

# The Costa Concordia disaster and the profit drive of the cruise business

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Two weeks after the sinking of the Costa Concordia, the dirty side of the lucrative cruise business is increasingly coming to light. While rescue workers are still searching the semi-sunken wreck for the last 20 missing bodies, the blame game continues.

The focus of the media attention remains the captain of the Costa Concordia, Francesco Schettino, who every day faces new allegations. The Italian press, in particular, are continually publishing new information regarding allegedly incriminating testimony or telephone recordings. Analysis of the ship's black box, which has yet to be released, should reveal details about the radio messages.

The media reports are contradictory and fixated on the more salacious allegations against the captain. Some reports claim there were indications that Schettino had been sitting with a woman in the ship's bar at the time of the accident, while other reports place him on the bridge directing the ship while flirting with a woman.

Schettino, along with the first officer, was arrested on January 14. But the first hearing by the Italian justice system is only to be held on March 3, and is being prepared as a media event in the theatre of the city of Grosseto.

The focus of the whole process, and most of the media attention, is aimed at making Schettino, whose behaviour apparently contributed to the disaster, the sole scapegoat. Little attention is being paid to the profit interests connected to the cruise business.

More and more evidence, however, indicates that intensified competition and the pursuit of higher profit margins at the expense of safety and the training of the crew members were ultimately the main reasons why the shipwreck of the Costa Concordia claimed so many lives, and could possibly have happened at all.

Cruises have developed over recent years into a mass market. The size of ships and number of passengers they carry are continually growing. Costa Concordia's parent company Costa Crociere, having invested €5.5 billion over the last 13 years, has a fleet of 17 ships with a total capacity

of 46,400 passengers.

The ships increasingly take on the character of floating amusement parks or "floating resorts". By focusing on the rapidly growing mass tourism market, a fierce price war has begun. The ships employ low-wage workers from the emerging countries, mainly in Asia, and undertake increasingly aggressive "competition" for ever more attractive routes and holiday offers.

This is clearest and most dangerous for cruises to the Arctic or Antarctica. The International Association of Antarctica Tour Operators, responsible for the regulation of maritime transport in the region, has seen nearly a doubling of cruises over the past five years. The main problem has turned out to be that the more deserted the region, the less clear are the rules and regulations. Few cruise ships are specially designed for the polar seas.

The fatal consequences this can have were shown by the sinking of the Explorer in 2007 off the coast of South America. Some 150 passengers and crew were rescued by ships hurrying to the scene after the ship hit an iceberg. A cruise ship with thousands of passengers, as are also sailing in this region, would certainly have faced a far worse fate.

Experts believe that it is just a matter of time until a disaster happens in the icy waters of the northern or southern ocean. To make the trips more attractive, shipping companies encourage their captains to perform increasingly dangerous manoeuvres in order to provide tourists a better view of the breathtaking natural surroundings.

But it is not only cruises in dangerous waters where the cruise lines are pushing the limits of safety to the extreme. The construction of ships with countless decks also poses risks. For example, the Louis Majesty was destroyed by high waves off the Costa Brava in 2010; 2 passengers were killed and 16 injured.

In its latest report on the Costa Concordia disaster, the *Südwert Presse* wrote in its online edition: "In recent years, cruise ships have regularly sailed manoeuvres to greet residents, not just off the island of Giglio, which proved fatal for the Concordia. Until recently, the Costa boasted about

taking a so-called bow off the island of Procida near Ischia in 2010 with the captain of the Concordia, Francesco Schettino at the helm. The ritual was apparently known to the responsible authorities, although it was against the rules.”

Whether the manoeuvre was carried out on orders from the shipping company or at the initiative of the captain is a moot question. That the cruise lines toleration of such manoeuvres meant they failed to meet their responsibilities can be seen from the statement of Costa boss Pier Luigi Foschi before the Italian senate. In his verbal statement, Foschi cited several phone calls on the evening of the accident in which the captain allegedly deceived the shipping company regarding its extent. But the actual content of the telephone conversation between Schettino and the Costa Crociere security chief Roberto Ferrarini gives a different picture.

In the 70 minutes between being “holed” and the beginning of the evacuation, seven telephone calls were made in which Ferrarini learned straight away that the ship had hit a rock, the power had failed and water had penetrated into the ship. The claim that the “deceptive” reassurances of the captain had stopped him immediately notifying the Coast Guard is simply absurd.

Moreover, these statements are in contrast to Foschi’s statements three days after the accident, according to which Schettino had first informed the ship’s owners at 22:06 (i.e., nine minutes after the first phone call) about an “unspecific” emergency, as the *Wall Street Journal* notes. In reality, Schettino evidently reported the fact that a second section of the ship had been flooded in this second call. This meant the Costa Concordia had reached a critical point. After a third section, “The situation would be very critical”, said Foschi.

A few minutes later, there was a 10-minute conversation about the extent of the damage, in which Schettino allegedly gave assurances that the situation was “under control”, only to report a few minutes later that the ship had begun listing to the side. But the evacuation was only ordered 20 minutes later. Clearly, those responsible tried for at least 30 minutes to cover up the damage as an internal matter, in the hope that it was not too bad. The main motivation for this may have been the fear of the enormous damage to the company’s reputation that could arise when the loss of a cruise ship became public knowledge.

In order to bury the topic as soon as possible, Costa Crociere has now offered €11,000 in compensation to each uninjured passenger, in addition to the reimbursement of their travel expenses and the cost of returning home. Although the amount of compensation was established in collaboration with several Italian consumer protection organisations, it more closely resembles hush money. Acceptance of the offer is conditional on each individual

agreeing not to take legal action against the shipping company. For this reason, most advice is not to accept.

Consumer protection organisation Codacons is preparing a class action lawsuit in the United States against Costa’s parent company, Carnival Corporation, calling for €125,000 for each passenger. Another class action is demanding US\$160,000 (approximately €122,000) for survivors and US\$1 million or more for the families of the victims, as the online edition of *Financial Times Deutschland* reported.

The behaviour of those responsible shows that in addition to drastic savings, particularly on crew costs, risky nautical manoeuvres are employed to increase the attractiveness of the tourist experience and are part of the corporate philosophy in order to remain competitive in the rapidly growing cruise business. To prevent any further discussion and be able to continue this irresponsible business policy at the expense of safety, those responsible are now trying to buy their way out. This would hardly dent the approximately US\$2 billion net profits of the parent company.

A look at multibillionaire Micky Arison—the main owner of Carnival Corporation, which in addition to Costa Crociere includes 11 other cruise companies—makes clear the extent of the unrestrained enrichment that has occurred at the expense of wages, working conditions and safety. The magazine *Stern* describes him as the “king of the fantasy ships”, a party animal from Miami, who took over the company three decades ago from his father, expanding the business into the world’s leading cruise company.

Company headquarters were moved to Panama, not only to save taxes, but also to avoid crews being paid and employed under US labour laws. With a personal fortune of US\$6.1 billion, Micky Arison is ranked 75 on the Forbes list of the 400 richest Americans. Arison senior bought his daughter, Shari Arison, the Israeli Bank Hapoalim (Workers’ Bank), formerly owned by the Israeli Histadrut trade union federation, and which is now the largest commercial bank in Israel. Two years ago, Shari Arison was named the richest woman in the Middle East.



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