

## OnLine Case 1.1

### P&O: Peninsula & Oriental Steamship Company

P&O began life in 1835 when two ship brokers began a mail and freight shipping line that they would christen Peninsula Steam Navigation Company in 1837. Its story charts the rise of an iconic British maritime company – P&O is credited with giving the English language the word ‘posh’ - and its final sale into foreign ownership after some 170 years. Perhaps the diversification strategies of its later years had not been the right direction to take.

The company grew from the beginning and in the 1840s started services to India – when the word ‘Oriental’ was incorporated into the name. The ships generally sailed the Eastern route to India, China and Australia. At this time there was no Panama Canal. During the Crimean War its ships transported troops to and from the battlefields. During the 1980s P&O ships performed the same role during the Falklands War. Passenger cruises as we understand them were started in 1904 – limited numbers of passengers had been provided with berths for many years already - and these eventually became a major revenue stream as more and more people started to cruise for their vacations. P&O always focused on British passengers and offered Mediterranean and Caribbean cruises as well as round the world voyages. Many years later P&O would merge with the US Princess Line before the combined business was spun off as a private company (P&O Princess Cruises) in 2000 before being acquired by market leader Carnival. The brand names were retained.

In 1914 P&O merged with the British India Line and then remained largely unchanged until the 1950s, when it started operating oil tankers. Container vessels followed in the 1960s. In 1965 P&O and three other shipping companies joined forces to create OCL. The real diversification began in 1974 when Bovis Construction was acquired. In 1983 Sterling Guarantee Trust was added – SGT owned London's Earls Court and Olympia Exhibition Halls. Shortly after this the company had to deal with the publicity of the sinking of its car ferry *Herald of Free Enterprise*, when lives were lost as a result of human error. The roll-on roll-off doors were not sealed shut.

In 1996 P&O merged its container interests with Royal Nedloyd of the Netherlands in a 50:50 joint venture, P&O Nedloyd. The cross-channel ferries it had started to operate were joined with those of Stena Line to strengthen their competitiveness once the Channel Tunnel was open to rail traffic. This was in 1998 and it left the following portfolio:

| Activity        | Percentage of Turnover | Percentage of Operating Profits |
|-----------------|------------------------|---------------------------------|
| Cruise Line     | 19                     | 37                              |
| Port Operations | 26                     | 14                              |
| Ferries         | 8                      | 14                              |
| Cargo Shipping  | 1                      | 1                               |
| Property        | 46                     | 34                              |

One year later Bovis, Earls Court and Olympia were divested. Cruises, we saw, followed in 2000. In 2002 P&O bought out Stena's share of the ferry business and a year later withdrew completely from cargo shipping, which really is where it had all begun.

In 2004 P&O sold half of its 50% share in P&O Nedlloyd to Nedlloyd – the other half was sold in 2005 to Moller-Maersk. The business was now focused on container ports, which were acquired by DP World of Dubai, the seventh largest container port operator in the world, in 2006; P&O had been the fourth largest port operator. DP was not the only bidder; the other was based in Singapore.