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Cruise Lines Slash Their Prices As War Fears Rattle Travelers

By *Evan Perez* Staff Reporter of The Wall Street Journal

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It's not just the USS Harry S. Truman steaming around the Mediterranean these days. So are a surprising number of cruise ships.

In a stroke of unfortunate timing, cruise companies have begun to put more ships into Europe after pulling back from the region following the Sept. 11 terrorist attacks.

Even trips to Turkey -- which shares a border with Iraq -- are inching back. Princess Cruises' Mediterranean cruises dropped Turkey last year in favor of Malta but now has returned and is making stops in Istanbul and Ephesus.

Not surprisingly, however, the prospect of a war in Iraq hasn't been good for business. Rising geopolitical tensions combined with the weak economy and lingering concerns about the recent outbreak of nasty stomach viruses are forcing the industry to offer some remarkable deals.

Eager to get indecisive travelers off the fence, Princess is offering 2-for-1 prices on 12-day Mediterranean cruises on board the Grand Princess and the Golden Princess from Barcelona to Venice, with prices starting at \$1,295 per person. The special deal comes on the heels of a decision by Princess to add a fourth 2,600-passenger ship in Europe this summer. Virtually all cruises this summer still have room, says Dean Brown of Princess.

The discounts aren't limited to the Mediterranean. Uniworld is offering free airfare from North America cities for tulip cruises in Holland and Belgium. For the truly skittish, the company is throwing in free travel-protection insurance, which lets passengers cancel for any reason and get a refund.

The discounts underscore how tough it is for travel executives to forecast demand in the current jittery global environment. In the cruise industry, which must deploy its ships nearly a year in advance, it's particularly complicated. Just a few months ago, Royal Caribbean executives told Wall Street analysts that they wished they hadn't taken so

much capacity out of Europe, because demand was so strong, and promised to return in force. This year, the company has boosted its European capacity by 60%.

By and large, cruise lines are faring better than others in the travel industry. Unlike most airlines, cruise companies remain profitable despite the initial drop in business following the terror attacks in 2001. Last year, cruise lines managed to coax their prices back up to about pre-Sept. 11 levels.

But war worries are starting to take a toll. Carnival Corp. executives said last month that they had noticed bookings slowing, perhaps as a result of negative publicity from a spate of outbreaks of the stomach virus that sickened thousands of passengers in Alaska and the Caribbean last year. That problem has faded, so passengers' reluctance to sail now may have more to do with Iraq and the economy. "The fear of the war is really keeping a lot of people home," says Sheila Hyman, a travel agent in San Bruno, Calif.

In 1991, during the first Gulf War, travelers canceled sailings and profits took a dive, albeit only briefly. (War can create other problems for the cruise industry as well. In 1982, Cunard Line's Queen Elizabeth II was requisitioned by the U.K. government to ferry soldiers to the Falkland Islands during that brief conflict with Argentina.)

But other destinations also appear to be suffering from prewar jitters, even if they are in presumably safe zones. Indeed, four weeks into the cruise industry's most important season -- the January-to-March stretch when up to 35% of bookings are made -- not even a recent cold snap in North America is making the phones ring off the hook at the companies' reservation centers.

The result: Bargains can be found even on popular Caribbean and Alaska itineraries, particularly for travelers who have somewhat flexible travel dates. Celebrity Cruises, for instance, is offering ocean-view staterooms on seven-night cruises in the Caribbean from \$700 per person, double occupancy, in February and March. Travel agents say that's half the usual price. Holland America Line was running a sale this week on seven-night Alaska cruises from Vancouver with some going for \$799.

One clue to the discounts can be found in what the industry calls "lead-in" prices, which are the deals advertised in Sunday travel sections to entice travelers to pick up the phone and call. Currently, Carnival Cruise Lines is advertising \$499 a person for seven-day Caribbean cruises. In years past, prices would have been closer to \$600.

Eager to attract customers world-wide, cruise lines are taking other steps to make it easier for people to set sail. In the U.S., the industry strategy is to deploy more ships from "secondary" markets like Baltimore and New Orleans. Goal: Make them more accessible to more people by docking the ships closer to where people live, so they don't have to get on a plane first.

Companies are also boosting capacity in big markets like New York City: Carnival will sail an unprecedented 50 departures from the Big Apple this year. Carnival is also peddling a "fun finance plan," which is basically a loan where travelers can pay for a cruise with monthly payments instead of all at once.

But Europe may be a source of most bargains, chiefly because of war worries. That baffles some executives. "It's a lack of understanding of geography. People think [Iraq] is just down the street," says Patrick Clark of Uniworld -- the cruise company that's offering free travel insurance on its Holland tulip trips.

Still, Mr. Clark says, the reality is that many clients are spooked by the prospect of war and are worried about losing their deposits if they have to cancel their cruises. "It's a big investment for people, so we decided to do something to alleviate that fear."

FINDING THE CRUISE BARGAINS

Cruise lines are beefing up their European presence just as global tensions and economic worries are rising. Some deals and resources:

CRUISE/PRICEPARTIAL ITINERARYCOMMENTPrincess Grand, 12 days, two-for-one sale, starting at \$2,000; cabins available through summerBarcelona; Monte Carlo; Athens, Greece; Ephesus and Istanbul, Turkey; Venice, ItalyPrincess's P&O brand recently pulled a ship out of Trinidad and Tobago on terrorism fears, but it's full speed ahead this summer in Turkey, with stops in Istanbul and Ephesus (which the line had abandoned last year on similar fears). Royal Caribbean Brilliance of the Seas, 12 days, from \$1,699; available in JulyLivorno, Italy; Dubrovnik, Croatia; Corfu, Greece; Civitavecchia/Rome, Italy Royal, which also pulled back from Turkey, is tiptoeing back with seven stops in Ephesus this summer. Or, go rock-climbing right on the ship.Uniworld, River Empress, tulip time in Holland, seven or nine nights, \$1,598; March through MayAmsterdam, Volendam, Kinderdijk (think windmills) and The Hague; AntwerpThere's little chance of Scuds falling on the windmills of Holland, but Uniworld is offering free airfare from North American cities and free travel insurance.

Where to look for cruise guidance:

Cruise.com: Search by cruise destination, dates, and price to find bargains. For the truly frugal, see what you can get for \$122 in March in the Caribbean.

CruiseCritic.com: You can browse advertised cruise prices, as well as cruise gossip in the message boards. Sometimes from hard-core cruise regulars who give their unvarnished reviews, and sign their names with a list of cruises on which they've sailed.

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