluent be pumped into the municipal systems on each of the islands, we would be mixing clean water with the raw sewage with the resulting effluent not as clean as the effluent we currently discharge. We note that the Hawaii MOU is more restrictive than the Alaska law in some instances. For example, the water resulting from advanced wastewater treatment plants that NCL and some other ships have is allowed to be discharged in port in Alaska but the Hawaii MOU does not allow any discharges in port at all.

"Security (which is provided by our State agencies) is not reimbursed by the federal government and the \$2 per head passenger fee is inadequate to cover our expenses in infrastructure and staffing."

Security for the ships is paid for by the cruise lines, not the state or federal government. Although the State has the responsibility for preparing the facility security plan and the federal government approves the plan and enforces it, cruise lines like NCL pay for the cost of staff and equipment to implement the plan.

As far as covering the cost of infrastructure and staffing, both the commercial harbors managed by the Department of Transportation and the small boat harbors managed by the Department of Land and Natural Resources are special funded operations. All costs of the harbors are paid out of the special fund including staffing, debt service on bonds for infrastructure improvements and other operating expenses. The source of revenue for the special fund is user fees paid by cruise lines, cargo companies and other users of the ports. Since the harbors are supported by user fees, the more use a company makes of harbor facilities, the more it pays.

"Cruise ship staff get drunk, fight, break beer bottles at Hoaloha park, putting a drain on our police force."

Without any specific information about when and how often problems have occurred, it is difficult for us to respond specifically to this incident(s). However, NCL wants to be a good neighbor and we are committed to working with law enforcement officials and the community to resolve any problems.

NCL does have a strict drug and alcohol policy. Our drug policy is simple and straightforward: "NCL America has adopted a policy of "Zero Tolerance" toward illegal drug use on ships, and random drug testing will take place in accordance with the DOT regulatory program." NCL also has a stringent alcohol policy—no crew member may ever have a blood alcohol content above 0.04% at any time while onboard.

Crewmembers are subject to alcohol breath tests at any time in the event of suspicion of alcohol abuse, including upon return to the ship from shore leave. Crew members who fail a drug or alcohol test are subject to discipline including termination at any time. Crew members of U. S. flag ships that fail drug or alcohol tests or refuse to submit to a test face consequences far greater than most members of our community since their

merchant mariner documents could be revoked by the Coast Guard, resulting in their inability to continue working.

NCL America also has a policy prohibiting unlawful behavior of crew members and this policy is communicated to each individual that signs on. In addition we have specifically asked the crew not to trespass on the canoe club property and have posted signs on board reinforcing this directive.

"Cruise ships, while giving a boost to a few tourist-oriented business, put a huge strain on our parks, beaches, and infrastructure without generating much of an income since their food and lodging is already paid for on the boat. History has shown that the cruise ships will be taking over their own busses, activities and so on, further reducing the island's income."

Our business impacts far more than "a few tourist-oriented business." A study by PricewaterhouseCoopers in 2003 estimated that NCL's 3-ship U. S. cruise fleet will create 10,100 jobs in Hawaii. Of that number 70% will be created by employers other than NCL. In addition to activity and attractions providers, NCL purchases other goods and services in Hawaii including but not limited to:

- Food and beverages grown, manufactured and/or distributed by local farmers and vendors,
- Fuel that is manufactured in Hawaii,
- Flowers that are grown in Hawaii,
- Technical and professional services provided by Hawaii residents,
- Hotel rooms for our guests that stay in Hawaii before or after their cruise,
- Tug, security, stevedoring, trucking and waste disposal services provided by Hawaii companies, and
- Entertainment provided by Hawaii artists.

According to figures developed by PKF Hawaii based on data from the Department of Business Economic Development and Tourism and cruise passengers on our U. S. flagged ships will spend an average of \$324/person/day including ticket price, on-board expenditures and on-shore expenditures. This is compared to \$175/person/day for comparable hotel guest expenditures. On our U. S. flag itinerary we spend 96 hours in port per week, providing ample time for passengers to disembark and shop in stores, eat and drink in restaurants and bars, and take tours provided by Hawaii-based and/or owned companies. Some of these businesses are owned and/or operated by Hawaii residents and all employ Hawaii residents.

NCL recently purchased Polynesian Adventure Tours from a family in California. All employees have been retained including its president, long-time Polynesian Adventure employee Jon Savitz. The rest of the local management team has also been retained along with the other 200 employees. Rather than reduce the number of dollars that will flow in the Hawaii economy, NCL plans to invest heavily in Polynesian Adventures to modernize and expand its bus fleet to accommodate our future growth and improve its environmental practices. This will mean more jobs for Hawaii residents on all islands.

Polynesian Adventures' other customers will continue to receive the same high quality service that Polynesian Adventure has been delivering since 1977.

Cruise ships have less impact on shoreside infrastructure to support a comparable number of hotel-based guests because ships can produce their own fresh water, generate their own electricity, manage their own waste streams to a standard higher than shoreside facilities and incinerate much of their solid waste to reduce demands on shoreside landfills.

Traffic impacts are also less than the impact of a comparable number of land-based visitors because cruise ship guests generally sightsee on buses and tour boats rather than rental cars.

The Save Kahului Harbor website includes links to other websites that contain inaccurate information, including a link to the KAHEA website. Following is a partial list of inaccurate statements:

Cruise ships operate without regulation and is allowed to constantly discharged raw sewage, garbage and hazardous waste into the ocean. As discussed above, the cruise industry is heavily regulated and monitored by the Coast Guard. In addition, the NCL has voluntarily entered into a memorandum of understanding with the State of Hawaii and we comply with the MOU terms as if they were law.

The industry does not pay taxes, is exempt from U. S. labor and environmental laws. NCL America pays general excise tax, fuel tax, income tax and user fees (including passenger wharfage, port entry fees, and dockage fees). Excluding income tax, these fees and taxes amount to \$12.5 million/ship/year. Foreign flag ships do not generally pay the general excise tax or income taxes but do pay the user fees for use of the Department of Transportation's commercial harbors or the Department of Land and Natural Resources for use of the small boat harbors.

NCL America also complies with U. S. and Hawaii labor laws including minimum wage, overtime laws and Hawaii's prepaid health care act. In NCL is also subject to maritime laws. One of these laws requires NCL and NCL America to provide a standard of medical care even more stringent than Hawaii's prepaid health and worker's compensation laws while crew members are working on a ship.

The cruise industry is also subject to U. S. environmental laws (see discussion below on the Clean Water Act).

The industry is regularly fined millions of dollars for illegally dumping raw sewage, garbage and oily bilge water into state waters.

NCL has never illegally dumped raw sewage, garbage and/or oily bilge water into state waters.

In 2002 NCL pled guilty and paid a fine for one count of failing to properly maintain an oil record book for an incident that occurred in 2000. The plea bargain and fine were the

result of an investigation in which NCL discovered environmental violations during an environmental audit ordered by Star Cruises shortly after it purchased NCL in 2000. Upon discovery of the violations, NCL immediately reported itself to the federal government and cooperated fully in the ensuing investigation.

NCL paid a fine of \$1 million, substantially less than other cruise lines that were fined for violations during this time period before the industry adopted environmental best practices. The prosecutor and judge agreed that this relatively small fine was appropriate because of the unprecedented cooperation NCL extended during the investigation.

In the sentencing hearing the prosecutor commended NCL for its cooperation stating, "Virtually every day in the newspaper you can read that a corporation is under investigation and a typical quote is, they are pledging to cooperate with the United States. More often than not what that means is a company is complying with compulsory process, they are responding to grand jury subpoenas, they are doing what they must do under the law. In this case Norwegian Cruise Line provided real and meaningful cooperation, and the nature and extent of that cooperation is far and above what any other cruise line has done in any of the prior prosecutions and above and beyond what most companies do in these circumstances and I am here today to commend them for it, both their counsel and the company."

In this case NCL cooperated with the government, including waiving attorney/client privilege and giving the government access to employees, without knowing what the consequences of the investigation would be and did so because it was the right thing to do and because NCL wished to address the problems quickly and openly.

Compliance with environmental and safety rules and laws is of the highest priority at NCL and NCL America. As a result of the environmental audit that discovered the violations, NCL terminated seven senior shoreside managers and two chief engineers that failed to follow proper procedures. We have hired environmental managers on each ship who are responsible for compliance with internal and governmental environmental laws and policies. A vice president for environmental and regulatory compliance who reports directly to the CEO was hired to provide internal oversight of environmental rules. NCL has invested in an intranet-based Safety and Environmental Management System, which is available to the ships and shoreside employees that sets out in great detail NCL's environmental practices, policies, reporting requirements and areas of responsibility to ensure that there is no ambiguity what are acceptable and unacceptable practices by all employees. And every employee, whether they are shipboard employees directly involved with ship operations or shoreside employees that take reservations or make sandwiches in the employee cafeteria receive training on NCL's environmental policies and procedures.

Cruise ships are exempt from the federal clean water act.

This is not true. The cruise industry is regulated by Section 312 of the Clean Water Act that establishes effluent standards for marine sanitation devices and provides for designation of no-discharge zones for vessel sewage. In addition, cruise ships are subject

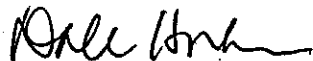
to the Oil Pollution Act of 1990 and Section 311 of the Clean Water Act that address oil spill prevention, preparedness and accident response. Other provisions of the Clean Water Act that the cruise industry is subject to include Sections 301 and 402. Section 301 prohibits discharge of any pollutant into U. S. waters without proper permits and in compliance with other Clean Water Act requirements and Section 402 establishes the National Pollutant Discharge Elimination System permit program.

Other federal legislation that the cruise ship industry is subject to include the Act to Prevent Pollution from Ships, which implements certain provisions of the International Convention of Pollution from Ships (MARPOL), the Resource Conservation and Recovery Act, the Marine Protection, Research and Sanctuaries Act, and the Shore Protection Act.

The MOU allows raw untreated sewage into the ocean four miles from shore.
The MOU prohibits the discharge of untreated black water, treated black water or gray water within the Hawaii marine areas. The Hawaii Marine area encompasses the area between the shoreline and four nautical miles from the 100-fathom contour line. Because of the shallow depth of the waters between Molokai, Lanai, Kahoolawe and Maui, the Hawaii marine area includes all the water between those islands as well as the water between Oahu and Molokai.

As you can see from this partial list, much of what has been published about NCL's environmental and business practices is inaccurate and misleading. We look forward to meeting with your organizations next month and answer any additional questions you may have. Thank you.

Sincerely,



Dale Hahn
Director, Community Relations-Hawaii