

## MEMORANDUM

FROM: **Michael McGarry, SVP, Global Government Affairs**  
DATE: December 8, 2020  
RE: U.S. Election Outcome Overview and Implications for the Cruise Industry

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***This memo provides an overview of the outcomes from the 2020 U.S. election. The future political and policy environments on Capitol Hill and with the next Administration are presented with analysis of the resulting implications for the cruise industry.***

### **I. Overview**

Following the November 3 General Election in the United States, Joe Biden has been elected the country's 46<sup>th</sup> President. Democrats will retain control of the U.S. House of Representatives, albeit with a narrower majority. Control of the U.S. Senate will remain undetermined until the State of Georgia holds its runoff election on January 5.

If Republicans maintain the majority in the Senate, a divided Congress will largely mean legislative gridlock for the next two years of the 117<sup>th</sup> Congress beginning in January 2021, making it more difficult for the Biden Administration to advance its legislative agenda. President Biden will therefore need to effectively lead Democratic members of the House and Senate and successfully negotiate with Republicans to move his legislative priorities forward. However, the President can issue Executive Orders, which would enable him to bypass the legislative process in some instances on issues like the Paris Agreement and U.S./Cuba relations, which are both of interest to CLIA members. Other possibilities involving Presidential Executive Orders include reinstating the Deferred Action for Childhood Arrivals (DACA) program, rejoining the World Health Organization, and repealing President Trump's travel ban targeting majority Muslim nations.

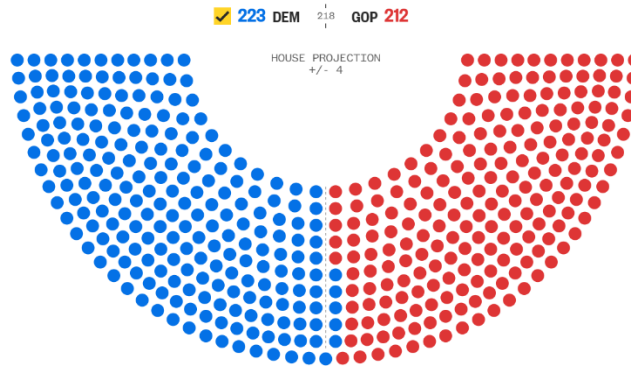
President-elect Biden must also navigate a political push-pull that could influence the 2022 and 2024 election cycles. This will require him to balance his own party's progressive wing, which will demand bolder and more lasting regulation than the Obama Administration achieved, with more moderate voices warning of political peril if he antagonizes the business community as companies struggle to weather the pandemic.

If legislative gridlock is the result of this election cycle, it may provide a safety net for keeping adverse legislation from being enacted. If the outcome of the election is Democratic control of the Senate, and therefore a one-party government under Democratic control, the challenges with addressing unfavorable legislation will become exponentially greater.

### **II. Election Outcome**

#### **U.S. House of Representatives**

In the House, Democrats underperformed polling expectations and are on track to lose seven or more seats. In the new Congress, House leadership is expected to be largely unchanged. Speaker Nancy Pelosi (D-CA-12) and Republican Leader Kevin McCarthy (R-CA-23) should maintain their posts as party leaders.



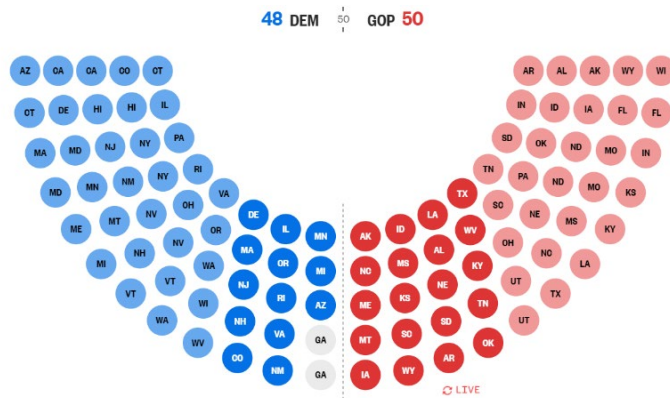
**Overview of Key House Races:**

The following is an overview of House races that CLIA has been tracking closely.

Rep. Peter DeFazio (D-OR-4)	Reelected	Chairman of the House Transportation and Infrastructure (T&I) Committee. Has worked constructively with the industry on some issues.
Rep. Don Young (R-AK)	Reelected	Senior member of the House T&I Committee and very strong supporter of cruising.
Rep. Debbie Mucarsel-Powell (D-FL-26)	Defeated by Miami-Dade Mayor Carlos Gimenez (R)	Helpful to cruising and member of the House T&I Committee. Mayor Gimenez is likely to be supportive of cruising.
Rep. Donna Shalala (D-FL-27)	Defeated by Maria Salazar (R)	Helpful to cruising and leader among Democrats on public health issues. Rep.-elect Salazar is likely to be supportive of cruising.
Rep. Vern Buchanan (R-FL-16)	Reelected	Member of the House Ways & Means Committee and supportive of the industry.
Rep. Randy Weber (R-TX-14)	Reelected	Represents the Port of Galveston and supports cruising.
Rep. Stephanie Murphy (D-FL-7)	Reelected	Pro-business member of the House Ways & Means Committee and has been friendly to the cruise industry.
Rep. Joe Cunningham (D-SC-1)	Defeated by Nancy Mace (R)	Rep.-elect Mace is likely to be supportive of cruising.

**U.S. Senate**

In the Senate, Democrats are poised to gain at least one seat, but they still have an uphill battle to secure the majority. In Georgia, candidates in both senate races failed to garner 50 percent of the vote, triggering a runoff election on January 5. The two races involve incumbent senators David Perdue (R-GA) and Kelly Loeffler (R-GA). The outcome of these races will determine Senate control. Regardless of party control in the Senate, Senator Mitch McConnell (R-KY) and Senator Chuck Schumer (D-NY) will retain their party leadership roles.



**Key Senate Races:**

The following is an overview of Senate races that CLIA has been tracking closely.

Sen. Dan Sullivan (R-AK)	Sen. Sullivan won reelection. Has been a champion for travel and tourism and cruising in his state.
Sen. Susan Collins (R-ME)	Sen. Collins won reelection. Collins has always been open to hearing the positions of the cruise industry.
Sen. Lindsey Graham (R-SC)	Sen. Graham won reelection. CLIA has a good relationship with the Senator.
Sen. Bill Cassidy (R-LA)	Sen. Cassidy won reelection. CLIA has a good relationship with the Senator. Cassidy is a member of the Senate Finance Committee.
Sen. John Cornyn (R-TX)	Sen. Cornyn won reelection and is a key catalyst behind COVID-19 liability legislation that is favorable to businesses. CLIA has a good relationship with the Senator.

**III. Initial Thoughts on the Political Landscape Going Forward**

With Democrats winning control of the White House, continued Democratic control in the House of Representatives, and likely continued Republican control in the Senate, changes in the political landscape will emerge. The following is an analysis of how this will impact key committees with jurisdiction over the cruise industry.

**U.S. House of Representatives**

While new committee rosters in the House will not be finalized until late January, House T&I Chairman Peter DeFazio and Ranking Member Sam Graves (R-MO-6) will retain their leadership roles on the committee, which has jurisdiction over the cruise industry. While Chairman DeFazio has been critical of the industry on some matters, he has been willing to discuss issues and work towards compromise positions.

Chairman Richard Neal (D-MA-1) and Ranking Member Kevin Brady (R-TX-8) will retain their roles on the House Ways and Means Committee, which has primary jurisdiction over tax policy. Representative Brady has been helpful to the industry in the past. Representative Vern Buchanan, who is a member of Ways and Means, was reelected and has been an important ally on the committee given cruising’s deep connection to Florida. Representative Stephanie Murphy, a pro-business, centrist Democrat, was also reelected. She has been open to the cruise industry’s positions and recognizes the importance of cruising to her state.

Despite Democratic control, House Democratic Leadership will face governing challenges due to the diverging positions of the far-left wing of the party and centrist Democrats. This challenge becomes more significant given the narrower margin of majority held by the Democrats. As such, securing the votes needed to pass legislation in the full House will be more difficult if Republicans vote en bloc and either far-left or centrist Democrats abandon the voting preference of Democratic Leadership.

### **U.S. Senate**

In the Senate, new committee rosters will not be finalized until the new Congress convenes in January 2021. Depending on the outcome of the remaining Senate races, Senator Roger Wicker (R-MS) or Senator Maria Cantwell (D-WA) will likely lead the Senate Commerce, Science and Transportation Committee, which has primary jurisdiction over the cruise industry. Senator Wicker has been open to hearing the views of the cruise industry on important issues. Senator Cantwell represents a significant cruise state and has been generally supportive of cruising.

Either Senator Mike Crapo (R-ID) or Senator Ron Wyden (D-OR) could become the next Chairman of the Senate Finance Committee, which has jurisdiction over tax policy. Senator Crapo has engaged with CLIA on tax issues of concern to CLIA members. Senator Wyden will likely remain as Ranking Member of the Finance Committee, and he has also been accessible and open to the concerns of the cruise industry.

Should Republicans maintain control of the Senate, we expect general legislative gridlock would be the likely outcome, as the Senate would block most of the legislation passed by the Democratic controlled House, including legislation on climate policy and taxation. If Democrats prevail in the Senate, there will be a clear pathway to enact many new laws that could negatively impact many industries, including cruising.

### **The Biden Administration**

In the new Biden Administration, agencies with key oversight responsibilities over the cruise industry, including the U.S. Department of Health and Human Services (U.S. Centers for Disease Control and Prevention (CDC)), the U.S. Department of Homeland Security (U.S. Coast Guard), and the U.S. Environmental Protection Agency, will have new Administration leadership. Accordingly, shifts in policy priorities are expected, which could include a focus on enhanced regulation of U.S. environmental laws, taxation of foreign companies, and income and labor equity issues. See attachment A for a listing of nominees for key Biden Administration leadership appointments to date that are of interest to the cruise community.

The Biden Administration's efforts to address climate change will likely be one of its highest priorities. The Biden campaign has signaled its desire for the United States to achieve a 100 percent clean energy economy and reach net-zero emissions no later than 2050. To accomplish that goal, we expect the Biden Administration will likely seek to:

- Recommit the United States to the Paris Agreement on climate change – and lead an effort to get every major country to ramp up the ambition of their domestic climate targets.
- Establish enforcement mechanisms that include milestone targets to reduce carbon emissions.
- Provide federal investments and incentives to roll out clean energy solutions.
- Increase enforcement of environmental laws.

To pay for these efforts, and to reverse the tax cuts enacted during the Trump Administration, the Biden campaign suggests revamping the tax code, which raises risks for all industries.

## **IV. Analysis of Specific Legislative Policy Implications for the Cruise Industry**

### **Taxation**

President-elect Biden and Congressional Democrats have stated that a priority next year will be to repeal most or all the provisions in the Tax Cuts and Jobs Act of 2017, which was the Trump Administration's tax reform legislation. It is likely that a new tax reform bill will be introduced in the House in 2021, which naturally presents risks for all industries. If Republicans maintain control in the Senate, that chamber will become a safety net to address negative legislation for businesses that originates in the House.

### **Environment**

It is expected that one of the first Executive Orders from President Biden after he is sworn into office will be to rejoin the Paris Agreement. Addressing climate change and other environmental issues will also be a priority for Democratic leaders in the House. During this Congress, the House Select Committee on Climate Crisis issued a report which provides a blueprint for climate change policy. Representative Kathy Castor (D-FL-14) co-chairs the Select Committee and CLIA provided input on its report. It is anticipated that climate change legislation will be introduced and moved in the House early next year. Emissions reductions requirements, alternative fuels requirements, and other provisions could adversely affect many industries.

### **Consumer Protections**

For several years in both the House and the Senate, legislation has been introduced under the guise of "consumer protections," titled "The Cruise Passenger Protection Act," which would place numerous and unnecessary requirements on cruise lines regarding passenger safety, security, the handling and reporting of allegations of crime, and expanded cruise line liability under the Death on the High Seas Act. It is likely that the legislation will be reintroduced in the 117<sup>th</sup> Congress. As CLIA has done in the past, we will work with members of Congress to educate them on current, robust practices and regulation that are in place, which obviate the need for additional legislation. Congress has not moved such legislation to enactment in the past.

### **Cuba**

President Obama, through an Executive Order, took steps to open relations between Cuba and the United States and lift the decades old travel restrictions to Cuba. One of the effects of those policies was increased travel and tourism to Cuba, which enabled several new cruise itineraries. The Trump Administration reversed course on those policies, and one of the immediate effects was suspending cruises to Cuba in 2019. If the Biden Administration seeks to reinstate the Obama Administration's policies towards Cuba, it could open the opportunity for a resumption of cruises to the island nation, benefiting the Cuban people, U.S.-Cuba relations, and the cruise industry. We believe that the Florida election result and the Latino vote will be a factor in the Biden Administration's analysis of how to proceed with U.S./Cuba relations. It is possible that the Biden Administration will not reinstate the full U.S./Cuba policy of the Obama Administration. However, it may reinstate certain policies, including remittances and travel by commercial airlines for U.S. citizens of Cuban descent who have family in Cuba. CLIA has worked with the bi-partisan House Cuba Working Group and will continue to do so in the next Congress.

### **Infrastructure**

During the Trump Administration, efforts were made to advance a large infrastructure package that would make needed investments in roads, bridges, rail, and seaports across the United States. While

several proposals were put forward, none secured the necessary support to be enacted into law. The Biden Administration has signaled that infrastructure investment will be a significant priority, and House T&I Committee Chairman Peter DeFazio has indicated his strong support in working with the Biden Administration in moving a transportation bill. Aside from including investments that would benefit CLIA's port partners, an infrastructure bill will also likely be a vehicle to move forward the Democrat's climate agenda. This could include federal investments in shore power capabilities at ports, which could be positive.

### **COVID-19 Liability Reform**

COVID-19 liability reform continues to be under discussion for inclusion in the next stimulus package. In general, the proposal put forth by the Senate would shield businesses from COVID-19 related lawsuits assuming they made reasonable efforts to follow applicable public health guidelines. Senate Republicans have made inclusion of COVID-19 liability reform a condition of further relief and have added the provision to the two COVID-19 Relief bills put forward by Senate Republican leadership. While House Democrats were initially cold to the idea, it appears they have become more receptive as negotiations went on over many weeks. The pathway for another relief package remains uncertain at this writing as negotiations are on and off. However, should Republicans maintain control in the Senate, it is likely that they will continue to insist on the inclusion of COVID-19 liability reform in a bill, which is supported by CLIA members, whether it is passed in the lame duck or early in the next Congress.

### **V. Key West Update**

On November 3, the residents of Key West voted to pass three referenda affecting cruise ship visits to the city. The referenda would restrict cruise ship visits in the following ways: 1) Prohibit cruise ships with more than 1,300 passengers and crewmembers; 2) Allow only 1,500 cruise passengers per day to visit Key West; and 3) Permit only cruise ships with good environmental and public health records (undefined).

The owner of Pier B in Key West, Ocean Properties (OP), intends to pursue a lawsuit against the City of Key West to prevent implementation of the referenda. Local businesses and the harbor pilots are also considering litigation. It is not yet determined if the parties will join in one lawsuit or file separate complaints.

Since the Key West referenda first surfaced, CLIA members have been concerned that if such measures were successful in passing and survive legal scrutiny, similar initiatives would likely emerge at other cruise destinations around the United States. The implications for cruise lines' license to operate are much larger than just Key West and potentially present risks that go beyond U.S. cruise destinations.

CLIA is exploring with the Global Executive Committee next steps in response to the passage of the referenda in Key West. Those options include support for litigation filed by local business interests and potentially the pursuit of legislation at the state level in Florida to preempt ship bans or restrictions by local municipalities, similar to Uber's successful passage of legislation to preempt local bans on ride sharing companies.

**Attachment A**

**Biden Administration Appointees of Interest to the Cruise Community  
(Announced as of December 7, 2020)**

<b>Position</b>	<b>Appointee</b>	<b>Background Issues of Interest</b>
White House Chief of Staff	Ron Klain	<ul style="list-style-type: none"> <li>❖ Managed Ebola response during Obama Administration, and will likely be heavily involved in the COVID-19 response given his background.</li> </ul>
COVID-19 Coordinator	Jeff Zients	<ul style="list-style-type: none"> <li>❖ Position is expected to coordinate interagency efforts to confront COVID-19.</li> <li>❖ Has served in several private sector roles, and does not have strong health care background.</li> </ul>
National Security Advisor	Jake Sullivan	<ul style="list-style-type: none"> <li>❖ Served in a variety of national security roles in the Obama Administration.</li> </ul>
Office of Management and Budget Director	Neera Tanden	<ul style="list-style-type: none"> <li>❖ Has spoken in favor of President Obama’s Cuba policy.</li> </ul>
Special Presidential Envoy for Climate	John Kerry	<ul style="list-style-type: none"> <li>❖ Said in a September interview that normalization efforts with Cuba did not achieve what they hoped they would.</li> <li>❖ Key driver of Paris Climate Accord.</li> <li>❖ Supported Gov. Inseele’s (D-WA) efforts to institute carbon tax in Washington State (effort failed).</li> </ul>
Secretary of Commerce	(To be announced)	
Secretary of Health and Human Services	Xavier Becerra	<ul style="list-style-type: none"> <li>❖ As California Attorney General, supported enforceable standards for the prevention of COVID-19 in the workplace.</li> <li>❖ Supports increased COVID-19 restrictions in the face of rising infection rates.</li> </ul>
Centers for Disease Control and Prevention Director	Rochelle Walensky	<ul style="list-style-type: none"> <li>❖ Harvard Medical School Professor and specialist in infectious diseases.</li> </ul>
Secretary of Homeland Security	Alejandro Mayorkas	<ul style="list-style-type: none"> <li>❖ Born in Havana and arrived in U.S. as a refugee following Cuban revolution.</li> <li>❖ Helped negotiate agreement to re-establish relations with Cuba in 2015 during Obama Administration.</li> </ul>
Secretary of Labor	(To be announced)	
Secretary of State	Anthony Blinken	<ul style="list-style-type: none"> <li>❖ Accused of providing misleading answer to Senator Rubio during his 2014 confirmation hearing, testifying “anything that in the future that might be done in Cuba would be done in real consultation with the committee.” The day after his confirmation vote, the Administration opened an</li> </ul>

		embassy in Havana, and Blinken apologized to Rubio at a subsequent hearing.
Secretary of the Treasury	Janet Yellen	<ul style="list-style-type: none"> <li>❖ Has spoken in favor of carbon tax, saying “when the central problem is the damage caused by greenhouse gas emissions, the cleanest and most efficient way to address it is to tax those emissions.”</li> <li>❖ Opposed Trump tax cuts, raising deficit concerns and suggesting that their stimulus effect would be marginal.</li> <li>❖ Supports stimulus spending to mitigate economic impact of COVID-19.</li> </ul>
Secretary of Transportation	(To be announced)	
Maritime Administration Administrator	(To be announced)	
Environmental Protection Agency Administrator	(To be announced)	
Small Business Administration Administrator	(To be announced)	