**Floating Your Boat? U.N.'s 'Flotel' in Haiti Is Vastly Overpriced, Says Expert**

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A comfortably-appointed passenger ship that United Nations peacekeepers in earthquake-battered Haiti call home is still on duty, its rental meter running at $72,500 per day. The tab for U.N. member states is more than $6.5 million since March — and counting.

Both the 480-foot vessel named Ola Esmeralda, and its smaller companion the Sea Voyager — known among U.N. staffers as the "Love Boat" — have been generating controversy ever since their arrival in Haiti was reported on by Fox News.

On May 11, the Love Boat left Haiti after completing its 90-day initial contract with the U.N. — at a cost of roughly $3.5 million. A recent U.N. peacekeeping budget, however, has set aside an additional $6.5 million for Ola Esmeralda to cover rental until the end of August.

According to an expert in international shipping operations, management and finance consulted by Fox News, however, that $13 million projected tab for Ola Esmeralda, an 11,000-ton Venezuelan-registered vessel whose owners have close ties to the Hugo Chavez government, is "outrageous, ridiculous, whatever bad words you can use. I'd love to have that contract."

He estimates that the ship deal is spinning off cash for its owners at a rate that is two or three times what is normal for the "flotel" — floating hotel — business.

The expert's estimate of the lucrative nature of the Ola Esmeralda contract raises new questions about the choice of the vessel for U.N. peacekeeping work by the agency that struck the deal, the World Food Program (WFP).

According to WFP, Ola Esmeralda was chosen after rigorous competitive bidding, in which five different vessels were vying for the job on the basis of the lowest competitive price. Said a WFP spokesman: "The Ola Esmeralda is relatively old and was the most cost effective in terms of price per cabin."

The expert consulted by Fox News, however, was skeptical. His conclusion: "It's a dream deal for somebody."

Using the "most generous" operating cost assumptions, plus the actual technical specifications of the ship, the expert concluded that the U.N. is paying at least 100 percent more than Ola Esmeralda costs to operate — a tally that the expert said should be no more than $36,200 per day.

That would leave an estimated excess of revenue over operating expenses of more than $36,280 per day, and even after making further allowances for administrative overhead, the Ola Esmeralda is likely generating a cash flow for its owners of at least $29,000 per day — more than $2.6 million during its first three months in Haiti.

Normal cash flow in the floating hotel business, the expert said, would be more like $10,000 to $15,000 a day.

Indeed, the operating costs for Ola Esmeralda could be even lower than that, the expert concluded — and the cash flow could be a lot higher. Among other things, Fox News' expert — who requested anonymity — based his cost calculations on the likelihood that Ola Esmeralda, which can carry a maximum of 482 passengers, was hosting 375 U.N. staffers per day, or 78 per cent capacity.

According to a spokesman for the U.N. peacekeepers the ship has recently been hosting about 250 passengers, or 52 percent capacity.

That should lower expenses for such things as hot meals, laundered sheets and other personal services — all of which make Ola Esmeralda a luxury pit-stop on the ravaged island — by another 25 percent, and add another estimated $1,400 per day to Ola's potential profit margins.

"These are huge, huge commissions," said the expert. "Somebody's making a fortune."

Fox News first revealed the murky ownership details of Ola Esmeralda last April, as the U.N. agency that contracted for the vessel, the World Food Program, was ridding its web-site of a photo-essay and story about the two ships' arrival.

According to WFP, the ship's owner is a Miami company called Lighthouse Ship Management LLC, whose office address is that of a suburban Miami residence.

But in fact, as of the end of January 2010, the registered owner of the Ola Esmeralda, according to official ship registries, is a Venezuelan company, Servicios Acuaticos de Venezuela, C.A., or Saveca. Lighthouse Ship Management is the vessel's manager, a fact confirmed to Fox News by a Saveca executive who otherwise declined to answer questions.

Saveca, in turn, boasts on its website that it has an "alliance" with a Venezuelan shipyard, Dianca, that is jointly owned by the Chavez government and its state-owned oil firm.

Neither Saveca nor Lighthouse Ship Management has answered questions about their relationship initially posed by Fox News in April.

Through a spokesman, however, WFP has tersely defended to Fox News both its procurement procedures in the Ola Esmeralda selection and the cost of the ship's rental. According to the spokesman, ten ships were originally offered for the contract, and half of them survived a technical analysis to determine if they could adequately provide the required services.

Ola Esmeralda was chosen from among the surviving five on the basis of lowest price bid, WFP's spokesman said.

When informed that Fox News had been told the cost of renting the Ola Esmeralda was considered to be high, the spokesman replied that its expenses included "refueling costs over a three-month period, and food requirements of passengers."

"Refueling costs alone account for almost one-third of the daily rate," the agency's spokesman declared.

Fox's expert agreed that fuel costs made up one-third of his own estimated operating costs for the vessel — but that was $12,000 out of an estimated total expense of $36,200, rather than the $72,500 the U.N. is paying for the ship.

He based his estimate on normal commercial rates for fuel oil and lubricants and the consumption rates of the diesel "generator" engines listed in Ola Esmeralda's specifications. He noted that in a moored "flotel," those "generator" engines would be used to produce roughly 4,000 kilowatts of energy per day for the vessel in port, rather than the main engines, which are used to propel the ship at sea — and which use much more fuel.

The Fox News expert's numbers also included food and laundry services for a crew of 150 plus the 375 assumed passengers.

"The galley and housekeeping is where the real labor is aboard this kind of ship," he said, and those workers are often less expensive than the operating crew.

According to the shipping expert, it would be "very difficult" for any costs to be higher than his estimates, given the labor markets and wage rates in the Caribbean zone where Ola Esmeralda operates.

As for food costs, he mused, "maybe they're flying in porterhouse steak and lobster tails. But I don't think so."

George Russell is executive editor of Fox News.