PORT DEVELOPMENT: DYNAMICS OF A SUCCESSFUL CRUISE LINE / PORT RELATIONSHIP

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THE SCENARIO

• ABC Port is a diversified port with occasional cruise calls but it wants to establish itself as a cruise homeport destination

• ABC Port has no cruise terminal and operates said operations from existing cargo facilities

• No need to dredge or build new berths to accommodate additional cruise business

• ABC Port operates independently of the City but understands the economic value of the cruise industry

• Port’s adjacent City is reasonably populated, moderate tourism activity and has a regional Airport. It is also within 4-5 hours of large cities (favorable driving distance)
WHAT ARE THE PORT OBJECTIVES IN DEVELOPING A NEW CRUISE SHIP TERMINAL?

• Long term viability: Ensure there is ample cruise passenger business, now and in the future, to make this a viable business decision over at least a 20-year time horizon in order to recoup the investment into the infrastructure
  – Other ways to support the investment i.e. garage facility

• Ensure there is buy-in within the community and region to allow the facility to be permitted and built
  – Long term economic impact including employment

• Recruit one or more funding partners, including participation by the local, county and/or state government, to ensure there is ample capital to build the facility
WHAT ARE THE PORT OBJECTIVES IN DEVELOPING A NEW CRUISE SHIP TERMINAL?

• Port to assess itinerary options and brand specific viability
  – Short / medium / long cruises

• Port to rally support from associated destination ports and possibly some financing

• Ensure there are calls from at least one other cruise line in addition to Carnival so that a robust itinerary of cruise brand offerings can be provided

• Port and Carnival must agree on a mutually-beneficial plan to ensure there is enough incentive for both parties to make the infrastructure funding and home-port commitments
WHAT ARE CARNIVAL’S OBJECTIVES IN DEVELOPING A NEW CRUISE SHIP TERMINAL?

• Development of new products and/or new source markets

• Guest Satisfaction: terminal needs to be functional and not an originator of guest complaints
  – Two way terminal ideal

• Long term confirmation of a berth or several berths
  – Specific day of the week out into the future

• Flexibility: ability to move ships should commitments for destination not work
  – Not commit ships by name
WHAT ARE CARNIVAL’S OBJECTIVES IN DEVELOPING A NEW CRUISE SHIP TERMINAL?

• Pricing and Costs: Long term certainty of costs as well as confirm costs are low (relative to regional cruise ports)

• Avoid long term commitments

• Translating benefits to the destination

• Receiving incentives to promote the destination
NATURAL CHALLENGES

• Port and Carnival motivations and objectives won’t necessarily all match up at the outset
  – Need to be benefits on both sides; if not long term won’t work

• Community Challenge: outside of Port and Cruise Line control
  – Community acceptance for building a new cruise terminal, including the impacts of construction, added traffic, parking and air emissions from visiting ships
  – Finding an ideal location with the fewest impacts on the community and the fewest land development hurdles, such as permitting restrictions

• Public-private financing

• Competition from nearby ports that also offer cruise
NEED TO AGREE ON THE FOLLOWING ITEMS

✓ Pricing

✓ Term

✓ Commitment: Financial/Not Pax

✓ Cost of Terminal

✓ Incentives

LAST NOTE: Important to focus on the critical relationship between the home port and the destinations. There should be operational, political and possibly financial cooperation.