

MAKING *Waves*

LEGEND OF THE SEAS

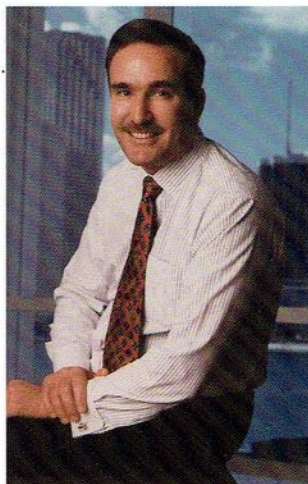
**RCCL's Newest Ship
Receives Rave
Reviews**



INSIDE

Vision of the Seas Order Confirmed • Corporate Run • Year of Drydocks
Royal Connection Begins • Daycare Center Opens • New VP, Quality Assurance





CHAIRMAN'S CORNER

The Future Is Now

Formulating my remarks for this issue of *Making Waves* was a pleasure because I have exciting things to discuss: the overwhelmingly positive response to *Legend of the Seas* and the decision to confirm the order for the sixth ship in the series (*Vision of the Seas*) for delivery in April 1998.

With *Legend of the Seas*, we've clearly strengthened our leadership position in ship design. The response to the "Ship of Light," has been phenomenal. The glass-walled dining room, the remarkable Solarium, the perfect sightlines in the That's Entertainment Theater and a variety of other features have all received rave reviews.

I was disappointed that *Legend of the Seas* was not completely finished by the delivery date in France. Then the ship was hit with bad weather on the crossing and some of the finishing work had to be completed during the inaugurals. I extend a special thanks to Captain Lachtaridis and his officers and crew for their superb effort in the (long!) days and weeks leading up to the maiden voyage.

Legend of the Seas is the first of six new ship introductions that will take place at Royal Caribbean over the next three years. Our commitment to expansion is unparalleled. Confirmation of the order for the 75,000-ton, 2,000-passenger *Vision of the Seas* adds an exclamation mark to that commitment.

I have spoken before in this column about the challenges of the future. The future is now. *Legend of the Seas* is in the water and carrying revenue guests. The expansion program I have alluded to in past issues of *Making Waves* is upon us. We are at the beginning of a very exciting and, yes, very challenging road.

It will be a challenge to maintain Royal Caribbean's high standards as we add so much new capacity - a 74 percent increase in three years. But I'm confident we can meet this challenge and maintain our competitive edge.

Our true challenge is the market itself. About 50,000 new berths are coming into the cruise industry in the next three years. Not only do we have to maintain our product's reputation, we must differentiate ourselves in an increasingly difficult playing field.

We must do this while continuing to seek the most efficient ways to operate. Cruise lines are capital-intensive. This phase of our newbuilding program will cost about \$2 billion. The number is staggering - and the only way we can contin-

ue to attract the capital we need is to improve our margins.

Our challenge will be to maximize revenue and minimize expenses in a market where there is downward pressure on pricing.

Much has been written about softness in the market this past winter. We've watched as discounts, stand-by fares and "2 for 1" promotions have exploded. Different people have offered various explanations as to why the market was soft this winter but there is no consensus. Some say it's too much new capacity but this explanation doesn't fit with no new ships introduced this past winter and only two major ships entered service last year. Some say the mild winter suppressed the usual booking surge in the cold months. Regardless of the reason, we're seeing fundamental changes in the cruise market and we must adapt our business practices to ensure success.

Clearly, we are moving into one of the most challenging that we have faced but I look forward to the future and feel confident in our ability to meet these new challenges.

The Royal Caribbean team has proven, time and time again, your ability to perform under pressure and to respond to new challenges. No one could ask for more and this effort will serve us well in the coming years.

In each issue of *Making Waves*, Royal Caribbean Cruises Ltd. Chairman and CEO Richard D. Fain examines issues of importance to all employees. If you have a question or topic you would like to see in this column, please submit it to: *Making Waves Chairman's Corner*, Royal Caribbean Cruises Ltd., Public Relations Dept., 1050 Caribbean Way, Miami, Florida 33132-2096.

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ID YOU KNOW?

Why Legend Can Cruise at 24 Knots

About 25 percent faster than Royal Caribbean's existing ships, *Legend of the Seas*' 24-knot speed isn't as fast as some older liners. Why was 24 knots seen as the optimum speed?

For 100 years, ocean liners kept getting faster. From Samuel Cunard's *Britannia* plodding along at 10 knots or so in 1840 to United States Line's unbelievable superliner *United States* sweeping across the Atlantic at an average speed of 35 knots in 1952, ships got faster to reduce the time spent to cross the Atlantic. Of course, the jet age ended such quests.

As a result, ships have progressively gotten slower over the past 40 years since virtually every new ship built in the last four decades has been designed for cruise passenger service. On average, most ships today have a cruising speed of about 18 knots.

However, there's change in the air. *Legend* and *Splendour of the Seas* can cruise at more than 24 knots or nearly 25 percent

operate and looked for the optimum speed. Of course, speed costs money in both increased construction cost and revenue lost from staterooms sacrificed for space for larger engines. The company wanted to avoid making the ships too fast.

With a 24-knot capability, a ship can spend more time in ports of call and, on some itineraries, offer an additional port call. *Legend of the Seas* gives passengers one more day in Hawaii and one less day on the Pacific leg than an 18-knot ship. If reducing sea time and increasing time in port are seen as advantageous, then wouldn't 25 or 26 knots be better than 24?

As Royal Caribbean's Executive Vice President of Sales, Marketing and Passenger Services Rod McLeod explains: "Extra speed adds nothing to the cruise experience except bugs on the passengers' teeth."

The 24-knot speed means, in many cases, *Legend of the Seas* can arrive in port at 8:00am or 9:00am rather than 1:00pm - giving passengers a complete shoreside experience. Adding a couple knots to the ship's speed would mean that *Legend* could arrive at 5:00am or 6:00am - a change that is of little benefit. Thus, 24 knots became the optimum speed based on cost and deployment.

Legend of the Seas has started a trend. Holland America is planning a fast ship for 1997 deployment and P&O Cruises recently introduced the 24-knot *Oriana*. But is *Legend* or *Oriana* faster?

Legend of the Seas uses diesel-electric machinery; *Oriana* uses diesel-mechanical. No one is certain which ship can go faster on a short sprint but Royal Caribbean believes *Legend of the Seas* is faster over longer distances because with diesel-electric drive, *Legend* can maintain high speeds indefinitely; *Oriana* can only hit top speed for short periods (otherwise it runs the risk of damaging its diesel-mechanical power plant).

Would anyone care for a race?



Legend of the Seas, pictured here on its speed trials, can cruise at more than 24 knots, faster than any cruise ship built in the last quarter century.

faster than many existing ships.

So why change from the 18-knot formula? Royal Caribbean looked at all possible itineraries the new ships would

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PORT OF CALL CHRONICLES

Santa Catalina Island

*"... to the island
valley of Avalon,
where falls no hail,
or any snow
nor ever wind
blows loudly ..."*

Excerpt from *Idylls of the King*
by Alfred Lord Tennyson

By Jana Tvedt Joham,
Viking Serenade cruise staff

John Wayne and Winston Churchill regularly visited, and dozens of movies like "Muntiny on the Bounty" and "Treasure Island," were filmed there. Santa Catalina Island is famous for its artistic history, but its real claim to fame is its uncanny ability to blend civilization harmoniously with nature.

On a first visit, this secluded California island pulls its visitors into its warmth and passion. The crushing tides and steep cliffs are daunting; the air, crisp and sweet. And it's quiet. The only sounds are the laughter of children, the chirping of birds, quiet conversations between old friends

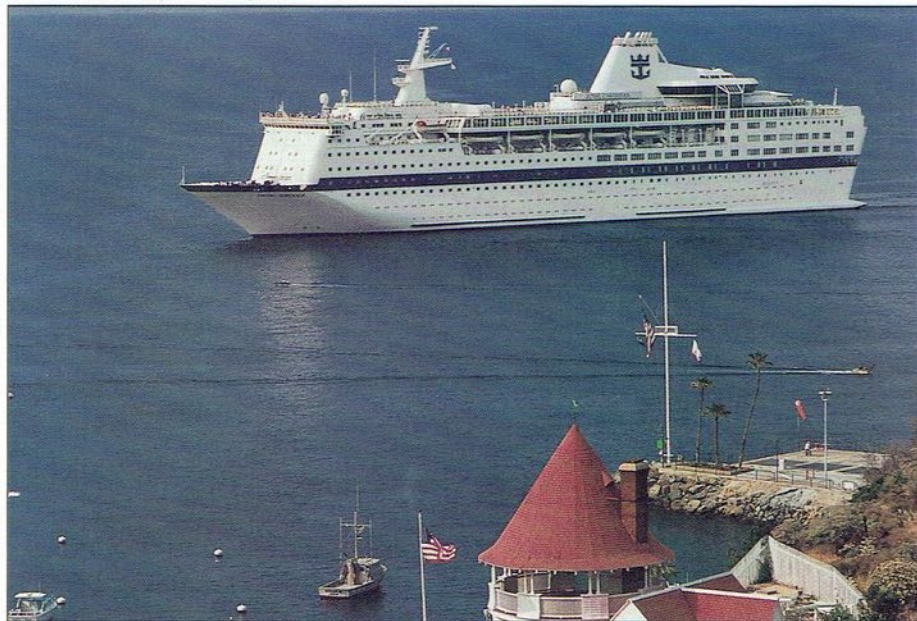
Americans occupied the island over 7,200 years. The Gabrielino Indians called it Pimu, only to see the island renamed San Salvador when the Spanish came in 1542. In 1602, yet another Spaniard renamed it to Santa Catalina, after Saint Catherine of Alexandria. In those days, the island was popularly used for smuggling immigrants, alcohol and animals to the New World. Northern Europeans also found Santa Catalina valuable for its sea otter pelts.

By the early 1800s, the Mexican government had taken over. Eventually, the Mexicans sold Catalina to its first private owner, an American named Thomas Robbins of Santa Barbara. Robbins never lived on the island, and, in 1850, he sold it for \$10,000. During the Civil War, the Fourth Infantry of California Volunteers took military possession of Catalina and built Union barracks there which stand today.

After the war, ownership turned over several times, until finally William Wrigley, Jr., purchased Catalina in 1919 for \$3,000,000. Wrigley played a major role in the development of Catalina and its capital city, Avalon, turning the island into a vacation resort. He invested huge amounts of money, building various entertainment and recreational facilities, including an enormous Casino, a five-star hotel, an exotic bird park and a baseball field, where his Chicago Cubs came for spring training.

The precious natural resources of Catalina remain protected by its citizens. Although Wrigley initiated conservation efforts in the 1920s, the most significant changes occurred in 1975, when the Santa Catalina Island Conservancy received ownership of 86% of Catalina's land. Today, this privately-funded organization works diligently to preserve the island and provide an array of environmental, educational and outdoor recreational programs.

Although Wrigley passed away in 1932, his wife Ada continued his life's work. In his memory, she established the Wrigley Memorial and Botanical Gardens where every native plant of Catalina grows freely.



Viking Serenade regularly sails to Santa Catalina Island.

Catalina is one of the eight California Channel Islands formed by volcanic eruptions thousands of years ago. Although not the largest of the chain, Catalina is certainly the most famous and the most popular of the eight islands. It consists of 54 miles of coastline and stretches 21 miles long and eight miles wide.

Several different groups of Native