Mr. Chairman and Commissioners, good morning (afternoon), my name is David Bernstein. I am the Senior Vice President & Chief Financial Officer of Carnival Corporation & plc. Carnival owns and operates 95 cruise ships under 11 different cruise brands around the world. I'd like to start by thanking you, for giving us the opportunity to share our ideas, about the best way to provide meaningful protection to the US public.

I want to make it clear that we do support CLIA's position that the current $15 million security requirement cap is appropriate. However, we would also ask the Commission to consider the financial strength of companies such as Carnival as part of that process. Keep in mind that financial strength, or credit standing, is a key element of all transactions in the business world as well as in individual consumer transactions. I can cite numerous examples of its relevance. For instance, payment terms afforded to a company for commercial trade are based on a company's credit standing. The decision to lend money, the price of a loan, and whether or not to require security are all determined by the borrower's financial strength or credit standing. Both businesses and consumers evaluate the financial strength of an insurance provider to determine how to best cover their risk.

In response to the fundamental need to evaluate the financial strength and credit standing of companies and individuals a whole ratings industry flourishes. For business's there are Rating Agencies such as Moody's Investor Service and Standard & Poor's, commonly known as S&P. For individuals there are three well know credit monitoring agencies, TransUnion, Equifax and Experian.

We recommend that the commission consider adopting rules that would allow passenger vessel operators, or PVOs, with excellent financial strength, as evidenced by an investment grade credit rating, to qualify for self insurance and thus not be required to put up a bond. Encouraging companies to maintain excellent financial strength, strong balance sheets and investment grade credit ratings is the best protection the Commission can provide to the US public as these companies will be well positioned to withstand an economic downturn or other exogenous events. The Commission can promote this by establishing a mechanism under which PVOs can qualify for self insurance by utilizing the well established ratings industry to evidence their financial responsibility in place of a bond or additional security.

We believe the most efficient way the Commission can assess a PVO's financial strength is to rely on an independent rating agency. Now more than ever, these ratings agencies are highly scrutinized in carrying out their responsibilities. Rated companies like Carnival are motivated to have open and timely communications with these ratings agencies which are vital in determining our access to capital and our borrowing rates. Without open and timely disclosure, we would be penalized for the lack of visibility. So companies have a vested interest to ensure that the agencies are continually appraised of their business climate and strategy. In fact Carnival maintains a regular monthly dialogue with the rating agencies. In addition, the agencies follow and analyze our publicly disclosed quarterly numbers and each year we formally present to the rating agency's coverage team our business strategy and long term models. So in the end the Commission and the US Public vis-a-vis the rating agencies would be kept up to date on any financial concerns.

Of course, not all cruise companies are equal, and to protect the US public I would like to reiterate that only investment grade companies should be eligible for self-insurance. Companies make a conscious choice in constructing their capital structure and balance sheet which determines their rating. Some choose to extend themselves and increase risk in an attempt to increase shareholder gains, while others choose to be more conservative and have a greater equity base to protect all the company's stakeholders. Carnival has chosen to be more conservative. Over the years we have had many opportunities to extend ourselves by borrowing money to lever up our balance sheet and buy back stock. However, we have chosen not to do this but rather to keep our balance sheet strong in order to protect our customers, our employees, our communities, our debt holders and our shareholders.

When utilizing ratings to show evidence of financial responsibility, if a PVO is not separately rated, we recommend that the rated parent company provide an appropriate guarantee to the commission for each of its PVO's, and in turn the Commission reference that parent company's rating in assessing whether the PVO's self-insurance credit requirements have been met. This approach also supports our recommendation that related PVOs be treated as one consolidated entity. Due to our current corporate structure we currently file six separate bonds on behalf of our PVOs. However, if we restructured to process all passenger revenue through one company, only one bond would be required. We propose that on the basis of an appropriate rated parent company guarantee, the Commission amend the regulations to allow commonly owned PVOs to evidence their financial strength on a consolidated basis and to post a single bond if they do not meet the requirements for self insurance. This would be consistent with the practice of credit rating agencies, lenders, the investment community and others who evaluate the creditworthiness and financial strength of all companies, including cruise companies, on a consolidated basis.

To sum up, the commission has the ability to create a structure that rewards companies for maintaining a responsible capital structure thereby directly reducing risk for the US Public.

Carnival and I personally, would be happy to work with the Commission to further define our recommendation. I would like to end by saying thank you for taking the time to listen to my recommendations today.