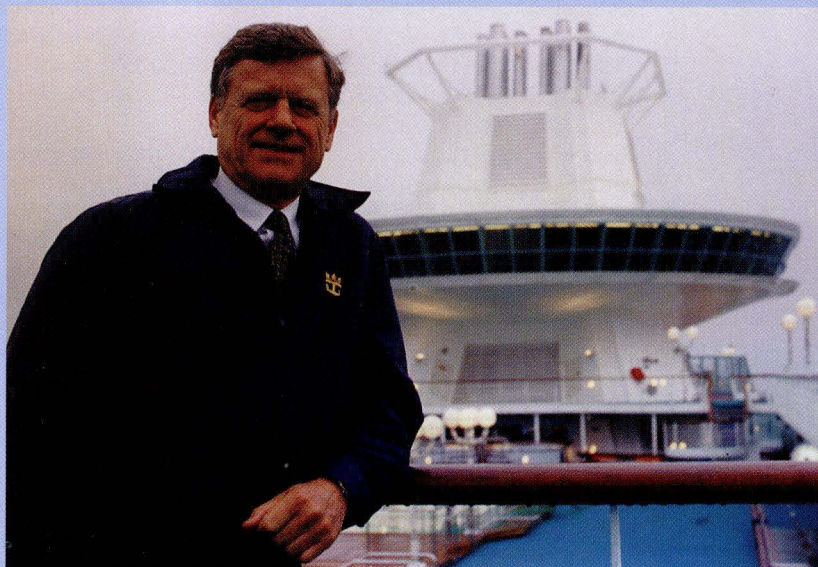


ARNE WILHELMSSEN THE BIGGER, THE BETTER



Arne Wilhelmsen, founder and majority shareholder of Royal Caribbean International

“I always wanted bigger ships,” said Arne Wilhelmsen as the Voyager of the Seas was entering service for Royal Caribbean International (RCI).

Wilhelmsen, who just turned 70, is a board member and one of the three original partners who founded Royal Caribbean Cruise Line. Today he and his family holds 27 percent of the shares in RCI.

“I have had a strong belief in the industry ever since the beginning and always believed the big ships were the future,” Wilhelmsen said, noting that management does not always share his vision.

Wilhelmsen also said that he recently spoke with Micky Arison who said that whenever Carnival Cruise Lines orders a big ship, Royal Caribbean orders a bigger one. “It just happens that way,” Wilhelmsen said, “but if it had been all up to me, we would have ordered bigger ships a long time ago — as big as the traffic will bear.

“When we started, Home Lines had the biggest ship at 1,200-passenger capacity. We built the Song of Norway for 700 passengers. I remember asking (Ed) Stephan back then, shouldn't we build bigger? Well, eight years later, we stretched the Song of Norway to 1,000 passengers.”

Wilhelmsen suggested it wasn't always easy to have two equal partners. Everything seems to have been discussed at great length — perhaps too great a length. “Eventually, we agreed on the Song of America which was twice the size of the original Song of Norway,” Wilhelmsen said. “That was a step in the right direction as far as I was concerned.”

The next step was the 2,350-passenger Sovereign of the Seas.

At the same time that the Sovereign was being introduced, Wilhelmsen's two partners decided to sell out to Carnival Cruise Lines. It was only Wilhelmsen's first right of refusal that pre-

vented Royal Caribbean from becoming a Carnival subsidiary. Wilhelmsen refused to sell. In a few frantic weeks he came up with new partners, including the Pritzker family, and acquired full ownership of the cruise line.

“We knew the cash flow from the Sovereign of the Seas would pay for the company,” Wilhelmsen said. And two more Sovereign-class ships were on the way.

Wilhelmsen also noted some milestones in the growth of Royal Caribbean. One was the Royal Viking Crown lounge, which helped distinguish the line in the marketplace. Another was the gradual evolution of the company. “We slowly built and created a business platform to support bigger ships,” Wilhelmsen explained. “It was gradual, but steady, and always in the right direction.”

Acquisitions have also played a role. First was the acquisition of Admiral Cruises, which was significant — even though the brand was soon retired — because as it gave Royal Caribbean access to the short-cruise market, according to Wilhelmsen. Second was the recent acquisition of Celebrity Cruises, which Wilhelmsen described as very successful. “I think both brands have a very strong future,” he said. “They support each other.”

Will ships get bigger? “I don't know,” Wilhelmsen answered.

“Most of the advantages of economies of scale may have been tapped by the Voyager of the Seas.

“But the real question is whether Caribbean ports can support bigger ships.

“The ships themselves are absolutely manageable.”

Wilhelmsen threw another possibility on the table. He said that it was interesting how Princess Cruises has successfully deployed the 109,000-ton, 2,600-passenger Grand Princess in Europe. Could that mean future deployment in Europe for RCI's 142,000-ton, 3,100-passenger Eagle class?