

(H.B. 1217)

(No. 76)

(Approved August 25, 2005)

AN ACT

To establish the Cruise Ships Incentives Special Fund attached to the Puerto Rico Tourism Company for the purpose of setting up a long-term incentives plan directed toward stimulating the arrival of cruise ships on the Island, increasing the number of passengers, promoting their shopping at local businesses and offering assurance and stability to this important sector of tourism in Puerto Rico; and to appropriate funds.

STATEMENT OF MOTIVES

The cruise ships industry is a major factor in the economy of the Island. The arrival of those ships at the Port of San Juan has a direct economic impact of over three hundred (300) million dollars per year, since they bring more than 1.3 million visitors to Puerto Rico annually allowing for the creation of six thousand one hundred (6,100) direct and indirect jobs.

In 1985, for the purpose of stimulating this sector, the Government of Puerto Rico established the first incentives program which managed in only five years to increase the number of passengers which visit us annually from five hundred thousand (500,000) to one million two hundred thousand (1,200,000). At the same time new port facilities that complemented this incentive were built.

We must emphasize the fact that due to agreements between the Puerto Rico Ports Authority and the Puerto Rico Tourism Company, since 1988 two types of incentives had been agreed upon with the cruise ships lines to stimulate their permanent presence in Puerto Rico, mainly as their home ports. The first of these consisted of a discount of \$4.67 on the head passenger tax once the shipping line brought more than one hundred and twenty thousand (120,000) passengers per year. The second incentive consisted of a credit of one (1) dollar per passenger, retroactive to the first cruise of the year, provided the ship visited the Island more than forty (40) times in a year. The incentives program, as we have pointed out, was in effect until June 30, 2004. After a passenger tax review process was conducted by the Puerto Rico Ports Authority, a new head passenger tax of \$13.25 per passenger was established, effective on July 1, 2004.

It must be said that in view of the situation described above and taking into consideration the existing competition, especially that of new and attractive destinations such as Mexico, Panama, Costa Rica, Belize and others, and the creation of cruise ships ports in other U.S, cities, it becomes imperative that we offer assurance and stability to this matter and finally formalize a long-term agreement with this important industry to our economy which will fulfill the expectations of the economic sectors involved and of the Government of Puerto Rico.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.-Title

This Act shall be known as the “Puerto Rico Cruise Ships Incentives Special Fund Act.”

Section 2.-Public Policy

The main objectives the Government of Puerto Rico seeks to achieve by establishing incentives for the cruise ships industry are: increase the length of the stay of the passengers of cruise ships in hotelries in Puerto Rico; increase the number of visits and the volume of passengers from the cruise ships that arrive in Puerto Rico; encourage the purchases by passenger and crew members, the expenditures in the acquisition of goods and in the operation of the cruise ships on the Island; generate and increase the benefits obtained by the various economic segments in Puerto Rico; provide fair incentives to all cruise ships lines and create an alliance with every cruise ships line to maximize the promotion of Puerto Rico as a tourist destination.

Section 3.-Creation of the Fund

A special fund is created in the books of the Puerto Rico Tourism Company to be known as the “Cruise Ships Incentives Special Fund” (the “Fund”) attached to the Puerto Rico Tourism Company without a specific economic year. The Fund shall be maintained separate from other public funds under the custody of the Puerto Rico Tourism Company. The Fund shall be nourished from the following appropriations:

(a) The amount of five million (5,00,000) dollars annually proceeding from funds of the Puerto Rico Tourism Company itself, beginning July 1, 2005 until fiscal year 2010-2011, subject to compliance with the provisions of Section 5 of this Act.

(b) The amount of four million (4,00,000) dollars annually which the Office of Management and Budget has identified as part of the General Budget from July 1, 2005 until fiscal year 2010-2011, subject to compliance with the provisions of Section 5 of this Act.

(c) Monetary appropriations provided by this Act and those destined by the Legislature in the future for the Special Fund herein created.

(d) Any other moneys donated, transferred or assigned by entities of the Federal, Commonwealth and Municipal governments or by private entities or persons, including the Budgetary Fund created by virtue of Act No. 147 of June 18, 1980, as amended.

Section 4.-Administration of the Fund

The Puerto Rico Tourism Company shall establish through regulations to that effect, all matters concerning the manner in which the incentives shall be solicited and granted in order to guarantee the sound administration of the public funds.

Section 5.-Establishment of Incentives

The incentives to cruise ships companies or operators established in this Act shall be the following:

- (a) Destination Incentive: Two dollars and ninety-five cents (\$2.95) shall be contributed for every passenger who arrives at the Port of San Juan and pays the M-1-6 head passenger tax of thirteen dollars and twenty-five cents (\$13.25); establishing that any cut in said head passenger tax shall reduce the incentive herein provided in equal proportion.
- (b) Home Port Incentive: One (1.00) dollar shall be contributed for every passenger for the cruise ships that use the Port of San Juan as home port for a minimum of twenty (20) days within a period of six (6) consecutive months.
- (c) Time in Puerto Rico Incentive for Ships in Transit: The amount of eighty-five (0.85) cents shall be contributed per passenger in cruise ships that dock in San Juan for a minimum of eight hours.

- (d) Passenger Volume Incentive per Corporation: The amount of two (2) dollars shall be contributed for every passenger, from ten thousand (10,000) to one hundred and thirty-nine nine hundred and ninety-nine (139,999) passengers, who arrives at the Port of San Juan and pays the head passenger tax. From one hundred and forty thousand passengers and more, the contributions shall be four dollars and fifty cents (\$4.50) per passenger who pays the head passenger tax.
- (e) Incentive for Goods: Every cruise ship that docks at the Port of San Juan shall receive a payment equal to ten (10) percent of the expenditures for goods purchased in Puerto Rico and an additional five (5) percent on the purchase of products from or manufactured in Puerto Rico, as certified by the Puerto Rico Industrial Development Company and the Department of Agriculture and shall also receive a credit equal to an additional five percent (5%) on the purchase of Puerto Rican agricultural products. The owners or operators of a cruise ship that complies with these provisions shall receive these benefits after presenting evidence, at the satisfaction of said agencies, that the purchases were made from local *bona fide* distributors or manufacturers. For this, the representatives of the cruise ships shall submit to such entities the invoices giving evidence of these facts.
- (f) The incentives program developed for fiscal years 2005/06-2007/08 shall be extended to fiscal year 2010/11 to the degree that by June 30, 2008 the volume of passengers has increased

twenty (20) percent on the basis of one million three hundred and eighty thousand (1,380,000) passengers.

- (g) It is hereby expressly provided that the incentives herein detailed shall be exclusively applied to those cruise ships that use the Port of San Juan.
- (h) The incentives herein provided shall be granted by the Puerto Rico Tourism Company to the corresponding company or operator within a term of not more than thirty (30) days after the objectives subject to said incentives have been achieved.

Section 6.-Beneficiaries

Only the owners or operators of cruise ships shall be entitled to solicit said incentives.

Section 7.-Administration of the Fund

It shall be the obligation of the Puerto Rico Tourism Company to ensure that the funds appropriated to the Fund are used according to the regulations the latter shall establish.

Ninety (90) days by or before the close of every fiscal year, the Puerto Rico Tourism Company shall render a report to the Governor and to the Legislature of the Commonwealth of Puerto Rico about compliance with and administration of this Act.

Section 8.-Consignment of Funds

In fiscal years subsequent to fiscal year 2005-06, the Office of Management and Budget shall consign in the Joint Resolution on the Budget of the Government of the Commonwealth of Puerto Rico, the amount appropriated in the Act to nourish said Fund.

Section 9.-Additional Incentives to Undeveloped Ports

The Puerto Rico Tourism Company shall also develop, together with the municipal governments where undeveloped ports are located, under the jurisdiction of the Government of Puerto Rico, its municipalities, public corporations or instrumentalities, an incentives program in consonance with the particular realities of each port and the region where they are located. The Legislature, after the corresponding evaluation and by petition of the Tourism Company, may extend incentives in addition to those previously provided or any variation thereof for the program of undeveloped ports at the time of approval of this Act.

The funds and appropriations needed for the establishment of incentive programs for undeveloped ports shall be identified by the Tourism Company and the Office of Management and Budget, provided that the funds needed to comply with this Section shall in no way affect the funds destined for the Port of San Juan.

Section 10.-Effectiveness

This Act shall take effect immediately after its approval, but its implementation shall take effect July 1, 2005.

CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 76 (H.B. 1217) of the 1st Session of the 15th Legislature of Puerto Rico:

AN ACT to establish the Cruise Ships Incentives Special Fund attached to the Puerto Rico Tourism Company for the purpose of setting up a long-term incentives plan directed toward stimulating the arrival of cruise ships on the Island, increasing the number of passengers, promoting their shopping at local businesses and offering assurance and stability to this important sector of tourism in Puerto Rico; and to appropriate funds,

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

In San Juan, Puerto Rico, today 20th of January of 2006.

Francisco J. Domenech
Director