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National Puerto Rican Coalition Seeks Federal Investigation of Rum "Deal" that Transfers Federal Funds to Foreign Company

Washington, D.C. – The Board of Directors of the National Puerto Rican Coalition (NPRC) announced today they have made a formal request to the U.S. Department of Justice (DOJ) and the Securities and Exchange Commission (SEC) to investigate a deal between Diageo, a UK-based liquor conglomerate, and the U.S. Virgin Islands. (http://www.nprcinc.org/files/NPRC DOJ letter.pdf, http://www.nprcinc.org/files/NPRC SEC letter.pdf)

"Diageo has structured an unusual and highly suspect agreement with the government of the U.S. Virgin Islands," said NPRC Chairman Miguel Lausell. "American taxpayers deserve to know why a highly-profitable, union-busting British-owned company should take a $6 billion gift from the U.S. treasury – especially during these tough economic times – to create only 40 jobs."

"This is a sweetheart deal of such epic proportions that it should shock the conscience of every Member of Congress" said NPRC President & CEO Rafael Fantauzzi. "The subsidy to Diageo is worth about twice the cost of its rum production. The cost of producing a 'proof gallon' (a measurement of alcohol) of rum in a Puerto Rico distillery is $3.07. Diageo stands to receive $6.38 in direct payments for producing the same rum."

"With so much money at stake, one would assume that Congress would be willing to review and approve this deal. That assumption would be incorrect. Then-House Ways and Means Committee Chairman Charlie Rangel made sure that any legislation that would rectify this deal never saw the light of day," Fantauzzi added. "What's most troubling about this sour deal is that Federal and State officials involved in negotiating and/or sanctioning it have close ties. That is why we are demanding investigations from the Department of Justice and the Securities and Exchange Commission into whether the activities and actions that led us here directly violate or otherwise seek to circumvent U.S. securities laws and regulations."

The players who negotiated, sanctioned or protected this deal, are all closely related. The person who negotiated the deal, Adam Christian, is the brother of the Virgin Islands Representative in Congress Donna Christensen who lobbied her ally Charlie Rangel to make sure no legislation affected this deal. Also, the only Federal official to review and show support for this deal at the U.S. Department of Interior Insular Affairs, Anthony Babauta, happens to have been the Congresswoman's former chief of staff.

“Investigators should ask: How can a publicly-traded company secure a deal so sweet that it is guaranteed profits that exceed 100 percent annually for up to 60 years?” Fantauzzi added. “How can a corporate entity guarantee and/or give credible indications of revenue inflows to its shareholders, when the ‘rebates’ are based on a strictly discretionary federal program that Congress may change or eliminate in any given year? In fact, Congress has modified the ‘rum cover-over’ formula several times over the last few decades.”

“We must question whether this incestuous and highly-suspicious group of players has something at stake in this deal. We should demand that every one of them be asked, under oath, if they will be receiving any kind of compensation or future deals from this transaction,” Fantauzzi added.

“Diageo is receiving an average of 100 million dollars per year in corporate tax breaks, sugar subsidies and direct payments. That is enough money for every child in the U.S. Virgin Islands to receive over $3,000 per year for their current or future educational expenses,” Lausell said. “This money could more than double what the territory currently spends for its combined Health and Human Services budgets. Instead, these funds will be lining the pockets of British corporate executives and their shareholders. In fact, Diageo’s CEO Paul Walsh just saw his salary jump 72 percent.”

“How can Congress sanction and allow a deal to move forward with a company already facing a serious case in Federal Court regarding violating the Federal RICO Act,” Fantauzzi added. “This deal at a minimum should be suspended until this court case is resolved.” Diageo North America (owner of brands like Captain Morgan, Johnny Walker, and Tanqueray to name a few) is fighting a case brought by the Republic of Colombia in the U.S District Court in the Eastern District of New York for allegations that it violated the Federal RICO Act. The case which will begin oral arguments in October alleges that Diageo participated in money laundering schemes by illegally selling liquor to firms that helped launder drug money in Colombia.

“Democratic leaders in Congress need to understand that this is why so many Americans that supported us in 2008 are turning their backs on us today,” Lausell added. “We have been busy arguing that the wealthy shouldn’t get a tax cut and attacking Republicans who support this. Meanwhile, our Members of Congress have been turning a blind eye to what might be the biggest corporate welfare giveaway in history.”

In the past 32 years, the National Puerto Rican Coalition (NPRC), a non-profit non-partisan organization, has emerged as one of the most respected and effective organizations advocating for the concerns of the Puerto Rican community. NPRC's mission is to systematically strengthen and enhance the social, political, and economic well-being of Puerto Ricans throughout the United States and in Puerto Rico with a special focus on the most vulnerable. www.nprcinc.org

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