



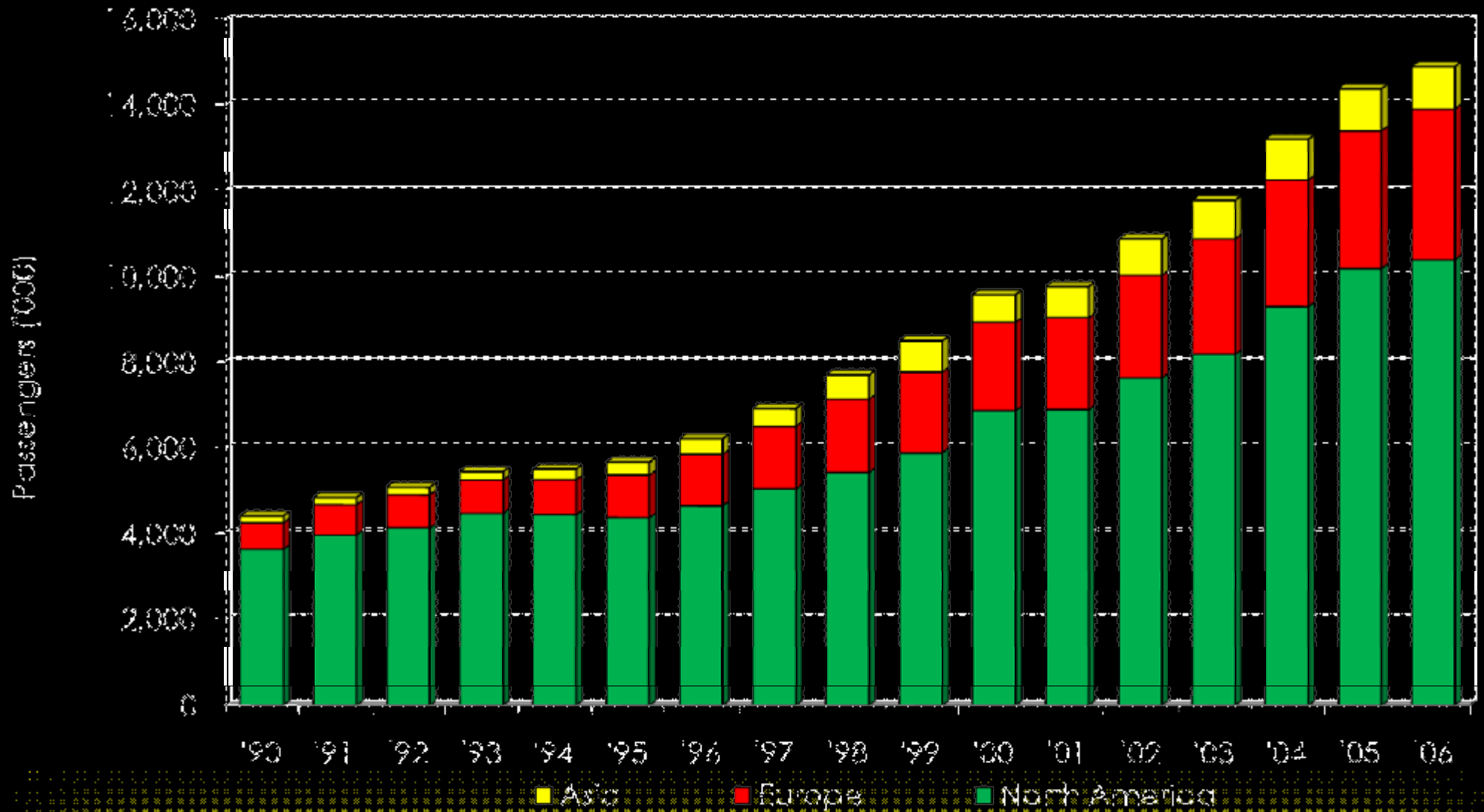
TRENDS IN CRUISE TERMINAL OPERATIONS

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OCTOBER 2008

STEADY EXPANSION



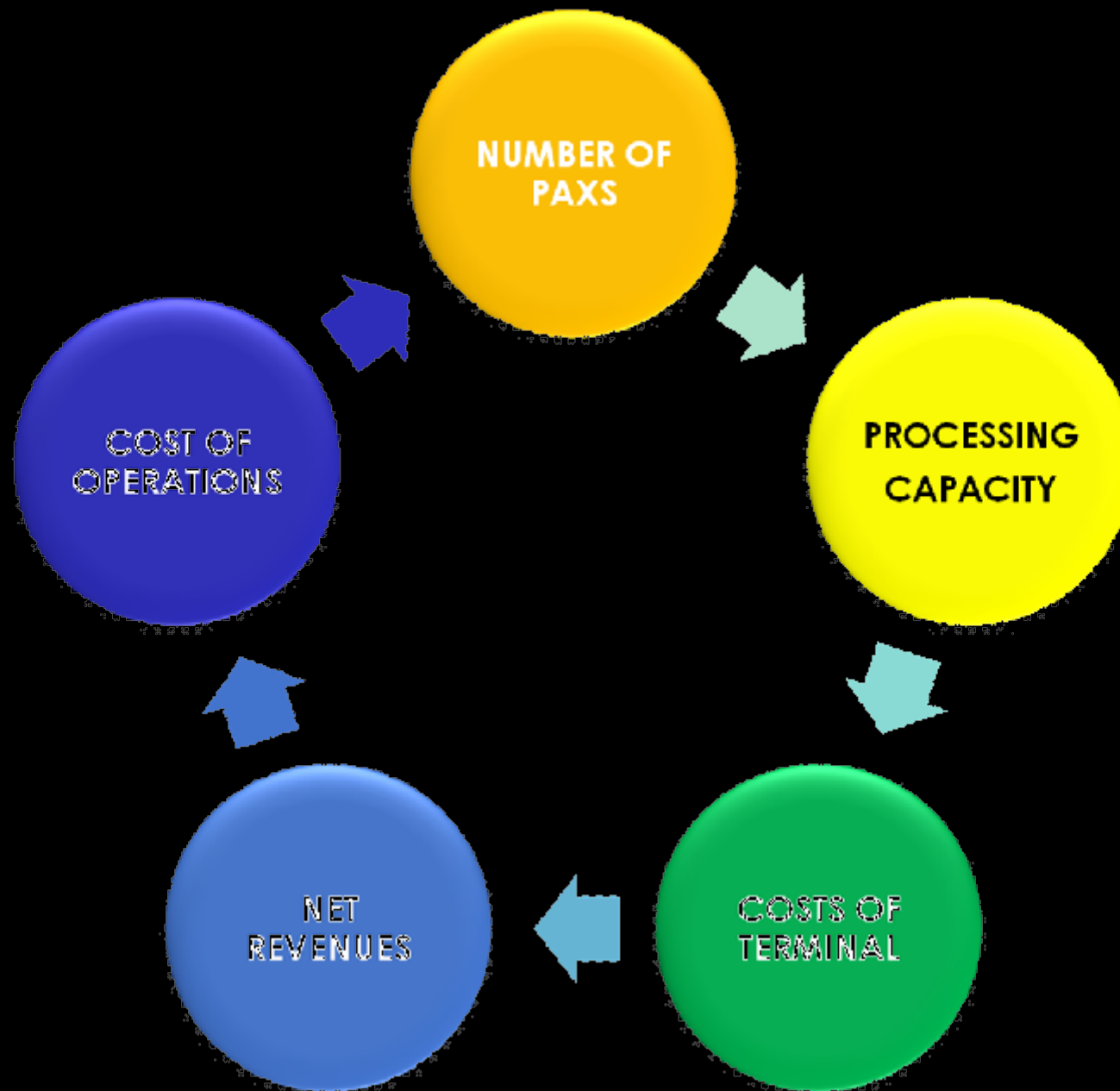
SINCE 1970, GROWTH IN AIR TRAVEL HAS BEEN STEADY AND PASSENGER VOLUME HAS TRIPLED



Sources: CLIA, PSA, B&A, 2008



THE ROLE OF OPERATIONS IN THE CRUISE CYCLE



WHY OPERATIONS ARE CRITICAL

- MOST PORTS WANT TO PAY THE CAPITAL PROGRAM FROM EXCESS REVENUES
- LARGER TERMINALS MEAN LARGER CAPITAL FUNDS
- REVENUES ARE CONTROLLED BY VERY COMPETITIVE TARIFFS
- EXCESS REVENUES ARE A PREMIUM

SIZE OF SHIPS

EVOLUTION OF CRUISE SHIPS

Period	Length	Draft	PAX
1960	508 ft.	36 ft.	500
1970	705 ft.	32 ft.	650
1980	803 ft.	29.5 ft.	1,500
1990	902 ft.	26.2 ft.	2,600
1997	965 ft.	26.2 ft.	3,600
2000	1,000 ft.	29.5 ft.	3,000
2006	1,000 ft.	29.5 ft.	4,000
Next Generation (Genesis)	1,100 – 1,400 ft.	32 - 36 ft.	5,000+

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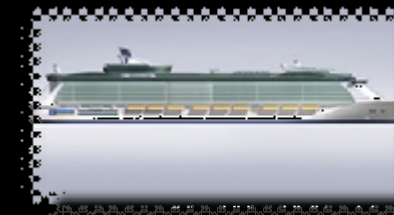
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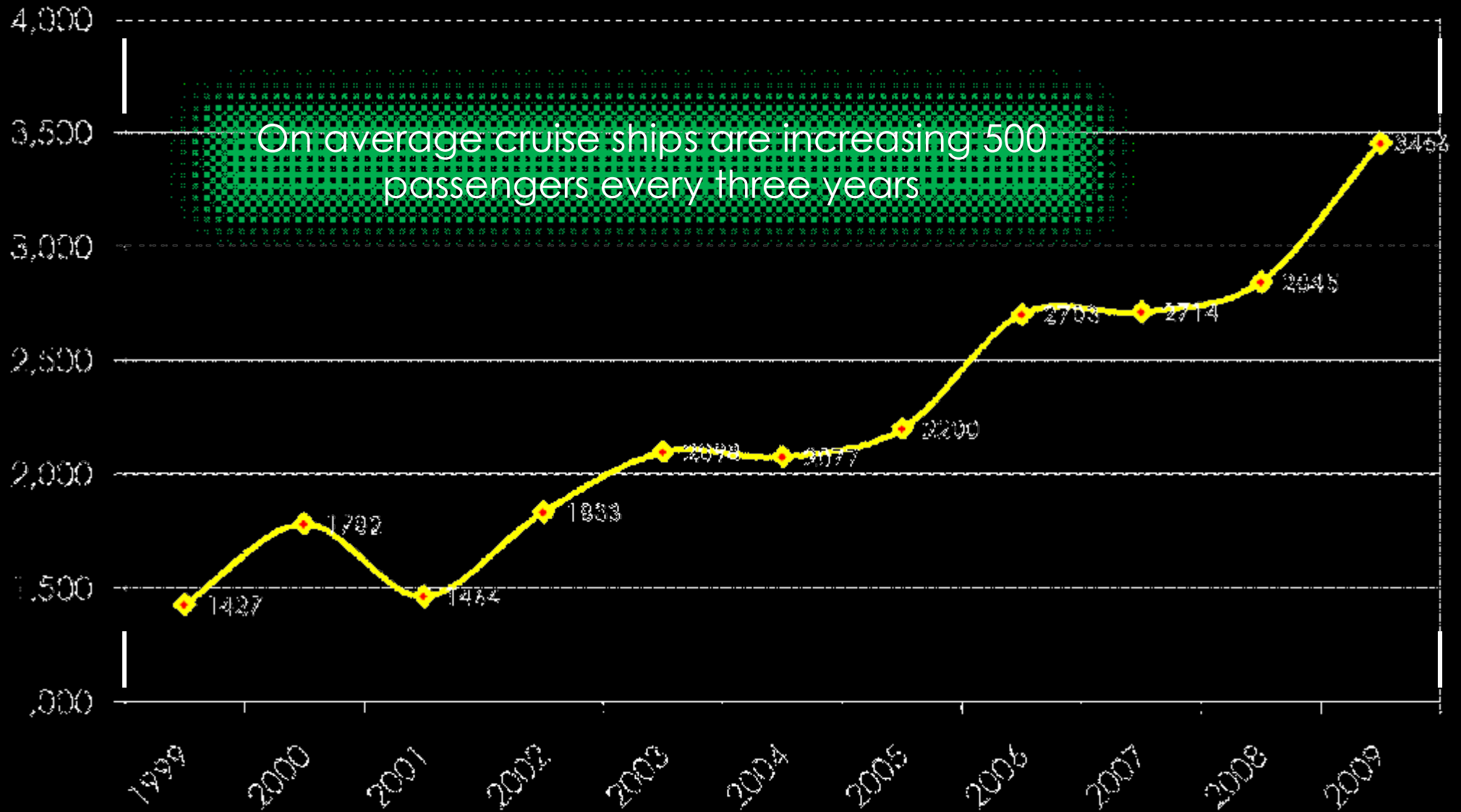
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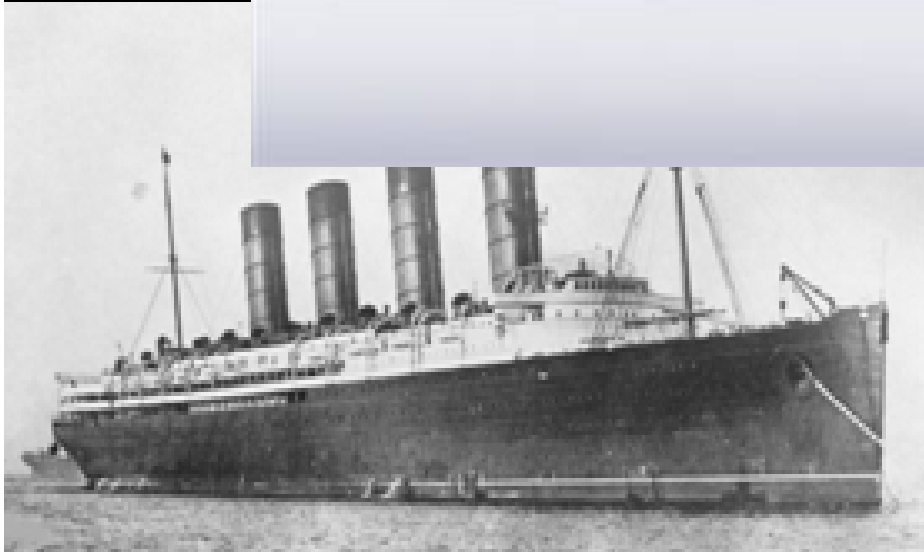
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AVERAGE PASSENGERS PER SHIP BY YEAR OF CONSTRUCTION

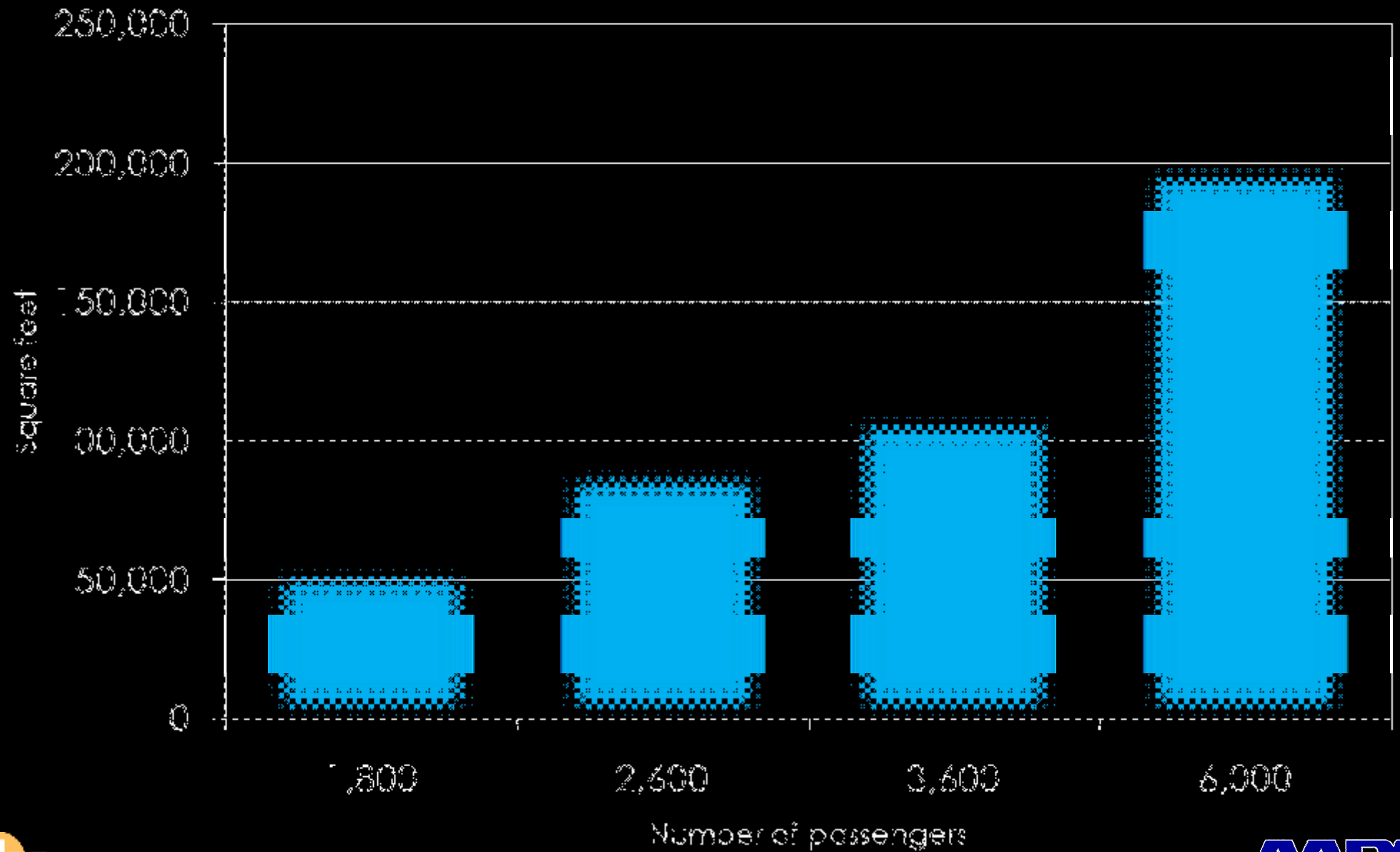


MEGA SHIPS



BUILDING THE TERMINAL

PROGRESSION OF TERMINAL SIZE (FT²)



REALITY

- DURING THE PAST FIVE YEARS, THE INDUSTRY HAS BEEN ABLE TO ABSORB GROWTH BY REDEVELOPING OLD TERMINALS
 - NOT MANY OF THESE EXISTS ANY MORE
- DURING THE NEXT TEN YEARS, EITHER
 - MORE ALTERNATE CITIES WILL BE NEEDED
 - GROWTH WILL BE NEEDED IN THE TRADITIONAL PORTS
- HOW CAN PORTS GROW?
 - IN A FINANCIALLY FEASIBLE WAY

GROWTH ISSUES

- WHILE NEW PORTS HAVE BEEN ABLE TO CHEAPLY DEVELOP A TERMINAL BY USING OLD WATERFRONT WAREHOUSES – ALL NEW REVENUES
- THE LEGACY PORTS ARE STRUGGLING WITH MASSIVE CAPITAL REDEVELOPMENT – BUT NOT NECESSARILY NEW BUSINESS OR REVENUES

THE EVOLUTION OF THE CRUISE TERMINAL



TEMPORARY
FACILITY



CONVERSION OF
EXISTING
BUILDING

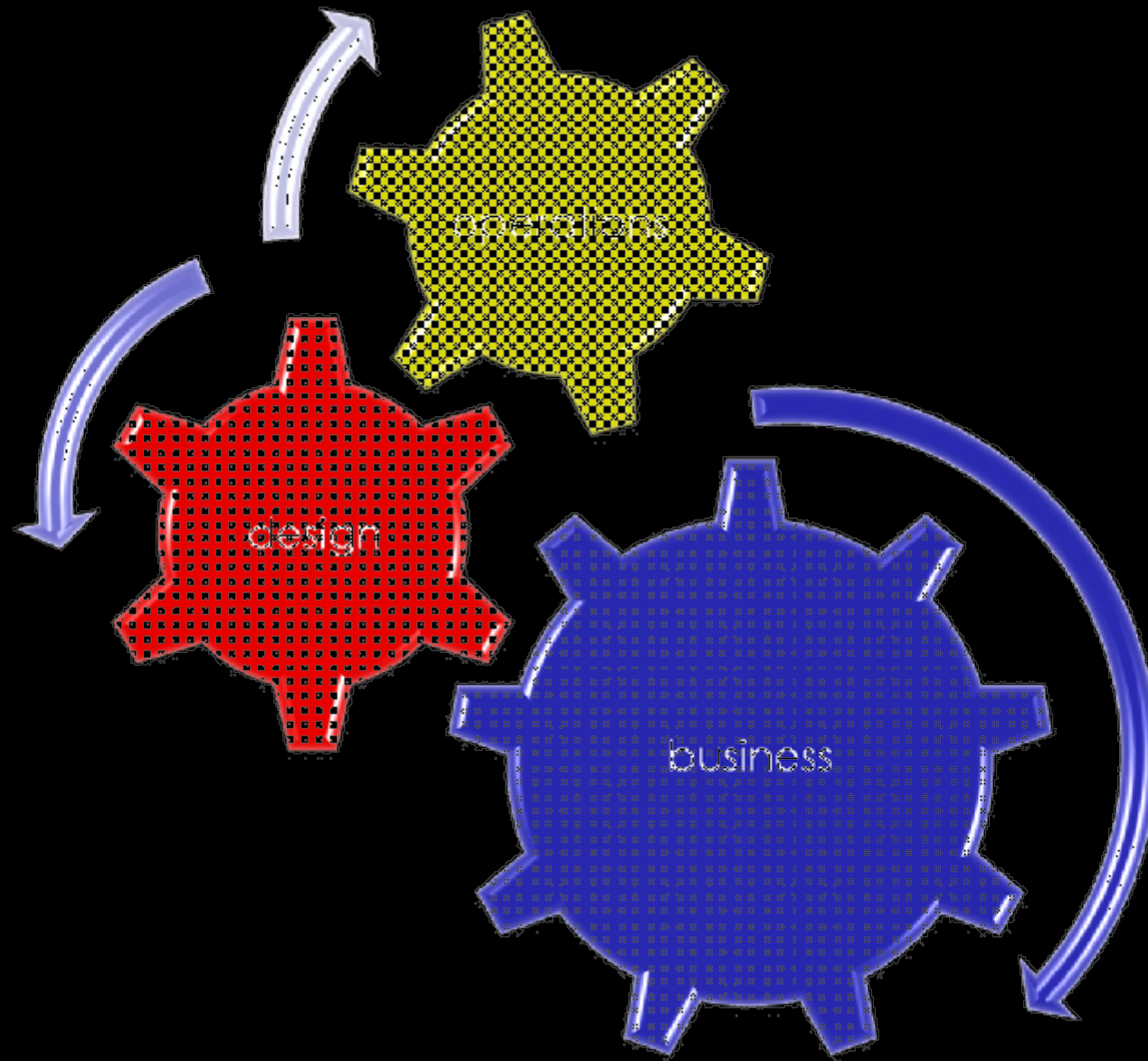


NEW
FACILITY



JOINT
DEVELOPMENT

LINKAGES

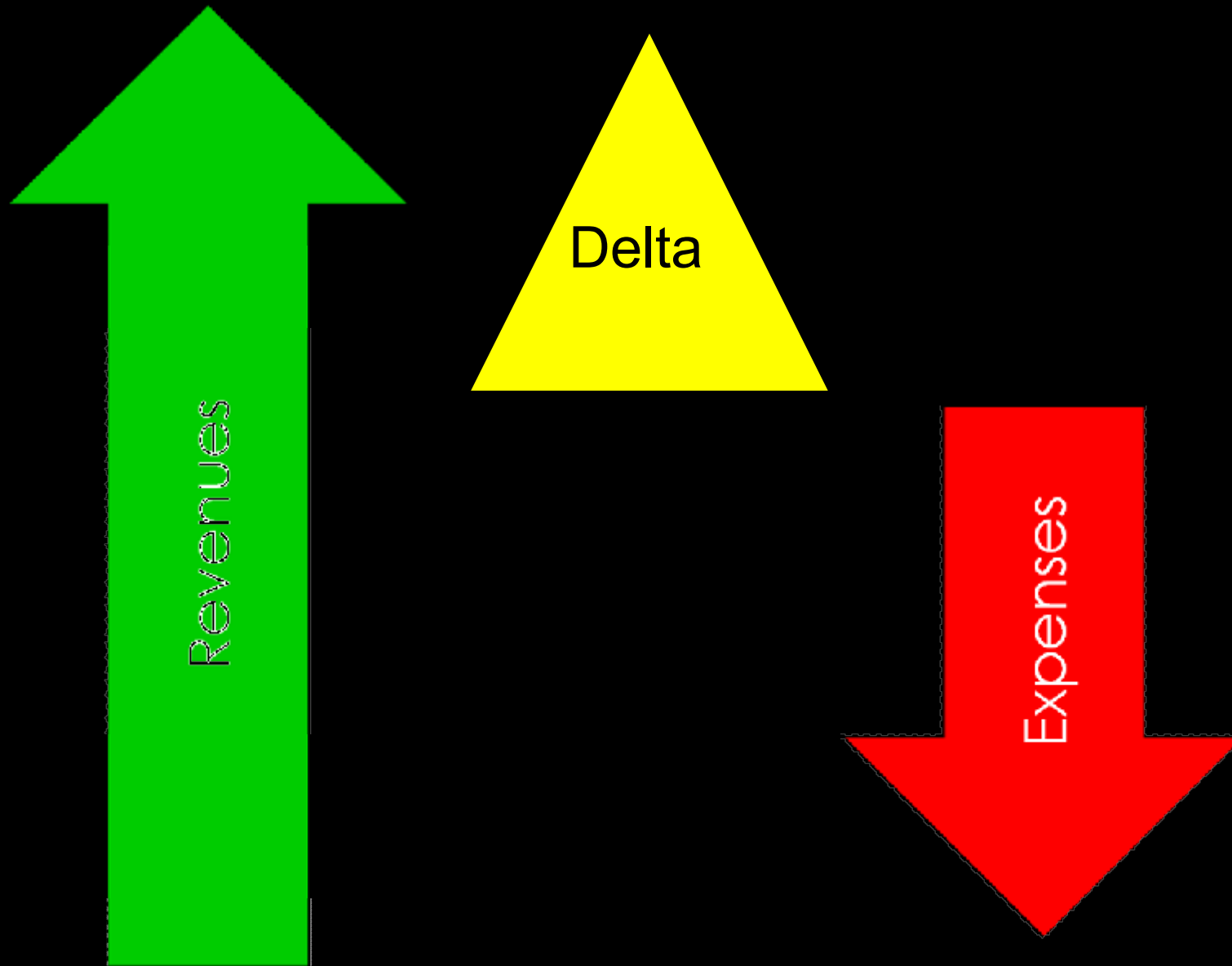


PUBLIC POLICY / BUSINESS ISSUES

BUSINESS ISSUES

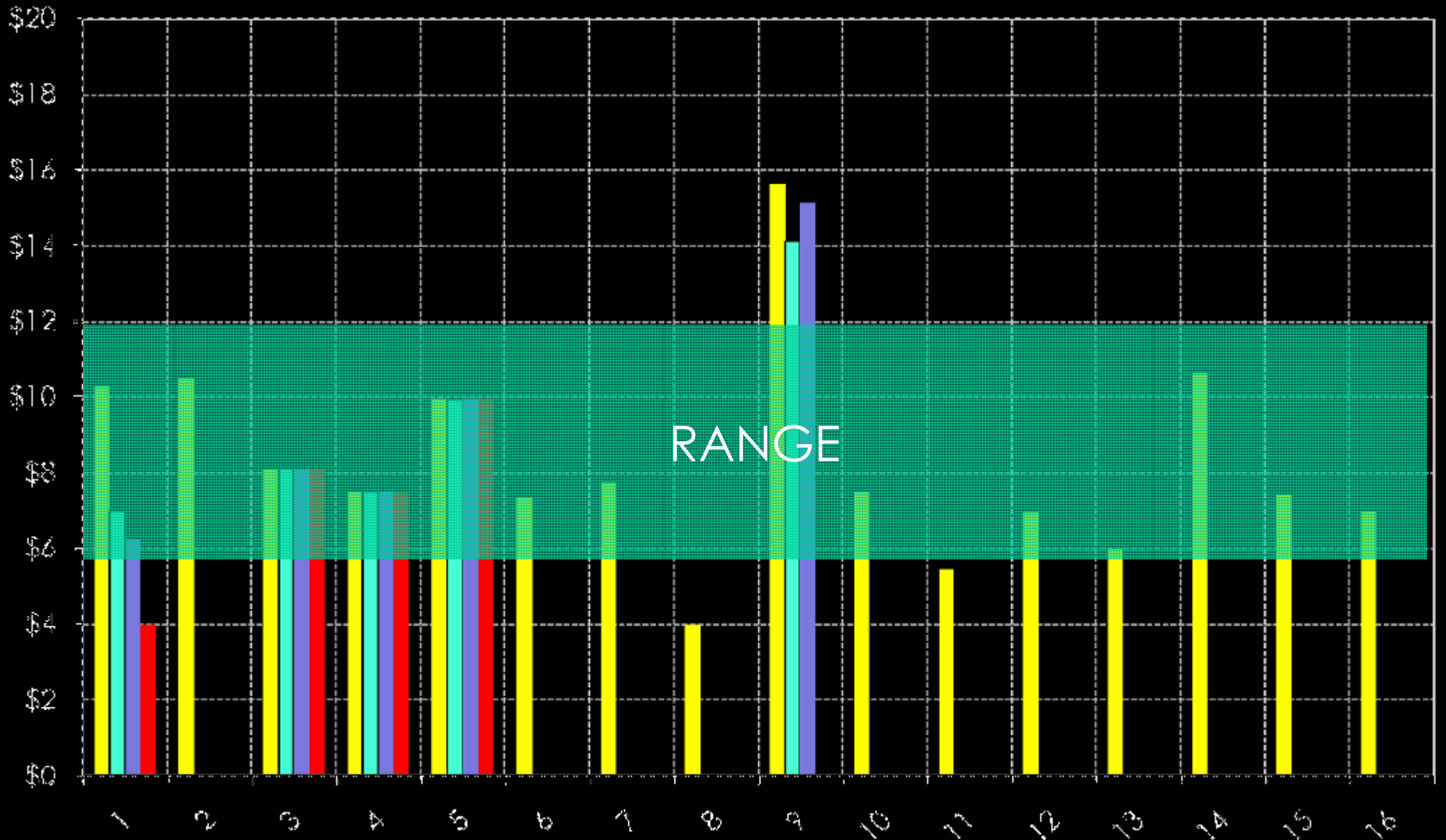
PUBLIC POLICY ISSUES

BUSINESS TARGET – MAXIMIZE REVENUES

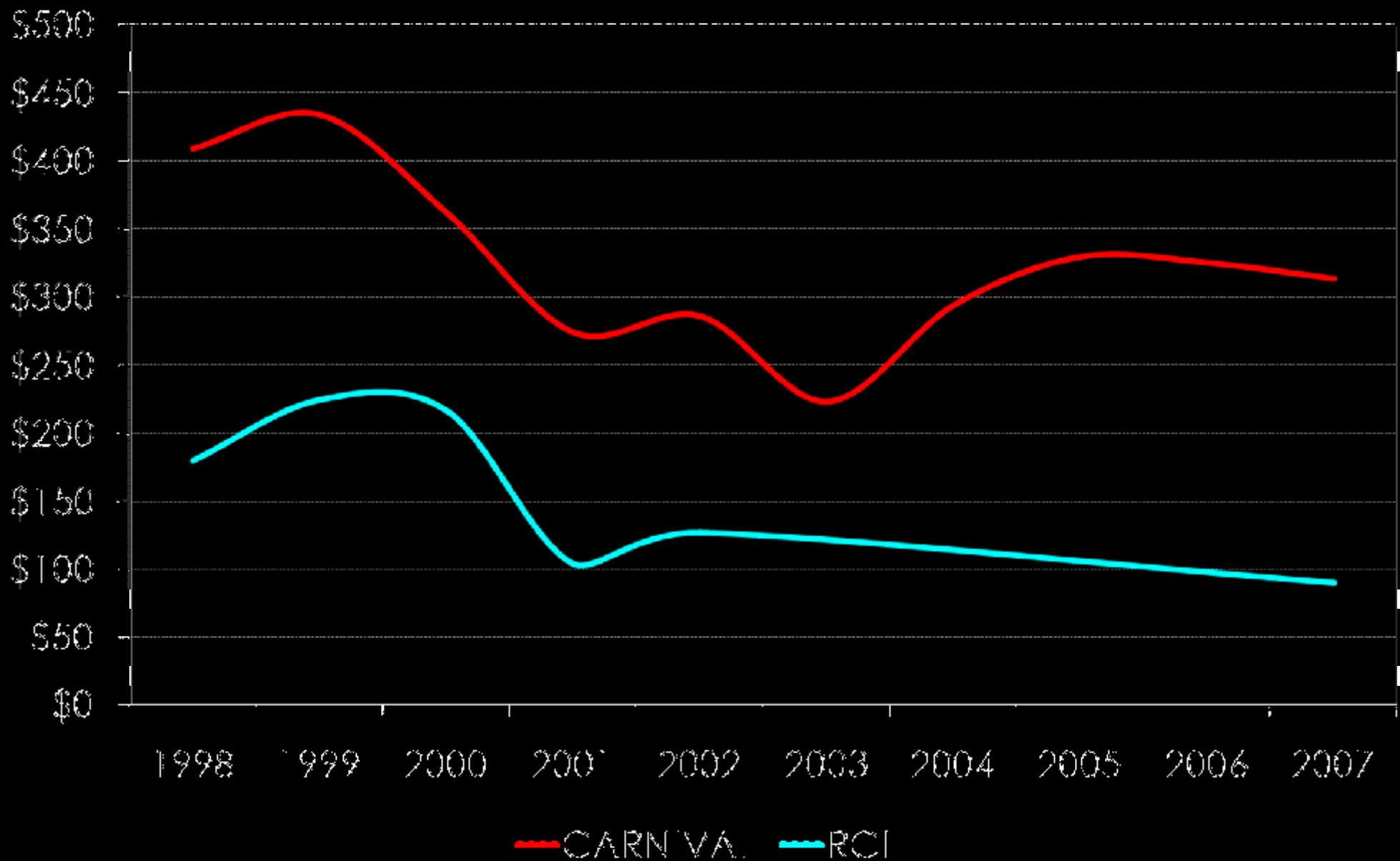


POLICY ISSUES

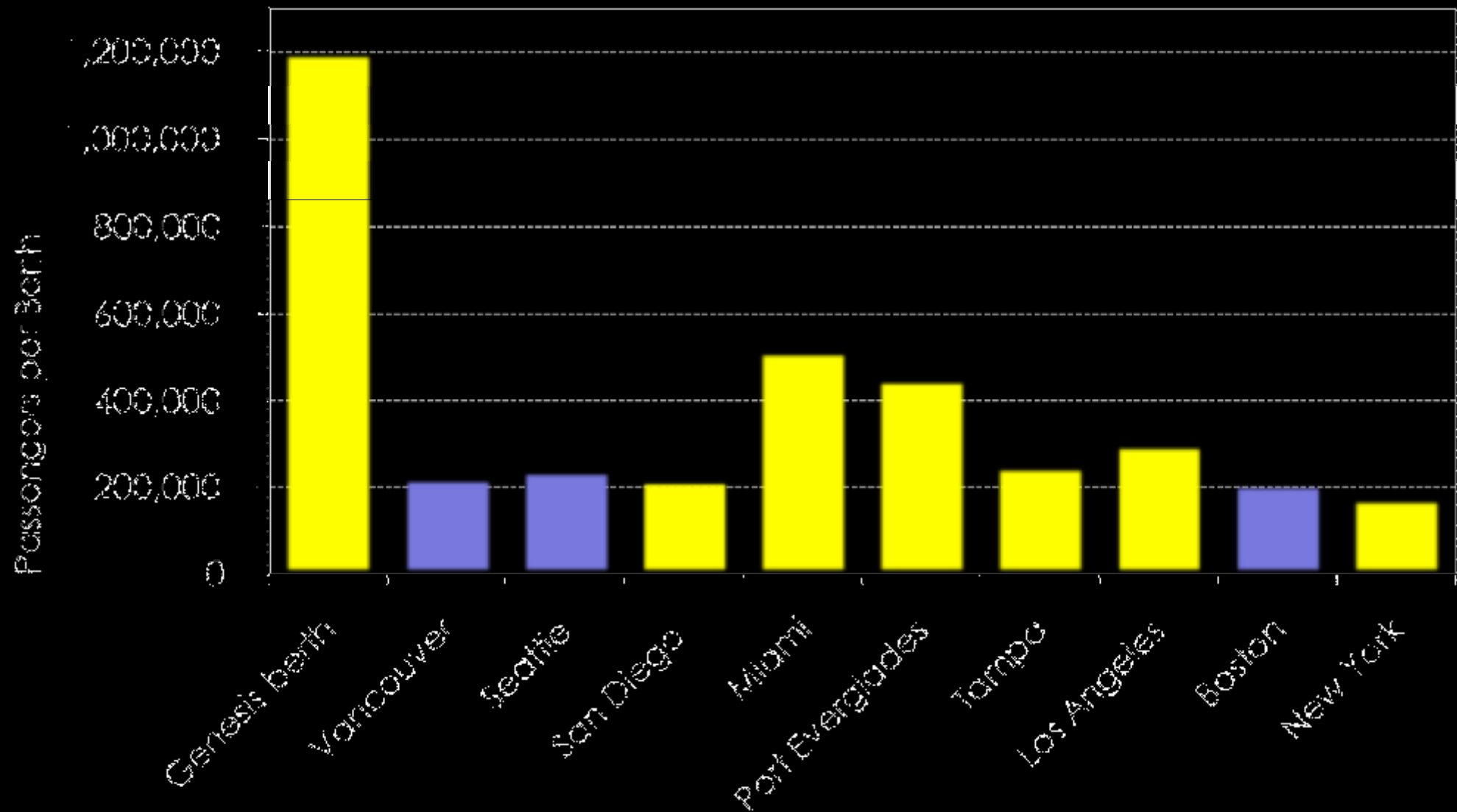
- IS THE PORT HAVE MORE THAN ONE TERMINAL?
- IS THE PORT HAVE MORE THAN ONE USER?
- WHO PAYS FOR THE IMPROVEMENTS?
- HOW IS QUALITY IMPROVED?
- HOW ARE COSTS CONTROLLED?
- HOW DO YOU SEPARATE FUNCTIONS?



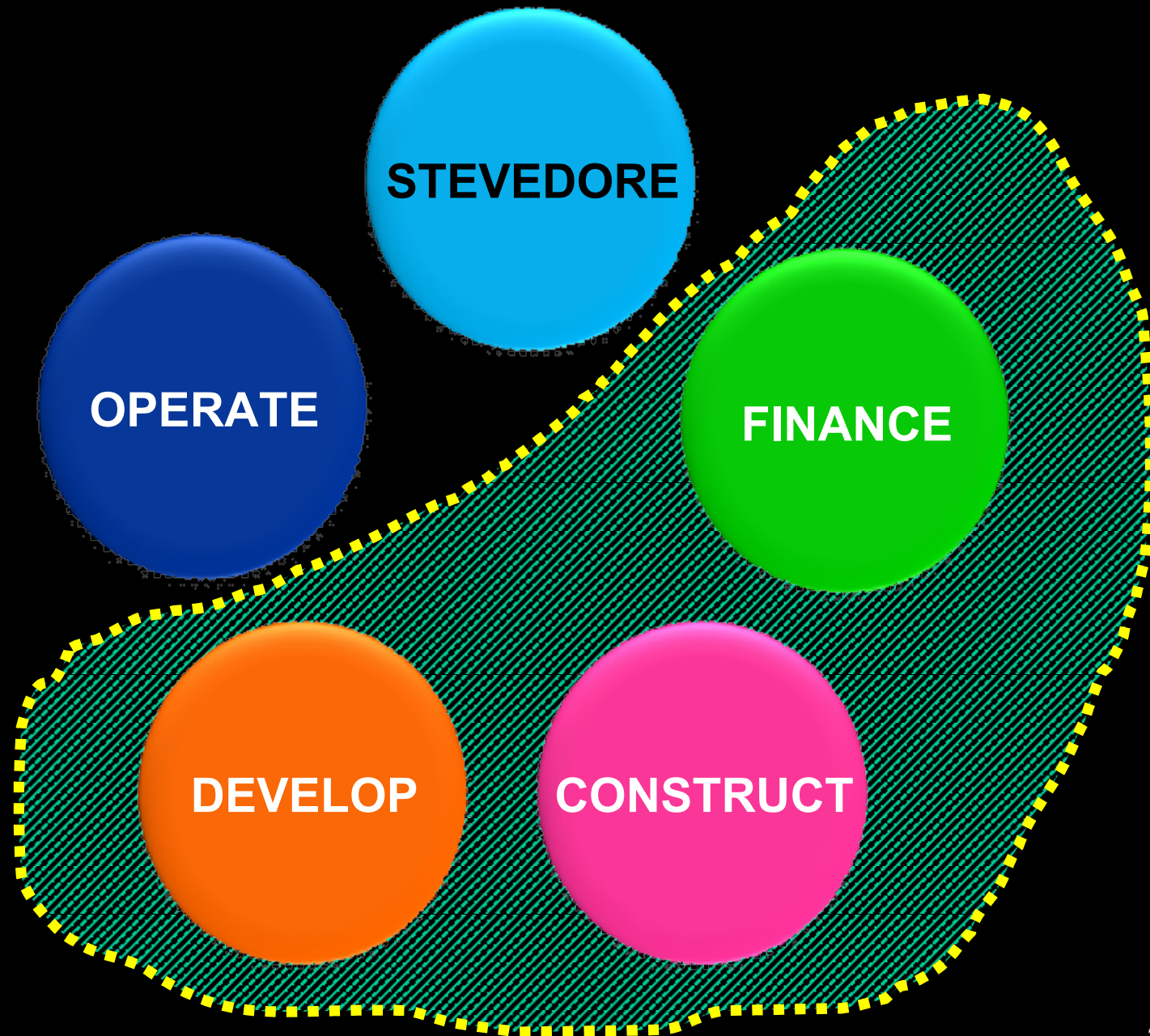
NET INCOME PER PASSENGER



BERTH USE (PASSENGERS PER YEAR)



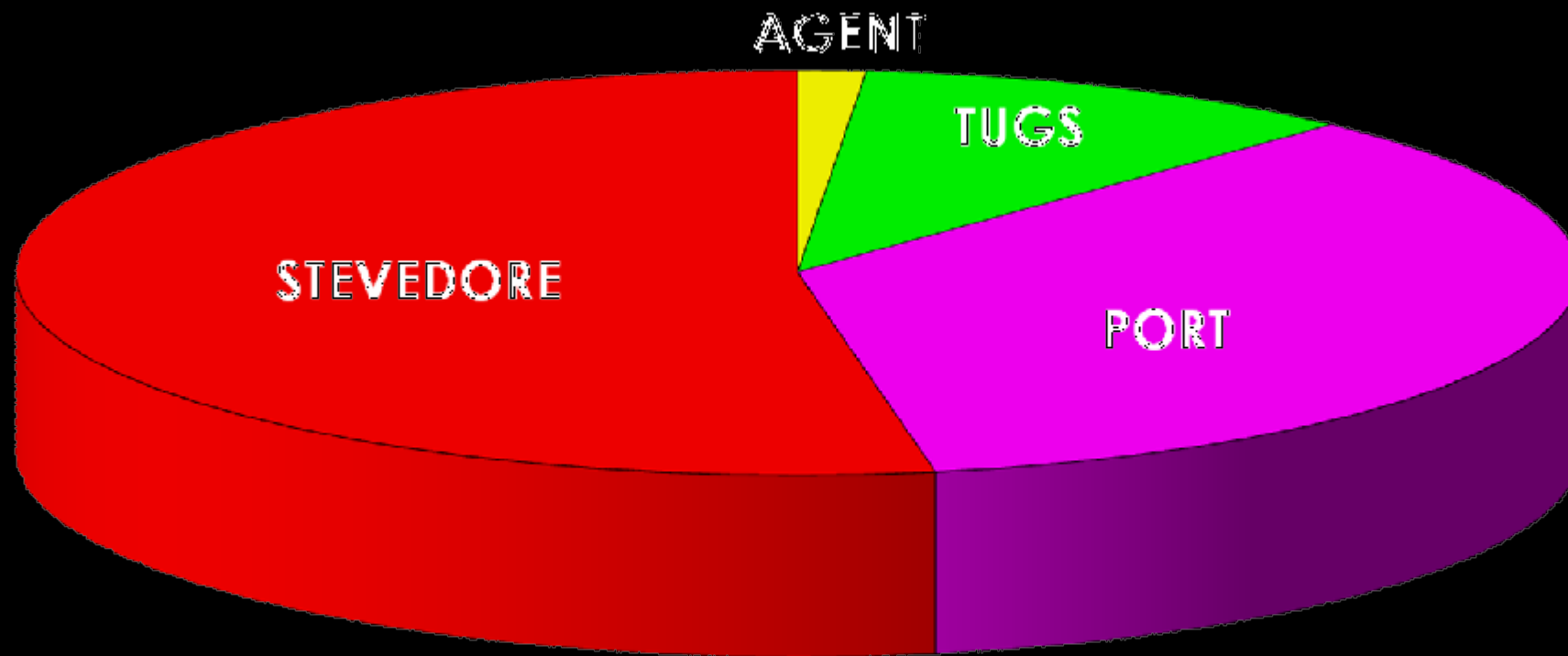
TERMINAL INVESTMENT



DEVELOPMENT VS. OPERATIONS

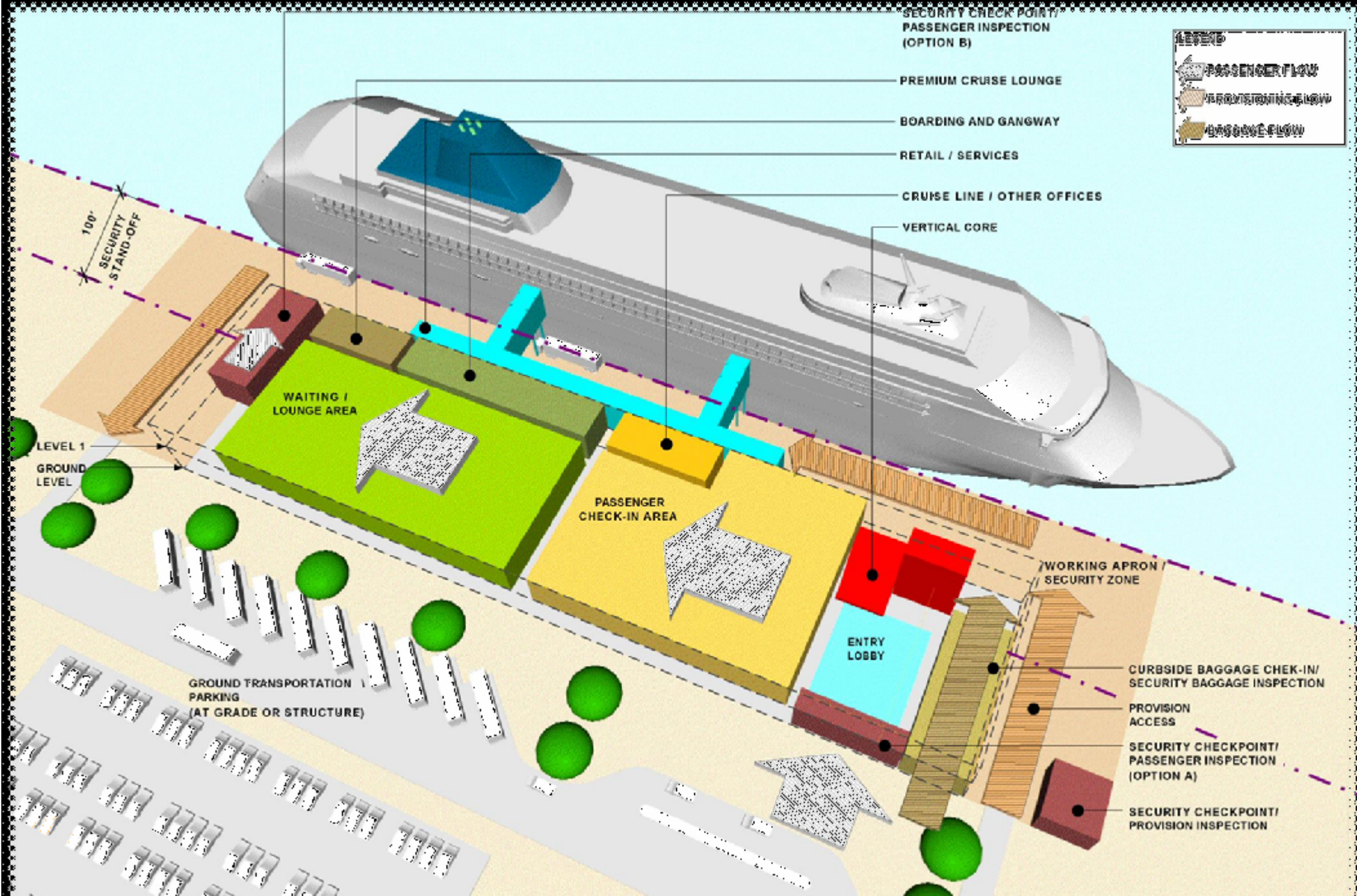
- DISTINCT DIFFERENCE
- SOME PORTS HAVE THOUGHT THAT AN OPERATOR WILL INVEST THE MONEY TO BUILD THE TERMINAL
- OPERATORS WORK ON A FEE BASIS WITH LIMITED CAPITAL INVESTMENT
- US PORTS HAVE ACCESS TO BETTER FINANCING TERMS FOR CAPITAL PROGRAMS

RELATIVE COSTS OF PORT OPERATIONS

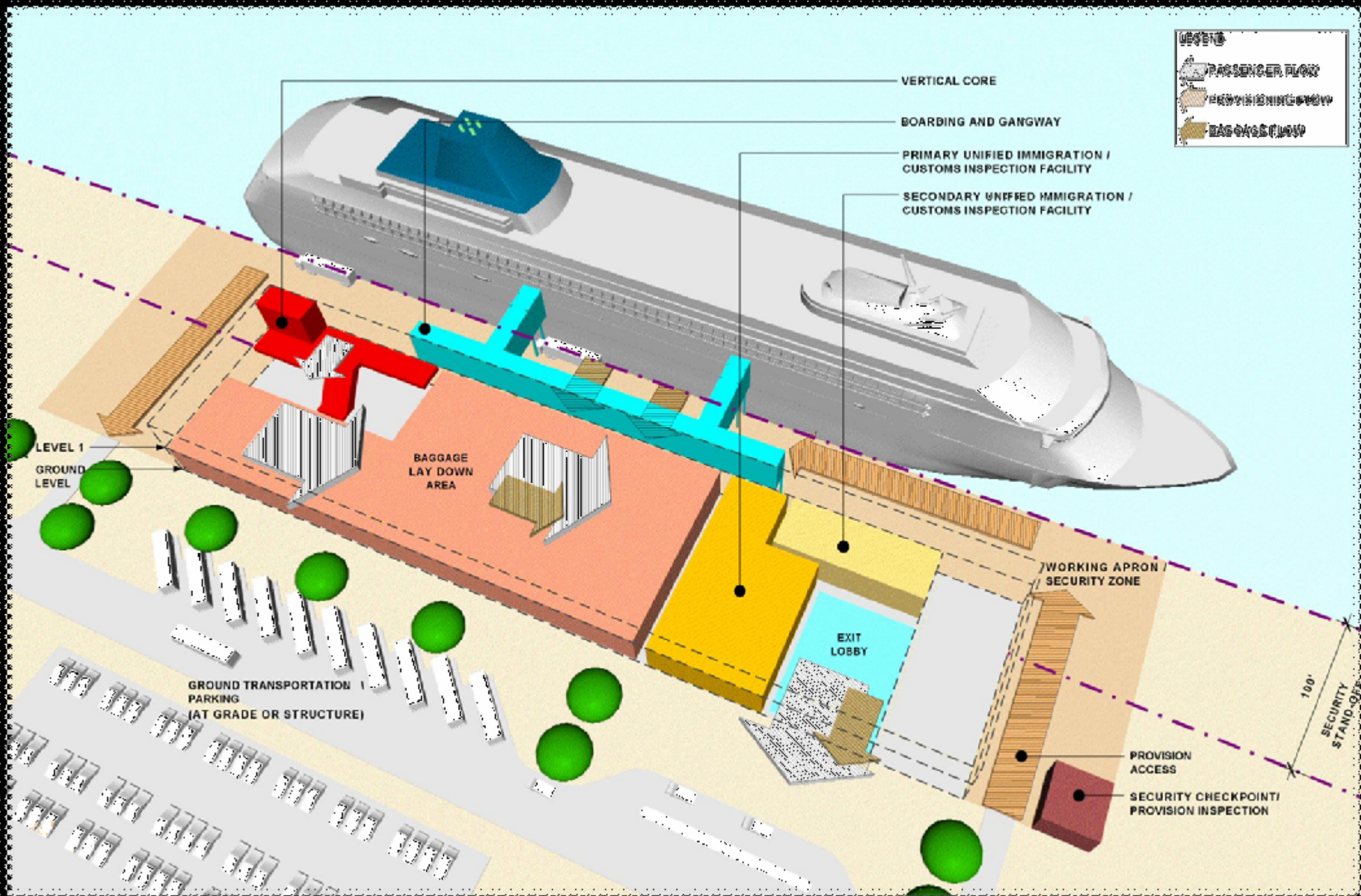


OPERATIONS

EMBARKATION (DEPARTURE)



DISEMBARKATION (ARRIVAL)



OPERATIONAL MODEL - STRATEGIES

- MAXIMIZE RETURN
- MAINTAIN COMPETITIVE ENVIRONMENT
- MEET PASSENGER SERVICE METRICS

METRICS

- NEWER TERMINALS IN THE FAR EAST ARE DEVELOPING HIGHLY COMPREHENSIVE MEASURABLE METRICS INCLUDING:
 - VOLUMES
 - TIME TO COMPLETE EMBARK / DEBARK
 - PASSENGER TIME IN TERMINAL
 - TIME IN QUEUES –
 - SECURITY
 - BOARDING
 - PASSENGER SATISFACTION

THERE IS NO UNIFORM
STANDARD



OPERATIONAL MODELS

TERMINAL OPERATION MODELS

- PORT OPERATED MODEL
- PRIVATE TERMINAL OPERATOR MODEL
- MIXED MODEL
 - PRIVATIZE COMPONENTS
 - PARKING
 - HOUSEKEEPING
 - MAINTENANCE
 - SECURITY

US - CANADA - TERMINAL OPERATION MODELS



PORT OPERATED MODEL

**Cruise
Lines**

Port

Operator

MAINTENANCE

**GROUND
SECURITY**

MARKETING

HOUSEKEEPING

OPERATIONS

SCHEDULING

PARKING

**SHIP
SECURITY**

**SECONDARY
USES**

STEVEDORES

PILOTS

LINE HANDLING

TERMINAL OPERATIONS COMPONENTS

- MARKETING
- SHIP SCHEDULING
- MAINTENANCE
- HOUSEKEEPING
- TERMINAL SECURITY
- SHIP SECURITY
- COORDINATION OF OPERATIONS
- PARKING OPERATIONS
- ACCOUNTING
- SECONDARY USES

MARKETING

- MOST PORTS WANT TO RETAIN THAT ELEMENT
 - SOMETIMES A JOINT EFFORT
- POTENTIAL CONFLICT IF OUTSIDE OPERATORS CONTROL MORE THAN ONE PORT

SHIP SCHEDULING

- IN MOST PORTS WITH ONE OR TWO BERTHS, THIS IS RELATIVELY SIMPLE TASK
- IN LARGER PORTS CAN BECOME MORE COMPLICATED

MAINTENANCE

- HAVE TO SEGREGATE ROUTINE FROM MAJOR MAINTENANCE
- ROUTINE MAINTENANCE CAN BE PLANNED FOR IN AN ANNUAL BUDGET
- MOST TERMINAL OPERATION CONTRACT LEAVES OUT MAJOR MAINTENANCE TO LANDLORD (PORT)
- CAN STREAMLINE PURCHASING IF DONE THRU A PRIVATE OPERATOR

HOUSEKEEPING

- A GOOD FUNCTION FOR THE OPERATOR,
BUT
- EASILY PRIVATIZED SEPARATELY

SECURITY

- **TERMINAL SECURITY**

- PERIMETER SECURITY USUALLY PROVIDED BY LANDLORD (PORT) OR,
- LOCAL LAW ENFORCEMENT AGENCY

- **SHIP SECURITY**

- MIXED REVIEWS
- SOME PORTS IT IS RELEGATED TO THE CRUISE LINE TO OPERATE AND PAY
- SOME PORTS PROVIDE THE SERVICE
 - SOMETIMES IT IS PART OF THE TARIFF
 - SOMETIMES IT IS CHARGED SEPARATELY

COORDINATION OF OPERATIONS

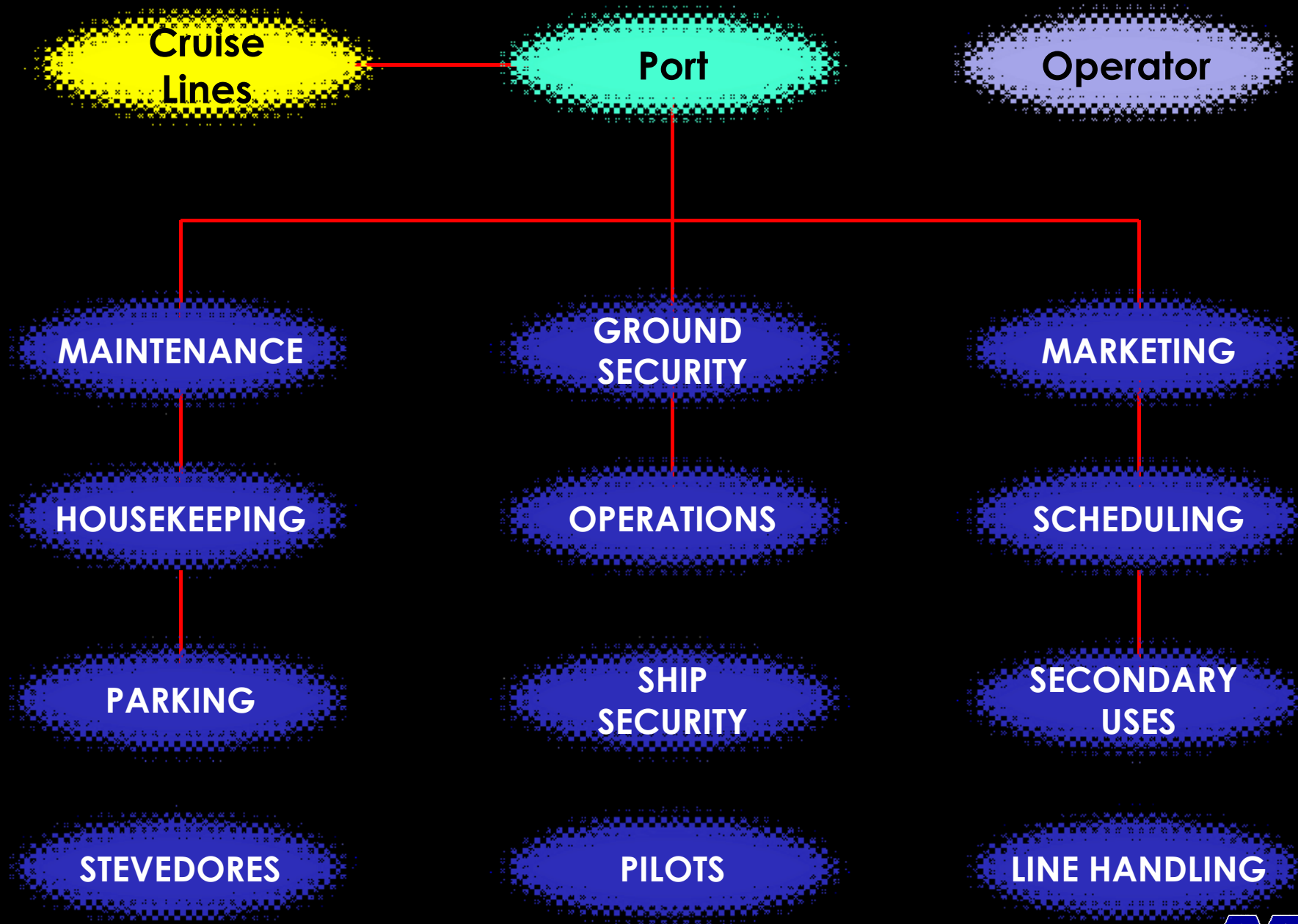
- MAKE SURE TERMINAL IS SET UP FOR THE DAY
- PORT OPERATIONS
- GROUND TRANSPORTATION
- FEES ON USERS
- CONCESSIONS

SECONDARY USES

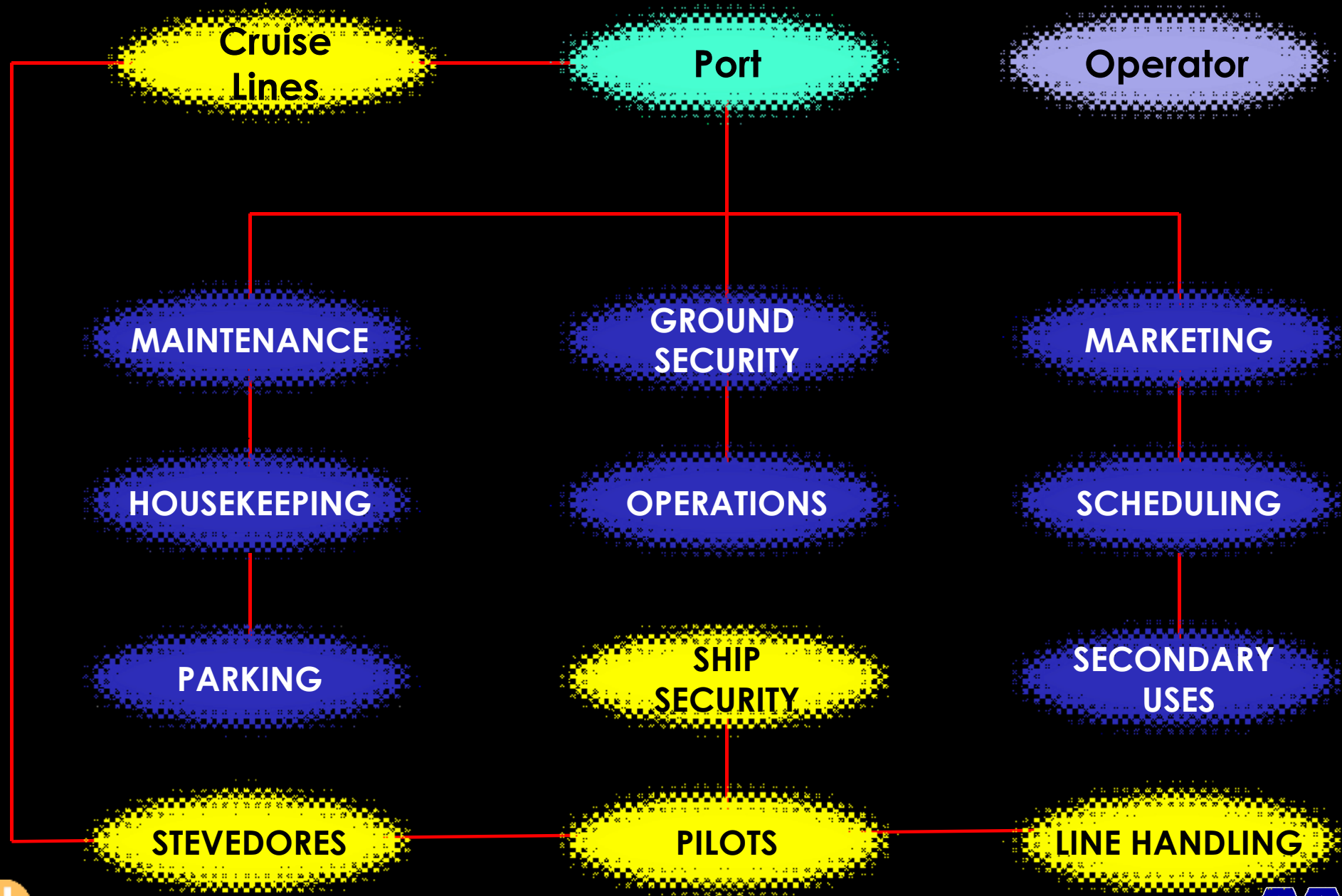
- RETAIL
- COMPATIBLE USES
- SECONDARY USES OF TERMINAL FACILITIES
 - BETWEEN CRUISES
 - NIGHTTIME
 - SEASONAL
- COMBINATION USES
- OPEN SPACE



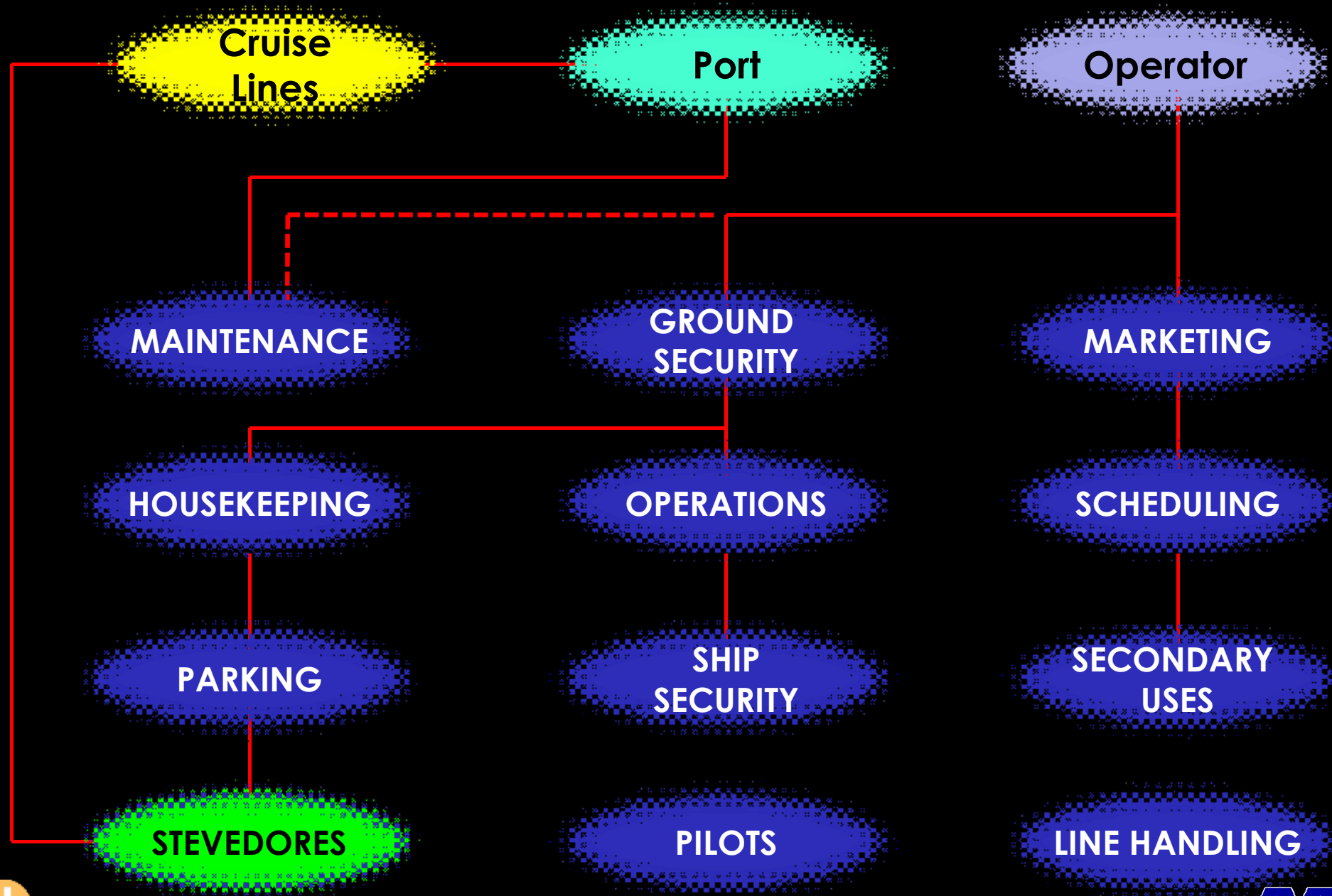
ROLES AND FUNCTIONS



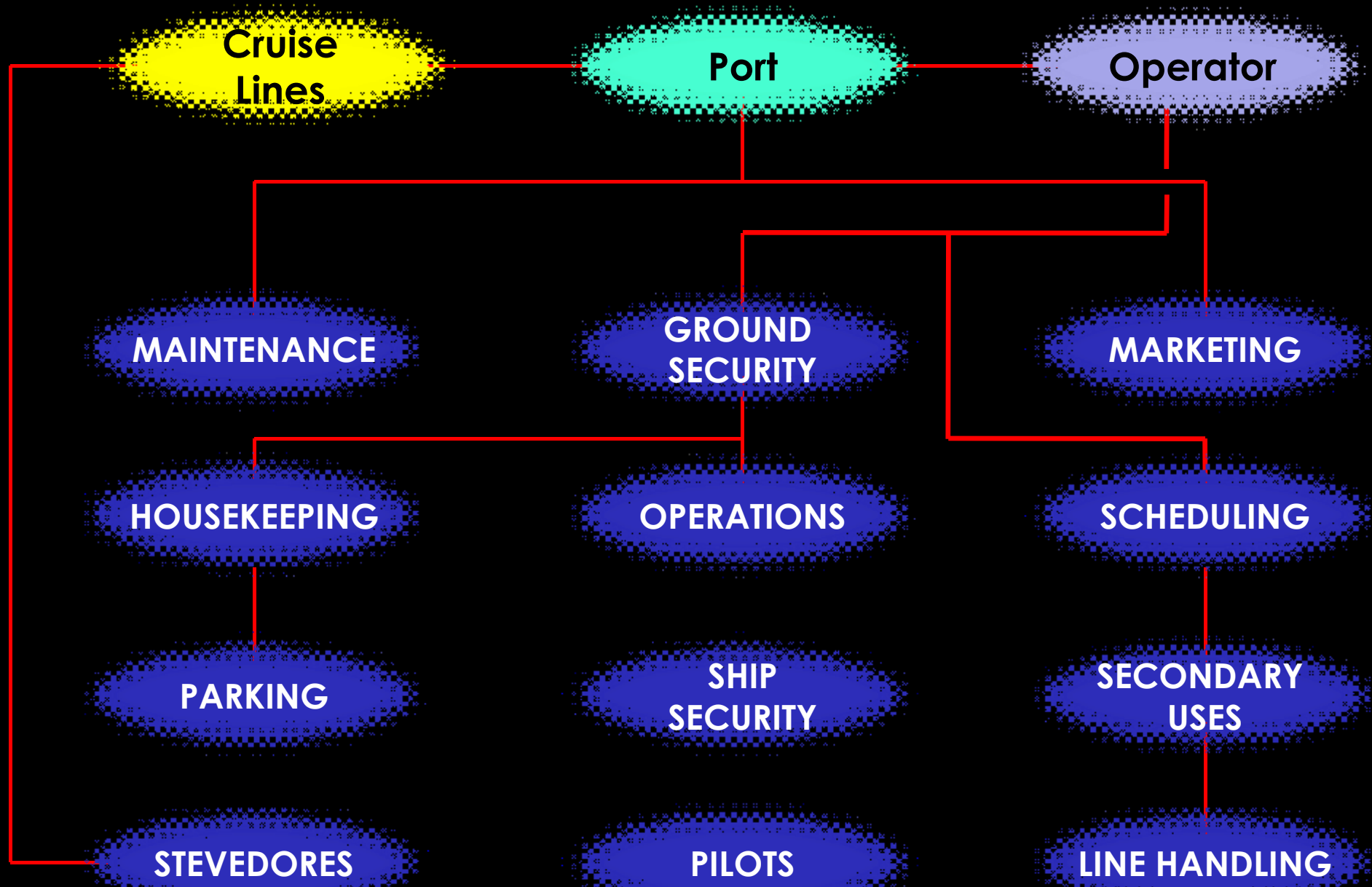
TRADITIONAL PORT OPERATIONS MODEL



TYPICAL TERMINAL OPERATIONS MODEL



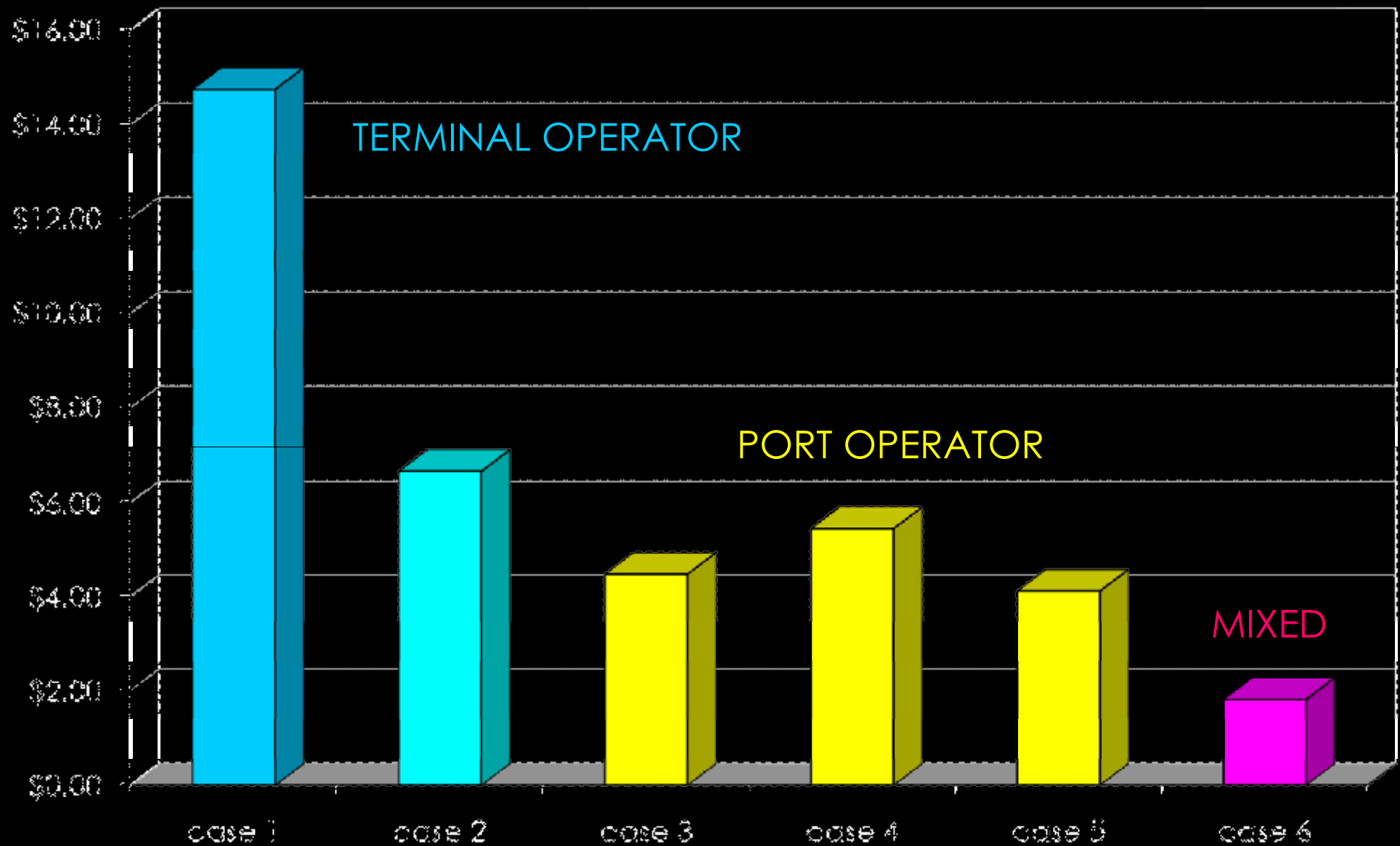
MIXED MODEL



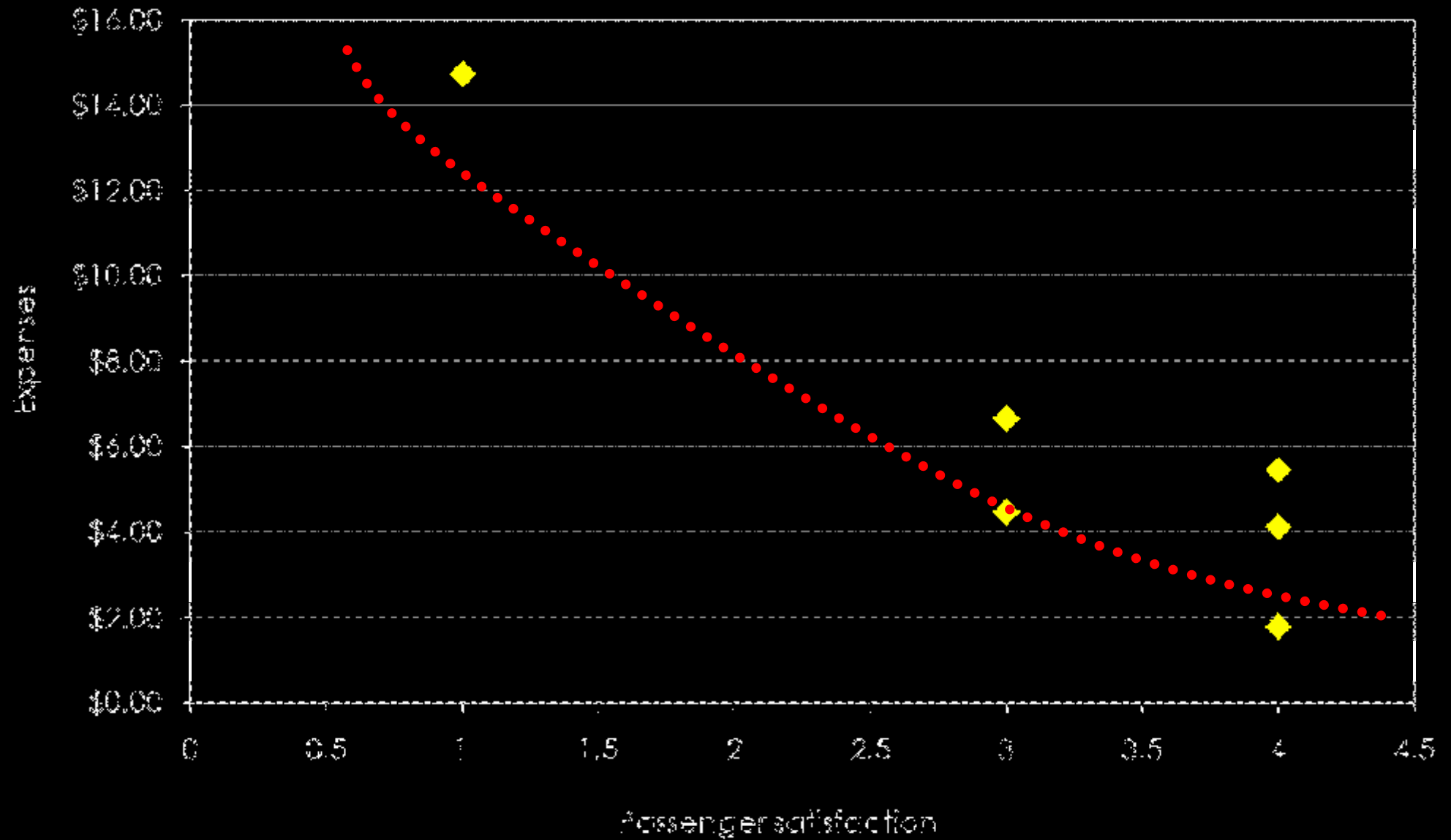
WHAT MODEL WORKS THE BEST?

- **SUBJECT TO MANY FACTORS**
 - TOTAL NUMBER OF PASSENGERS
 - AGE OF FACILITIES
 - EFFICIENCY OF PIERS
 - TRADITIONAL LABOR PRACTICES
- **A COMPARISON OF SEVERAL CASE STUDIES OFFERS CLUES**

OPERATIONAL COSTS (\$ PER PASSENGER) before debt, depreciation, taxes



EXPENSES VS. COSTS



CONCLUSION

HOW TO BE COMPETITIVE

- SEPARATE STEVEDORING FROM TERMINAL OPERATIONS
 - ALLOW LINES TO COMPETITIVELY PRICE DIFFERENT SERVICES
- PROVIDE FOR COMPETITION FOR SERVICES
 - PORT CONTROLLED
 - TARIFFS
 - USAGE
 - CRUISE LINE CONTROLLED
 - STEVEDORING
 - OTHERS

 LINK COSTS TO LEVEL OF SERVICE

CONCLUSIONS

- PORTS ARE EXPLORING MANY OPTIONS
- OTHER THAN PORT OPERATED FACILITIES, THERE IS NO PREDOMINANT OPERATIONS MODEL
- TERMINALS HAVE TO BE OPERATED:
 - EFFICIENTLY
 - MAXIMIZE REVENUES
 - LOW COSTS
 - CONTRIBUTING REVENUES TO THE BOTTOM LINE

