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Chertoff's Sweetheart Deal For Israeli-Owned Carnival Cruise Cruise Line

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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. 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.

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. 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 ship 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 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.

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