

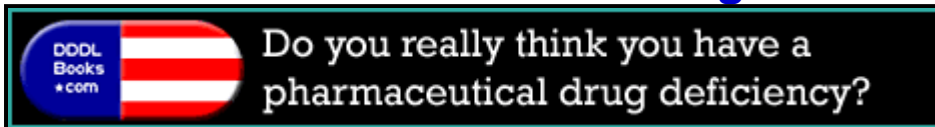


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# Chertoff's Sweetheart Deal for Israeli Carnival Corp. \*PIC\*

Posted By: [Christopher Bollyn](#) <[Send E-Mail](#)>

Date: Friday, 7 October 2005, 10:11 a.m.

CHERTOFF'S SWEETHEART DEAL FOR ISRAELI-OWNED  
CARNIVAL CRUISE LINE

By Christopher Bollyn

American Free Press

In the aftermath of Hurricane Katrina, through a hastily arranged deal with Carnival Cruise Lines, \$236 million from U.S. taxpayers will flow to a tax exempt Israeli-founded corporation registered in Panama.

Before federal assistance even reached the victims of Hurricane Katrina, Carnival Cruise Lines had received a profitable deal to provide three ships to house evacuees from New Orleans and the Gulf Coast.

The deal, reached on Sept. 2, 2005, will pay Carnival some \$236 million for the use of 7,100 berths for six months. This means that each berth will cost U.S. taxpayers \$5,540 per month, or more than \$184 per night. The cost per bed can actually be much higher because not all berths will be occupied for the entire 6-month period of the contract.

USA Today reported that "most evacuees rejected the offer" to stay

on the Carnival ships, which are reportedly being used to house city employees from New Orleans and emergency workers involved in the cleanup effort.

The deal, arranged by the Military Sealift Command of the U.S. Navy at the direction of the Federal Emergency Management Agency (FEMA), has raised questions in Congress about excessive profiteering by Carnival Corp., the parent corporation that owns Carnival Cruise Lines along with 11 other leading cruise brands, including: Cunard Line, P&O Cruises, Princess, and Holland America Line. Carnival Corp. operates a fleet of 79 ships.

Navy Capt. Joseph Manna negotiated the contract with Carnival. Manna defended the deal, saying it was comparable to the cost of "a hotel and three meals a day."

Critics in Congress, however, said the cost of the deal with Carnival was exorbitant. Sen. Tom Coburn (R-Okla.) said the cost per berth is more than \$1,275 a week, while a 7-day Caribbean cruise costs about \$600 per person. "A short-term temporary solution has turned into a long-term, grossly overpriced sweetheart deal for a cruise line," Coburn said.

Representatives Marilyn Musgrave (R-Colo.), Jeff Flake (R-Ariz.), and Todd Tiahart (R-Kan.) sent a letter to House Speaker Dennis Hastert (R-Ill.) calling for "an immediate investigation into all matters related to the contract."

Rep. Henry A. Waxman (D-Calif.) sent a letter to Homeland Security Secretary Michael Chertoff requesting a copy of the contract and supporting documentation for its cost on Sept. 23.

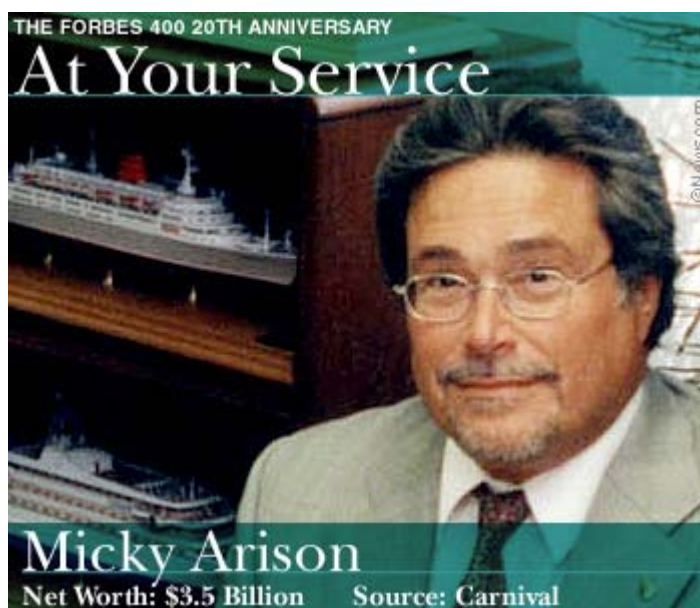
The contract with Carnival includes \$44 million for operating costs and an unknown amount to compensate for corporate taxes that could amount to tens of millions of dollars. The federal department headed by Chertoff agreed to compensate Carnival for its corporate taxes because, while the company is headquartered in Miami, Florida, it is exempt from U.S. income taxes and other taxes because it is registered in Panama and its ships fly under foreign flags.

Carnival Corp. reported net income of \$1.904 billion the nine-month period ending August 31, 2005, but only paid \$43 million in income taxes from its pre-tax income of \$1.947, a tax rate of 2.2 percent. The state or nation to which the taxes were paid was not specified.

Carnival had announced expected losses in early September from long-term disruption of its cruise service from New Orleans and Mobile. Two Carnival ships, the Conquest and Sensation, were based in New Orleans prior to Katrina. Sensation and Ecstasy are now contracted to remain in New Orleans, while the Holiday, based in Mobile, is contracted with FEMA to remain in its homeport.

"What we asked for was to be kept whole, basically," Micky Arison, chief executive of Carnival Corp. said. "And to make up for the revenue that we would have made had the ships been operated, and to pay for the expense of canceling 100,000 people and protecting travel agent commissions."

Carnival Corp. was started by the Ted Arison, an Israeli veteran of the 1948 war in Palestine, who came to the United States in the early 1950s, as did Michael Chertoff's mother, Livia Eisen. In 1990, Arison returned to Israel and turned control of Carnival Corp. over to his son, Micky.



### *Brief Biography of Ted Arison, Founder of Carnival*

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