

March 20, 2020

The Honorable Nancy Pelosi  
Speaker  
U.S. House of Representatives  
Washington, D.C. 20505

The Honorable Mitch McConnell  
Majority Leader  
U.S. Senate  
Washington, D.C. 20505

The Honorable Kevin McCarthy  
Minority Leader  
U.S. House of Representatives  
Washington, D.C. 20505

The Honorable Charles Schumer  
Minority Leader  
U.S. Senate  
Washington, D.C. 20505

Dear Speaker Pelosi, Leader McConnell, Leader Schumer, Leader McCarthy,

On behalf of our millions of members and supporters nationwide, we write to voice our strong opposition to any assistance for the cruise industry to address the rapid drop-off of worldwide travel due to the coronavirus. Any bailout should be focused on providing relief to impacted workers and affected communities, not the industry itself. Providing U.S. taxpayer dollars to massive foreign cruise ship corporations that pollute our environment, take advantage of tax loopholes, and flag ships in foreign countries would allow the cruise industry to return to business as usual, which is unacceptable. This polluting and destructive foreign industry does not deserve a bailout from American taxpayers, especially not in the middle of a national health emergency. Further, in 2018 the collective income of the top three executives of Royal Caribbean Cruises, Carnival Corporation and Norwegian Cruise Line Holdings collected a total of \$48,500,000 in compensation. This is hardly a figure showing that this industry needs a bailout.

In 2018, Carnival Corporation, which owns nine global brands and claims by far the largest share (41 percent—or \$18 billion in revenue) of the global cruise ship market, paid almost no U.S. taxes. One of the reasons is that, while Carnival has its headquarters in Miami, Florida, it is registered in Panama, and all of the more than 100 ships in its global fleet are registered (or flagged) in foreign countries. Royal Caribbean, which owns six cruise brands and is headquartered in Miami, Florida, is similarly situated as a Liberian corporation, with all of its more than 50 ships flagged in foreign countries. Finally, Norwegian also headquartered in Miami, but is incorporated in Bermuda with all but one of its 28 vessels flagged in foreign countries. And much of the cruise industry's profits are not reinvested in the company to improve things like safety standards or to lower—or at least partially compensate the public for—the huge social, environmental, and public health costs generated by these ships, some of which can carry more than 8,000 passengers and crew.

In addition, cruise ships are also sheltered from U.S. labor laws (minimum wage, human rights, and so on) and aggressively exploit cheap labor on the unregulated global labor market. And yet, Carnival Corporation has already benefited from US taxpayer dollars.

In an article titled ***"The Paradox of Corporate Taxes"***, published February 1, 2011, *The New York Times* reported:

"The Carnival Corporation wouldn't have much of a business without help from various branches of the government. The United States Coast Guard keeps the seas safe for Carnival's cruise ships. Customs officers make it possible for Carnival cruises to travel to other countries. State and local governments have built roads and bridges leading up to the ports where Carnival's ships dock.

And what has Carnival Corporation paid the United States for these subsidies? Next to nothing.

In that same article, *The New York Times* explained:

"Over the last five years, the company has paid total corporate taxes — federal, state, local and foreign — equal to only 1.1 percent of its cumulative \$11.3 billion in profits. Thanks to an obscure loophole in the tax code, Carnival can legally avoid most taxes."

The environmental violations of this industry in the U.S. and abroad are appalling. Carnival Corporation has been on criminal probation for the last three years as part of a record-setting \$40 million fine and plea agreement for illegally dumping oily waste into the ocean for nearly a decade, as well as obstruction of justice for hiding its criminal activities from regulators. On April 16, 2019, in an article titled "***Carnival is on probation for polluting the ocean. They're still doing it, court records show***", the *Miami Herald* published the bombshell news that Carnival had been violating the terms of its probation by dumping wastewater and plastic into the ocean and polluting our air in excess of federal and state regulations. This included a Carnival Corporation ship dumping 26,000 gallons of untreated graywater into Glacier Bay National Park & Preserve in Alaska and failing to immediately report it to the U.S. Coast Guard Captain of the Port—a federal felony violation. The federal court fined Carnival Corporation another \$20 million in June 2019 for its ongoing criminal behavior. This included the intentional dumping of plastics mixed with food waste into the Bahamian archipelago. All of the big cruise companies have been caught polluting, been fined millions of dollars, and/or have been on federal probation in the past.

Further, most cruise ships in these companies' global fleets burn one of the dirtiest fossil fuels on earth, heavy fuel oil. Heavy fuel oil is the thick, bottom-of-the-barrel sludge that is a waste product of oil refineries. Carnival Corporation, Royal Caribbean, and Norwegian have taken advantage of loopholes in international sulfur regulations by installing so-called Exhaust Gas Cleaning Systems (EGCS), or scrubbers, on the majority of their vessels to enable their ships to continue to burn high-sulfur heavy fuel oil, instead of using cleaner but more expensive distillate fuels. The majority of these systems are open-loop scrubbers, which means the contaminated washwater, which contains carcinogens including polycyclic aromatic hydrocarbons and heavy metals, is discharged directly into the ocean and US ports and harbors. Even closed-loop systems generate highly contaminated bleed-off water discharges, as well as sludge and residues that must be disposed of.

The concerns related to the use of scrubbers are so great that the United Nations Group of Experts on the Scientific Aspects of Marine Environmental Protection (GESAMP) stated on pg. 17 of its report to the 7<sup>th</sup> meeting of the Pollution Prevention and Response Subcommittee of the UN International Maritime Organization that, ". . . it could even be argued that EGCS are potentially in conflict with Article 195 of UNCLOS 'Duty not to transfer damage or hazards or transform one type of pollution into another'."

The cruise industry relentlessly opposes common sense regulations and pollutes with abandon, even when under federal court oversight. Clearly, these foreign corporations have no regard or respect for U.S. laws. Congressional bailouts that focus on the industry and simply return to the pre-crisis status quo are unacceptable. It is time to stop repeating the mistakes of the past and halt any bailout of the cruise industry. We must instead focus any federal funds on protecting our environment, workers, and communities.

Should any U.S. financial support be extended to these foreign cruise ship companies, it should come with explicit, nonnegotiable environmental and tax liability conditions. These include:

- **To ensure that cruise line corporations pay their fair share of U.S. taxes, and because they are headquartered within the U.S., embark and disembark U.S. citizens, and operate vessels in U.S. waters, they must register their ships in the United States.**
- **Disclose the tax savings** on the revenue from the ships over 20 years.
- **An immediate switch to the cleanest marine fuel available:** Ships operating on heavy fuel oil in U.S. waters, to include the U.S. Exclusive Economic Zone, must switch to cleaner burning low sulfur distillate fuels, or low and zero-life-cycle emissions non-fossil fuels and technologies immediately, but no later than January 1, 2021. Operators must also install diesel particulate filters to further reduce public-health damaging particulate matter pollution from cruise ship exhaust, at the earliest available dry dock date.
- **No use of Exhaust Gas Cleaning Systems (EGCS or scrubbers) within the North American and U.S Caribbean Sea Emission Control Areas and the U.S. Arctic:** EGCS generate enormous volumes of water pollution that is acidic and contains carcinogens. The operation of such systems in the North American

and U.S. Caribbean Sea Emission Control Areas and the U.S. Arctic must be prohibited.

- **Shore power mandate:** By January 1, 2023, all cruise ships calling on U.S. ports must be equipped to accept shore power and, if shore power is available, they must plug in while at berth.
- **Absolute GHG reduction targets:** Cruise lines have largely based climate targets on intensity reductions and focused solely on CO<sub>2</sub> emissions reductions. This has enabled these companies to increase their total climate pollution year by year, while they report declining emissions per passenger. Absolute reduction targets must include drastic reductions in CO<sub>2</sub>, methane, NO<sub>x</sub>, and Black Carbon emissions by 2030 and complete decarbonization no later than 2050.
- **Establish Monitoring, Reporting, and Verification (MRV) of fuel consumption and emissions:** By January 1, 2021, all ships allowed in the U.S. portion of the North American Emission Control Area and the U.S. Caribbean Sea Emission Control Area must publicly report annual fuel consumption and greenhouse gas emissions -- including CO<sub>2</sub>, methane, and black carbon -- as well as other health-harming pollutants including but not limited to ultrafine and nano-particulate matter, heavy metals and polycyclic aromatic hydrocarbons, to support future federal, state, and local emission reduction policies.
- **Zero-emission cruise ship vessels transition plan:** By January 1, 2022, companies must develop and share with relevant U.S. authorities plans to transition all cruise ships that operate within the U.S. Exclusive Economic Zone to zero-life-cycle-emission vessels.
- **Meet all federal, state, and local water quality standards at the point of discharge.** Cruise ships could meet this standard by installing Advanced Wastewater Treatment Systems and meet all federal, state, and local water quality standards at the point of discharge, not within a mixing zone, and utilizing them to treat both black and graywater while in U.S. waters out to 200 nautical miles. End all wastewater dumping—treated or untreated— U.S. territorial waters, as well as the U.S. Exclusive Economic Zone in Alaska, the U.S. Arctic, the U.S. Caribbean, and U.S. territories in the Pacific. Additional measures to reduce and/or treat oily bilge water, ballast water, and separate plastics from overboard food waste discharges must be presented to Congress by January 1, 2022.
- **Oversight and monitoring:** Create a real-time sampling, monitoring, verification, and reporting program to ensure compliance with the minimum requirements of all state and federal air and water quality standards and establish an inspection program that includes placing trained, independent, third-party observers on cruise vessels to monitor and inspect vessel operations, equipment, and discharges. This can be modeled after the State of Alaska's Ocean Rangers Program, which has U.S. Coast Guard licensed, independently funded rangers that inspect, monitor, and enforce Alaska's 2006 citizen-passed initiative that guarantees funds and resources to enforce Alaska and the nation's environmental laws. This program helps ensure that there is a public body that has oversight of the industry's practices, and has proven itself effective by calling out illegal practices by companies who have dumped wastewater in Alaskan ports, Glacier Bay National Park & Preserve, and other places. It has proven to be integral to the public health and wellbeing of Alaskans and Americans, and other areas should adopt similar programs with the help of the federal government.
- **Establish and carry out a program for hiring and placing trained, independent observers on cruise vessels to monitor and inspect vessel operations, equipment, and discharges.**
- **Establish dates for compliance with wastewater limits.**
- **Establish a legally enforced insurance fund for local communities, public health, and the environment that are negatively impacted by the cruise industry's activities.** This fund can help with any negative disruptions that the cruise industry has on people and the environment where it does business. We have seen many cases where a loss in local businesses, public health, and the environment has had a negative

impact on peoples' lives. This fund would ensure that there is proper compensation for those people amid any potential disruption or disaster.

Finally, our organizations are developing further proposed policies and procedures that will enhance the environmental and public health protections in relation to the cruise industry. Moving forward, we want to ensure that this industry is held to a proper standard that further protects both the environment and public health. We believe independent monitoring and enforcement is integral. Collaboration between federal, state, and local officials will be important to ensure that both public health and environmental interests are considered and that the established rules are properly monitored and enforced. We plan on sharing these proposed changes to your offices soon.

Thank you very much for your consideration,

**Marcie Keever**

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Friends of the Earth

**Kendra Ulrich**

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