



# United States Department of the Interior

OFFICE OF THE SECRETARY  
Washington, D.C. 20240

## MEMORANDUM

To: Director, National Parks Service  
(sgd) Donald J. Barry FEB 17 1999

From: Assistant Secretary for Fish and Wildlife and Parks

Subject: Final Decision on Allocation of Cruise Ship Entry Permits To Glacier Bay National Park for the period 2000-2004

### Award Action

Based on extensive analysis by park, regional, and Washington office staff, review by the Office of the Solicitor, and my own thorough review of the administrative record, I have made a final decision on the allocation of cruise ship permits for the peak season in Glacier Bay National Park for the 5-year period of 2000-2004.

Staff of Glacier Bay National Park and of the Alaska Regional Office of the National Park Service, along with the other members of the Evaluation Panel, are to be commended for their thorough analysis of the competing proposals. However, as explained below, I have modified their recommendation in order to give greater emphasis to our long-standing policy goal of enhancing and maintaining competition among the cruise ship companies utilizing Glacier Bay National Park.

In the Federal Register Notice (55FR22108, May 31, 1990) announcing the final cruise ship management policies for Glacier Bay National Park, the NPS indicated that it would seek to assure high quality service to park visitors at a reasonable price, while fully protecting the environment of the park, through competition among multiple cruise ship companies, with a long-term policy objective of seven companies providing service during the peak season. This Notice stated that a preference would be given to small or new companies, defining small as those with less than 14 % of the entry permits.

In the February 19, 1998 Prospectus soliciting cruise ship entry proposals for Glacier Bay's peak summer season, the NPS indicated that it would base its final allocation decision on several key factors, including proposals that set a high standard for pollution minimization, proposals that enhance the visitor experience through education programs, companies with a demonstrably strong record of safe operations, companies that demonstrate the financial means to actually carry out the entries, and competition among companies awarded entry permits.

As, you know, we had previously made a decision to maintain the total cruise ship entries into Glacier Bay during the peak season of June-July-August at 139 entries, with no more than two entries per day. This decision was reflected in the 1996 Vessel Management Plan, and is subject to periodic review.

Of the total entries into Glacier Bay during the peak period, 71 entry permits are allocated on the basis of "historic rights" statutorially provided for in the Alaska National Interest Lands Conservation Act of 1980 to two companies, Holland America and Princess Cruise Lines. Therefore, only the remaining 68 entry permits are subject to the present allocation.

Of the 68 entry permits that were made part of the February 19, 1998 Prospectus announcement, 26 were encumbered by statutory preference rights which could be exercised only if the companies holding these preference rights matched or exceeded the "best bid" in response to the Prospectus. Since all four companies holding these preference rights matched the "best bid," their preference rights will be upheld, and these 26 entry permits will be allocated accordingly, as indicated below.

The remaining 42 entry permits are to be allocated among the five companies holding historic or preferential rights to cruise ship entry permits into Glacier Bay National Park as follows:

Holland America Line ("best bid")	23
Princess Cruises	7
World Explorer Cruises	2
Crystal Cruises	4
Norwegian Cruise Line	6

Consequently, the total allocation of the 139 entry permits for the peak season period in 2000-2004 to each of the approved companies is as follows:

<u>Company</u>	<u>Historic</u>	<u>Preference</u>	<u>Award</u>	<u>Total</u>
Holland	39		23	62
Princess	32	13	7	52
World		4	2	6
Crystal		2	4	6
Norwegian		7	6	13

### Justification

The "best bid," submitted by Holland America, is substantially rewarded by the allocation of the largest single increase of any company operating in Glacier Bay National Park. This increase also makes Holland America the company with the largest number of entry permits. Holland America's proposal indicated its commitment to improving substantially pollution abatement, and applying this standard to all of its ships entering the park, not just those with permits

awarded under this Prospectus. In addition, Holland America's proposal indicated a strong commitment to education.

With the withdrawal of the permit application from Goldbelt, Inc. from the competition, due to this native corporation's decision to wait until a future opportunity before entering this market, the total number of competing companies during the period of 2000-2004 in the peak season will be five. The stated objective of increasing and maintaining competition among the companies holding cruise ship entry permits will be addressed by assuring that each of the five companies will either increase their number of entries or at least hold even with the number of permits that they have been utilizing in recent years.

While the long term goal of having seven companies holding entry permits during the peak season has not yet been achieved, the short-term goal of maintaining competition among existing companies has been enhanced by this allocation decision. This enhancement of competition will ensure that members of the general public who desire to visit Glacier Bay National Park will have a diverse array of market driven fares to choose from, thus precluding any one company from so totally dominating the market as to price the experience of Glacier Bay beyond the reach of the average citizen. Fortunately, the spring and fall "shoulder" seasons have become increasingly viable economically, and are already highly competitive, with at least 10 companies providing services to park visitors.

During the past three summer operating seasons of 1996, 1997, and 1998, and again for the upcoming summer of 1999, while the Vessel Management Plan and permit allocation competition were being developed, the park has placed the 42 available entries in a "pool" administered by an industry contractor to be allocated among all applicants. This allocation has been without regard to preferential rights, and entry permits have gone to some 10 companies.

Because of the dual policy objectives of seeking both 1) a strong operations proposal (education, safety and pollution minimization) and 2) enhancing and maintaining competition among cruise ship companies, a balanced decision was possible precisely because the five companies ultimately developed or agreed to equivalent or comparable operational proposals. This equalization was achieved through the re-submittal opportunity afforded to the other four companies to match Holland America's "best bid," which, based on the Rating Panel's Evaluation, they each did. Once all viable proposals were substantially equivalent from the point of view of their respective operational bids, a final allocation of permits could be made to enhance and maintain competition among the remaining, qualified companies.

Granting the largest share of available entries to Holland America is warranted because they initially submitted the "best bid," particularly from the important perspective of environmental controls and pollution minimization. Holland America is to be commended for its excellent proposed package of environmental controls, thus justifying the award of over three times as many entries to Holland America as compared to its nearest competition.

Allocating the remaining entry permits among the other four companies in a manner that at least allows them to remain at the highest number of entries of the past two years, is warranted to assure strong, improved competition. Giving a slight increase to Norwegian Cruise Lines is warranted because of their small company status, coupled with the fact that their initial offer was tied for second best with Princess Cruises, which is not a small operator under the park's definition.

In making this decision, I have given due consideration to the recommendation from the park staff, which adopted the "winner-take-all" approach. Traditionally, and under normal circumstances appropriately, the NPS utilizes a "winner-take-all" decision process in concession contracting where the particular concession contract is for the hotel, food service, and retail sales elements of a particular park's commercial services. Under these circumstances, it is appropriate for the Service to select the best offer and grant a single concession contract for such an operation in a park.

However, in any situation where multiple operators are permitted to provide essentially the same service to the park visitors, the Service has traditionally not adopted a "winner-take-all" approach, but rather has actively sought to promote competition among a number of companies, within the carrying capacity of the resource to support that type of use offered by the concession companies. The most common example of this form of concession operation is the commercial rafting, horse-packing, and other guide services offered in numerous national parks. While the precise form of the commercial activity is quite different between Glacier Bay cruise ships and guided raft trips in the Grand Canyon, the competitive nature of the businesses that operate in these parks is very similar.

In terms of visitor service, the primary reason to elevate strong competition as a worthy goal in a park's commercial services decision-making, is that competition will result in better quality service to the customer at a fair, if not inexpensive, price. From the standpoint of resource management and the Service's overriding mandate to conserve park resources unimpaired, strong environmental competition among approved companies will allow the Service 1) to seek and obtain commitments from these approved companies for the highest standards of pollution abatement, 2) to encourage cruise ship operational modifications to avoid disruption of the behavior of whales and other park wildlife, 3) to uphold a strong commitment, already shared by the operators to safe operations in the Park, and 4) to secure an expanded program of education about the park's natural and cultural history for cruise-based park visitors.

For all of the above reasons, I believe that my final allocation of entry permits set forth above is fully and fairly justified.