

INSIDE VIEW:

THE NEW CUNARD AND BEYOND

Part II of an interview with Peter Shanks, President and Managing Director of Cunard.

by

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In Part II of this interview, Mr. Shanks first discusses the new Queen Elizabeth, then what type of ships Cunard may build in the future and finally, Cunard's place in the Carnival family of companies.

In October 2010, a third ship will join the Cunard fleet. She will be 92,000 gross tons and will be able to accommodate 2,092 passengers. Her top speed will be 23.7 knots and she will be registered in Great Britain.

"The Queen Elizabeth is going to give us another huge step up for the brand. They often say 'what is in a name' but to have a ship that has the name 'Queen Elizabeth' attached to it is going to do so much to raise the whole profile and awareness of the special-ness of the Cunard brand."

"We are working hard to bring back the memories of the original Queen Elizabeth. We are recreating the Midships Bar where people used to meet and talk about how the day was going. We will have memorabilia, pictures and models of the original Queen Elizabeth. Then, we are re-creating the Yacht Club of the QE2 - - a beautiful room that people will recognize

from QE2. Also, we will do the dancing and entertainment and people will feel at home in there as people were in the QE2. So, we are trying to bring the Elizabeths back to life on the ship. People feel a connection with that famous name."

The new ship is based on the same design as the Queen Victoria and so will resemble that ship in her outward appearance and in her interior layout. However, whereas the Victoria's interior has an art nouveau influence, the Elizabeth will have an art deco style.

"I think when people are on the ship they will just feel comfortable. They will feel: 'I know my way around this now [because of] the Queen Victoria but gosh it is so nice, it is different.' I think personality is the word. Each ship has to have its own personality. The Queen Mary is just wonderful. The Queen Victoria has got a very homely personality and we will wait and see how Queen Elizabeth's personality develops. I think people will feel at home whichever ship they are in but know which one they prefer from their own personality."

Beyond the styling, there will be a number of differences between the Queen Elizabeth and the Queen

Victoria. The Queen Elizabeth will have "a single seating Britannia Club dining room, which will be beautiful. She has quite a fun sports deck up on top in a really nice covered area where we will do old-fashioned sports like croquet, English garden bowls and fencing. There are slightly more cabins on the Queen Elizabeth. [The aft end of the superstructure] stretches back and has quite a pretty back side like the Eurodam."

The main restaurant will also be changed. On Queen Elizabeth there will be a central staircase at the entrance. "That means as you walk in, you walk up and over the bottom of that staircase. When you are in that restaurant, you will see a sweeping staircase. On the upper level, if you think about Queen Victoria, there is quite a lot of glass up there so it makes that a bit confined. We have opened that up so on the Queen Elizabeth, you will feel that you are in a grander restaurant with a staircase which brings more of that grandeur back."

The ship design used for Queen Victoria and Queen Elizabeth is a modification of the Vista class cruise ship design that has been used for a number of cruise ships operating in several cruise lines' fleets. The Cunarders differ from the original Vistas in that they are longer and have reinforced hulls to enable them to better handle the rigors of ocean crossings. However, as Mr. Shanks noted, the Cunarders differ from their cruise ship cousins in another way that is perhaps more relevant to passengers. "If you actually compare the Costa or Holland America Vista class ships or even P&O's Arcadia, yes they are the same basic hull design, but when you go onboard the ships you wouldn't recognize it - - the double height rooms, the double height library, the Britannia, the Queens Room,. It is very clever actually. It is true they are Vista class ships but when you go inside, they are radically different."

Cunard's tagline proclaims that it has "the most famous ocean liners in the world." Some ship enthusiasts have criticized Cunard for this claim arguing that Queen



Peter Shanks

Victoria and Queen Elizabeth do not meet the technical definition of an ocean liner. To Mr. Shanks, such criticisms miss the point of Cunard's slogan. "Queen Mary 2 is absolutely a liner, she is the only one. While Queen Elizabeth and Queen Victoria are not liners in the true sense of the word that Queen Mary 2 is, inside the ships, they are every inch a liner. The Queens Room, the double height library, the Britannia Restaurant, they are every bit a liner experience."

The new Queen Elizabeth "comes into service in October and has four or five voyages this fall, then she goes on her maiden world voyage - - all of which are selling very well. We have just released her program for 2011 and she will be deployed out of Southampton on the strongest traditional set of itineraries both going up

to the north and going down to the Med. So she will be very much Southampton deployed. We expect quite a lot of international guests to come to her first season. Sailing on Cunard up to Northern Europe is still very popular for American guests. Some of the longer voyages down to the Eastern Med are also quite popular."

"That then frees Queen Victoria to spend more time in the summer as the fly-cruise option for all our markets to sell into. But her homeport is Southampton - - that is our prime market. There will still be a lot of international guests who come over here as well".



Queen Victoria

Future ships

Cunard has not announced plans for any more ships after Queen Elizabeth. "We tend to do that one at a time." However, Mr. Shanks was able to discuss future Cunarders in general terms.

Historically, Cunard operated a number of smaller ships in addition to its top of the line ocean liners. Although the Queen Elizabeth and the Queen Victoria are smaller than the Queen Mary 2, they are the second and third largest Cunarders ever built. Would Cunard consider building a smaller ship today?

"I think the iconic Queen Mary 2 liner is a wonderful stand-alone ship. She is the largest ship in the Carnival Corporation fleet and will probably remain so forever. Her size is fantastic. So we are not going to build a small Queen Mary 2. Our evidence so far on Queen Victoria is that that is pretty much the optimal size for a Cunard ship. Yes, she is quite large and she has 2,000 guests but when you are on the ship the amount of space we have is ample."

"I am often asked: 'How can Cunard compete with the likes of Crystal and Regent, for example?' I am forever told that 'your ships are too big to be luxury.'" However, it is clear that Queens Grill passengers on the Queen Victoria and the Queen Mary 2 do have a luxury experience. Because these are large ships, "you have some of the largest staterooms at sea. You have the space to do that. But then the Queens Grill restaurant with a capacity of 170 or 180 is a beautiful experience and way more intimate and personal than a Crystal or a Regent. The Queens Grill Lounge, particularly on the

Queen Victoria, is a beautiful lounge with your own concierge - - a totally private, intimate experience. Then you have your private Queens Grill verandah, You have real intimacy and small ship feel and then at night you can venture out from your beautiful Queens Grill or Princess Grill experience and go out to the theater, go to the bars, the planetarium, go around the deck. I think that is the best of both worlds."

"But even if you are in a standard cabin on the Queen Mary 2 for example, the Commodore Club is beautiful. You go and sit in there and you do not feel like you are on a large ship. The library is fantastic. So, you can find your spots where you can feel as though you are in a really nice intimate experience but you can also feel as though you are on a beautiful large liner too."

"Although we have a vision to build more ships in the future, I don't see us building small ships because we are known for having liners."

Does that mean that Cunard might build another true ocean liner as a running mate for the Queen Mary 2 like the original Queen Elizabeth was for the original Queen Mary? "It's a vision, it would be wonderful. She does really well right now as our iconic Queen Mary 2. There is only one of her. She is the most famous ship in the world. There is nothing quite like her and I think she fits the bill for us at the moment."

Cunard is a subsidiary of Carnival Corporation, the world's largest cruise line company. In addition to Cunard, Carnival's holdings include, Princess Cruises, Holland America Line, Seabourn, Aida, P&O Cruises, P&O Australia, Costa Cruises, as well as the company's original Carnival Cruise Lines. Within the family, Cunard is part of Carnival UK, which is headquartered in Southampton England.

"Carnival UK is the group of businesses that we manage out of the UK. It is as simple as that. We have P&O Cruises, which now has seven ships, having recently taken the Azura into the fleet. She is really Britain's favorite cruise line. The same age as Cunard - we were [founded in] 1840 and they were 1839. It is a British brand, a very British experience. It is really at the heart of cruising in Britain. A very large and successful brand, primarily doing Southampton to Southampton, around the world voyages and the Caribbean."

"We also represent Princess in the UK. We are Princess' largest international market. We not only sell Princess' worldwide fleet but we have two ships that are dedicated to the UK market, the Grand Princess in the summer here in Southampton and the Sea Princess in the Caribbean. We fill those two ships. (Sea Princess is going down to Australia in winter 2011-12 so what we will do is instead of just focusing on that ship we will be helping support a number of the Princess ships in the Caribbean.)"

"That is very much a different experience again. [Princess UK] follows [Princess'] worldwide 'Escape completely,' more American-style experience. It is very successful. Where we succeed with Princess is with the variety of deployment. They are very strong in Europe, very strong in the Caribbean but they also have Alaska, and a lot of exotic destinations - - the Far East, Hawaii, Tahiti, Australia. So from a UK perspective, we have a lot of guests who will sail either on P&O or Cunard and when they want to try something in a far away market, Princess is a good alternative to them."

"We don't manage the Princess ships, we just act here as the UK arm of promoting Princess. They are all very successfully managed out of Santa Cruz in California. What we do is send them a lot of our British guests. We look after the sales, the marketing, the pricing the promotion of Princess here in the UK."

"Then Cunard is the third brand in the stable. Our two key brands are Cunard and P&O - - two very strong British brands. Cunard is differentiated quite significantly from P&O in the UK. People do understand that P&O is British, sort of at the heart of cruising,

whereas Cunard is up a few notches in terms of the quality, service, the product and the offering with some different unique deployments such as the transatlantic."

"I look after Cunard. We have our own product team, our own marketing team. We really work hard to make sure that we differentiate Cunard from P&O Cruises so to the customer it [is] two very separate brands, two very separate products. There is no blurring around the edges of what the two brands do."

Perhaps surprisingly given the group's name, Carnival UK does not cover Carnival Cruise Lines or Holland America ships that are either calling at or operating out of UK ports. "Carnival and Holland America both have a small sales and marketing team up in London and they are managed by one little team up there. I think the scale of Cunard, P&O and Princess is different than Carnival because we have more ships deployed to the UK market."

Along the same lines, although Carnival UK includes P&O Cruises it does not cover P&O Australia. "David Dingle who is our chief executive at Carnival UK is responsible for Carnival Australia, but he has a complete team in Australia. It is so far away. When they are awake, we are asleep and vice versa."

Thus, rather than being micro-managed from Carnival's Miami headquarters, Cunard has a significant amount of autonomy. Rather than seeking to make its various subsidiaries into clones of its original Fun Ships line, Carnival seeks to preserve their identity and thus their appeal to different markets.

"I often read on [Internet forums] that a minority of people worry about the so-called Carnivalization of Cunard.. That could not be further from the truth because what Carnival has provided Cunard is investment and a personal vision of Micky Arison [CEO of Carnival Corporation] to build three liners in six years. Cunard could never have done that on its own. Cunard had a succession of owners over the last 50 years who were never able to invest and succeed with the brand. Carnival gives us the strength and the investment but in terms of the product, the brand and the customer experience that is entirely left to each brand. That is Carnival's philosophy worldwide. So whether you look at Holland America, Princess, Seabourn, Costa or Aida, - - all successful brands in their own rights - - they are all part of Carnival but you don't see Carnival aboard those ships. So it is a bit unfair to talk about the Carnivalization of brands like Cunard because all they have given us is a platform to succeed. And my job really is to fight to ensure that we keep that brand special and deliver to our customers the White Star experience."