



# Saving Queen Mary

Non-profit QMI urges restoration of the iconic attraction but Long Beach City Council and Urban Commons seemingly unmoved

REUTERS

BY **UMA DEVI**  
uma.devi@bizedge.com

Since her retirement as an ocean liner in 1967, the *Queen Mary* — now the second-largest asset in **Eagle Hospitality Trust** (EHT)'s portfolio — has garnered a solid reputation as an iconic Southern California attraction. The decommissioned luxury cruise ship had ferried some 2.2 million passengers in peacetime and 810,000 military personnel during World War II.

On Oct 31, 1967, the *Queen Mary* departed on her final cruise, arriving in Long Beach, California on Dec 9. Since then, an estimated 50 million visitors have walked up its gangplank, eager to experience a “luxury cruise”.

To be sure, the *Queen Mary*, owned by Cunard Line, was a celebrity in her heyday. “Today, we come to the happy task of

sending on her way the stateliest ship now in being,” was King George V's description of the ship, named after his wife, Mary of Teck, during its launch in 1934.

Some 80 years down the road, the ship is once again the talk of the town, but for an entirely different reason — its deteriorating condition.

## Restore the Queen

In November 2012, husband-and-wife team Mike and Mary Rohrer set up Restore the Queen, as the ship had been a key part of their childhood. But they soon realised the uphill battle ahead of them after talks with previous master leaseholders such as Joe Prevratil and The Queen Mary Heritage Foundation led to dead ends.

“We learnt that there was no programme in place to help,” says Mary Rohrer in an email interview with *The Edge Singapore*.

In October 2013, the duo's organisa-

tion received approval from the Internal Revenue Service for non-profit status. The non-profit, now known as Queen Mary International (QMI), is the only non-profit dedicated exclusively to the preservation of the ship and its history.

“Prior to our organisation, there had not been a simple vehicle for the community to participate and make investments in the ship,” says Rohrer.

So far, QMI has raised about US\$12,000 (\$16,322), of which US\$2,500 was donated to the Queen Mary Heritage Foundation, an organisation committed to preservation opportunities and community outreach programmes related to the ship.

“We are all in agreement that both the City of Long Beach and Urban Commons have interfered with our ability to raise funds for the ship by not embracing our efforts, but have instead created mistrust in the community regarding the way money

is spent,” says Rohrer. “[Urban Commons] has donated to other small non-profit organisations when it could have channelled the funds to the restoration of the ship. Despite this, the *Queen Mary* will be preserved, as the community will not allow her to fall by the wayside.” (Urban Commons is a Los Angeles-based real estate investment and development firm.)

## Multiple master leaseholders

In 1967, the City of Long Beach acquired the *Queen Mary* for US\$3.45 million from Cunard Line, a British-American cruise line. Over a span of 20 years, the renamed *Queen Mary Long Beach* has been operated by four different master leaseholders.

The ship has been in troubled waters since year 2000, when Joe Prevratil of the Queens Seaport Development Inc (QSDI) came forward with a proposal to operate the ship, which subsequently led to

the negotiation of a 66-year term for the master lease. But owing to a rent dispute with the City, QSDI declared bankruptcy in 2006.

In 2007, the lease was purchased by two investors operating under the name Save the Queen. They turned to Garrison Investment Group to finance the purchase and operating costs.

Just two years later, Save the Queen defaulted on its loan and Garrison took over the lease, roping in Delaware North to manage the ship's operations. In 2011, Garrison hired Evolution Hospitality to assume the management of the ship's hotel and restaurant operations.

In 2016, Urban Commons was tasked by the City with the repair of the *Queen Mary* in exchange for a 66-year lease on the property. Urban Commons is also the sponsor of EHT, a hospitality stapled group listed on the mainboard of the Singapore Exchange.

### Deteriorating condition, little action

For more than 25 years, City-hired state inspector and marine engineering consultant Edward Pribonic has been carrying out monthly inspections of the historic liner. And over the course of some 400 reports, Pribonic has repeatedly highlighted the worsening condition of the ship.

In a report on his inspection in June, which was obtained by *The Edge Singapore*, Pribonic noted that there was "no noticeable activity" and a "continuing lack of response" to several issues raised. These included deficient wiring in maze areas, a leaking water valve in the port side, and standing water in the exhibit hall. In addition, the Russian submarine that remained in the moat of the ship was noted to be a "worsening hazard".

"It is urgent that this vessel be removed from the moat and disposed of," wrote Pribonic. "The outer hull is totally compromised and the condition of the pressure hull has never been examined, but logically, must be close to the condition of the outer hull. Failure of the pressure hull would cause the vessel to sink, possibly striking or lodging beneath the [*Queen Mary*], and perhaps send pollutants directly into the moat," added Pribonic.

This should have prompted action from the authorities, as numerous details in the report pointed to several years of abandonment.

But in a draft report of his August inspection, Pribonic offered his grimmest assessment to date, going beyond his July report when he said the ship "[had] never been in a worse condition".

"That statement is surpassed by the condition found this month, which is even worse, as new failures and additional neglected areas are added to the list. Without an immediate and very significant infusion of manpower and money, the condition of the ship will likely soon be unsalvageable," he wrote.

When contacted by *The Edge Singapore* for comment, Pribonic said he was unwilling to speak further on the matter, "until some new issues involving [him] were resolved".

Rohrer, for one, says Pribonic "has gone above and beyond the call of duty in keeping the *Queen Mary*'s restoration moving", adding that his reports are a mere outline of the findings gathered from his monthly visits. On comments that Pribonic's reports may be "factually inaccurate", Rohrer says: "His name should not even have to be cleared, and that is the really sad point here."

In his capacity, Pribonic meets with City staff and Urban Commons to go over his findings. Yet, as Rohrer tells it, Pribon-

ic is often denied reports from both parties. "I just observe month after month, his requesting the same items one to three times," says Rohrer. "They do not want the public to have real-time information, and this has always been a concern. It needs to change."

### Non-profits sidelined

Rohrer is quick to highlight that like Pribonic, QMI has been "treated unfairly" — in particular by the Mayor's office and Urban Commons since 2014, despite her interest in working with the leaseholders.

"Our concerns were ignored. We have tried to meet directly with Mayor Robert Garcia for four years, and he intentionally ignores our requests," says Rohrer. She adds that QMI has had eight meetings with the City, but there were no tangible results, as the local authority had brushed aside the non-profit's concerns.

In 2019, QMI decided to take matters into its own hands. "Earlier this year, we launched the formal funds developing platform and our board members will do the work from here on. Funds are coming in and we await confirmation from the City on where to channel the funds," says Rohrer.

On Oct 28, the City contacted Rohrer about forming a "new plan" on the preservation of the ship, but she is cautious about jumping in with both feet. "Given the history, we're proceeding with caution. The preservation of the ship has been mismanaged by the City for decades. QMI represents oversight, and therefore the City and Urban Commons keep us at a distance," she says.

### Lack of transparency

Rohrer explains that the reason behind the chaos is simple: a lack of transparency behind the state of the ship, as well as a lack of complete disclosure. "[The ship] has made headlines because people continue to be dissatisfied with the lack of oversight and transparency," says Rohrer.

Noting that Urban Commons had publicly announced that it had no prior experience in managing any historical landmark, let alone a ship, Rohrer adds that the City has "once again passed the responsibility onto [a] lessee that was not experienced enough to care for the ship".

"Even worse, they are now attempting to discredit the contracted City inspector," says Rohrer, referring to the series of damning reports by Pribonic. "Everyone knows the state of the ship, yet they go out of their way to hide [the situation] instead of

pooling community resources together and charging forward."

Rohrer highlights how the solution to the issue is indeed a straightforward one — the City and Urban Commons should consider embracing non-profit organisations and allow them to help.

"The for-profit world can co-exist with the non-profit world. We would be happy if they simply return [our] calls and emails. Ignoring the community is bad business," says Rohrer.

Indeed, several contradictions have arisen regarding the *Queen Mary*, in particular Urban Commons' lease commitments. On Oct 1, John Keisler, the City's economic development director, was reported to have sent a letter to Taylor Woods, the CEO of Urban Commons, alleging that the company had failed to meet its obligations. Keisler had reportedly cited issues such as failing paint and the necessary repairs to the ship's side shell and expansion joints.

Keisler had also warned the operator about the possibility of a default that could take place at the end of the month, requesting financial paperwork and a plan for making urgent fixes within 30 days. "If you fail to respond within 30 days, Urban Commons may be found [to be] in default," he was reported to have written.

In a bourse filing on Oct 24, EHT's manager said that it immediately communicated with Urban Commons to seek clarification when it became aware of the letter.

On Oct 25, Keisler wrote to Woods saying "the City is reviewing the proposed plans to cure issues of concern".

EHT's manager maintains that the ship remains structurally sound. "[Urban Commons] has confirmed to the REIT manager that they are not in default on the *Queen Mary* ground lease and that the *Queen Mary* remains safe and structurally sound," EHT's manager says.

Yet, on Oct 28, EHT's manager responded to queries from SGX, which requested the disclosure of, among others, the timeline to complete improvement and repair works that were stipulated in the *Queen Mary* ground lease agreement.

The response highlighted five specific items, comprising exterior paint, repair of expansion joints, bilge repair and rust remediation, side shell and lifeboats, as well as general maintenance — all with estimated start dates.

"The REIT manager continues to believe that Urban Common's productive relationship with the City will result in a successful plan for completing these repairs in a time-

ly manner and consistent with the obligations under the *Queen Mary* ground lease," said EHT's manager.

The response also contained some figures that triggered questions. It was noted that Urban Commons estimated the cost of the repairs to total US\$7 million (see "Scrutiny on *Queen Mary* warrants closer look at EHT's portfolio" on Page 14). This was indeed a far cry from the range of US\$235 million to US\$289 million that was estimated in a marine survey report in 2017.

"The REIT manager believes that the marine survey significantly misrepresents the nature, scope and amount of repairs required at the *Queen Mary*. For example, the marine survey estimated the total cost for 'urgent hull repairs' to be between US\$175,354,000 and US\$212,678,000. Urban Commons was in fact able to address substantially all of such urgent hull repairs at a cost of less than US\$1.1 million," said EHT's manager.

"The cost differential was attributable to a completely different scope of work and a more thorough and scientific analysis than the estimate for work purported to be required by the marine survey," it added.

EHT's manager went on to highlight how the marine survey had included "enormous amounts" devoted to the soft costs of repairs, or within the range of US\$88 million to US\$119 million of the total costs. In addition, an estimated contractor dislocation premium of US\$21 million to US\$25 million was included in the survey's estimate of hard construction costs.

"Based on the repairs done to date and the bids for future work that have been received, there is no evidence that these extraordinary costs cited in the marine survey are required or representative," said EHT's manager.

### EHT shares tumble on uncertainty

While Rohrer and her team are determined to help in the restoration of the *Queen Mary*, there is no guarantee that her efforts will bear fruit. "From what we know, the *Queen Mary* is not in danger presently of going under, but she is in danger of being further damaged by lack of oversight," warns Rohrer.

The unwanted publicity and uproar over the ship's state of disrepair has had a negative impact on EHT. Units in EHT slumped 15.5% overnight on Oct 24, opening at 54.5 cents the following day. Despite numerous attempts by the REIT at clarification, prices seem unlikely to recover completely as the counter closed at 56 cents on Oct 31.

Analysts, too, remain cautious on EHT. Geraldine Wong from KGI Securities declined to comment on the company, as the brokerage has "not fully grasped the situation on EHT".

However, she says the research house is still keeping its "outperform" recommendation on the REIT, citing an "attractive dividend yield of 7.8% even in the worst-case scenario" that would see all rental income contributions from the *Queen Mary* being removed. This amounts to 15% of the REIT's net property income.

"Based on current prices, we believe the market has priced in the worst-case scenario, thus leaving limited downside," reads the latest report by KGI Securities.

Rohrer expects more from the Long Beach City Council and Urban Commons on the preservation of the *Queen Mary*, but observes that it is a race against time. "When you claim to be able to preserve an international landmark, you had better be ready to prove it. And if plans change, be open to accepting help from others," she says. ■



Mike and Mary Rohrer founded non-profit Restore the Queen (now known as Queen Mary International) to raise funds for the ship's restoration