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**U.S. HOUSE OF REPRESENTATIVES**  
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## **Analysis**

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# **New Carnival Cruise Line Emails**

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New emails reveal that Florida Governor Jeb Bush had more involvement than previously known in arranging and monitoring the \$236 million contract between Carnival Cruise Lines and the federal government to provide emergency housing to Hurricane Katrina evacuees. A series of emails between Governor Bush and representatives of Carnival show that Governor Bush intervened on Carnival's behalf with FEMA Director Michael Brown and promised to assist Carnival with securing a tax exemption and immigration waiver. They also reveal that Governor Bush was informed by a Carnival representative that some of the company's efforts were "simply greed."

To his credit, the emails were voluntarily provided by Governor Bush in response to an inquiry from Rep. Henry A. Waxman. They do not show that the Governor acted on the request to help Carnival secure tax and immigration relief.

## **Background on the Carnival Contract**

On September 2, 2005, the Military Sealift Command awarded Carnival Cruise Lines three contracts worth a combined \$236 million to provide temporary housing to Hurricane Katrina evacuees. These contracts have proven to be extraordinarily expensive for the federal taxpayer, costing more than \$50,000 to house a single person for the six month period, almost \$300 per person for each night's lodging.<sup>1</sup>

One reason for the high costs of the Carnival contracts is their generous terms. Under the contracts, Carnival was guaranteed to receive the same level of profit that it would have received under normal operating conditions. As a result, the taxpayer reimbursed the company for the cost of housing the evacuees as well as the revenues the ships would have earned from their casino operations, liquor and drink sales, and on-shore excursions if they had been operating normally. There is also no indication that the \$236 million contract value takes into account the cost savings that Carnival realized under the contract, such as avoided entertainment and navigational expenses.<sup>2</sup>

## NEW CARNIVAL CRUISE LINE EMAILS

### The Carnival Emails

On February 28, 2006, Rep. Waxman wrote Florida Governor Jeb Bush to inquire about his role in the award of the Carnival contracts. Governor Bush responded on March 13, 2006, writing that his involvement was limited to having “facilitated a link between Florida-based Carnival Cruise Lines, which could rapidly feed and house thousands, and the Federal Emergency Management Agency (FEMA), which needed immediate accommodations for victims of the disasters.” As part of his response, Governor Bush also provided Rep. Waxman with 53 pages of emails from or to Governor Bush that related to the Carnival contracts. These emails are summarized below.

**Governor Bush’s Email to Michael Brown:** Carnival officials have testified that “the federal government sought us out.”<sup>3</sup> Contrary to these statements, the emails reveal that Carnival proposed the contract and personally contacted Governor Bush to seek his intervention on the company’s behalf. On August 31, 2005, Ric Cooper, an advertising executive who represents Carnival and is a major political donor to the Florida and national Republican parties, sent Governor Bush an email proposing that Carnival ships be used to provide housing to hurricane victims. Mr. Cooper asked Governor Bush for help getting “in touch with the right people” at FEMA. Governor Bush responded, “I will pass on to Mike Brown. I can’t believe they haven’t asked as of yet but Mike will respond quickly. Jeb.”

Mr. Brown was copied on this email. Less than three hours later, Mr. Brown told Mr. Cooper, “Ric, thanks for the note that Jeb sent. I personally think this is a great idea.”

**Promise of Involvement in Carnival Tax Breaks:** On September 14, Mr. Cooper again reached out to Governor Bush for help. Mr. Cooper attached a brief summary of the concessions Carnival wanted from the federal government, including a tax exemption for Carnival for its income under the contract and a waiver of U.S. tax and immigration laws for Carnival crewmembers. Mr. Cooper asked Governor Bush for “anything you or your staff can do” to gain the concessions. Twelve minutes later, Governor Bush assured Mr. Cooper, “We are on it.”

Despite Governor Bush’s reply to Mr. Cooper, there is no indication in the emails whether Mr. Bush actually intervened with federal officials on Carnival’s behalf.

**Carnival Motivated by “Greed”:** On September 30, at the request of Carnival chairman Micky Arison, Mr. Cooper sent Governor Bush a “fact sheet” Carnival had sent FEMA to justify its rates. In the accompanying email, Mr. Cooper conceded to Governor Bush that he believed Carnival’s decision to seek tax breaks was “simply greed.” Mr. Cooper wrote:

Truth is that Carnival tried to do right from the first time I contacted you ... their lobbyists then got involved and they decided to go for the tax waivers, which from my perspective (between you & me) was simply greed. I begged and pleaded to drop that aspect and told them they would get crucified in the press, and they didn’t listen. But its getting done now the way it should be.<sup>4</sup>

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The terms of the contract ensured that Carnival would not be liable for taxes, including \$35 million to reimburse the company for federal corporate and income taxes.<sup>5</sup> There is no indication in the emails provided by Governor Bush whether Governor Bush informed FEMA or other federal officials of Mr. Cooper's assessment of Carnival's proposal.

**Threat of Cancellation:** On November 5, Carnival officials heard a rumor that FEMA planned to cancel the contract for one ship, the Holiday, and would move people off the ship by December. In an effort to confirm the rumor, Carnival president and CEO Bob Dickinson reached out to Governor Bush. Governor Bush responded almost immediately, "I don't think they will be able to find housing that quickly." Mr. Dickinson expressed concern, fretting that canceling the contract would lead to "losing many millions of profits." Governor Bush then promised to "see if it is true and get someone to contact you all."

Several hours later, Mr. Dickinson informed Governor Bush that FEMA would not be canceling the contract.

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<sup>1</sup> The occupancy rates used in this calculation are based on FEMA and Department of Homeland Security reports. See FEMA Weekly Reports (Oct. 13, 2005 through Feb. 28, 2006); Department of Homeland Security, *Management Advisory Report on the Acquisition of Cruise Ships for Hurricane Katrina Evacuees* (Report Number GC-HQ-06-11) (Feb. 16, 2006).

<sup>2</sup> Letter from Rep. Henry A. Waxman to Secretary of Homeland Security Michael Chertoff (Oct. 20, 2005).

<sup>3</sup> Statement of Terry Thornton, Vice President, Marketing Planning, Carnival Cruise Lines, *Hearing by the Select Bipartisan Committee to Investigate the Preparation For And Response To Hurricane Katrina* (Nov. 2, 2005).

<sup>4</sup> Ellipsis, grammatical error in original.

<sup>5</sup> Military Sealift Command, Contract No. N00033-05-C-5611 with Carnival Cruise Lines (awarded September 2, 2005). If Carnival had successfully negotiated a waiver from these taxes, the contract amount would have been reduced accordingly