CRUISE TERMINAL DEVELOPMENT

THE TRUE STORY

Bermello, Ajamil & Partners, Inc.
February 2006
or,
my life as a consultant
BSO
Blinding Statement of the Obvious
BSO’s

- The industry is growing
- More cities are getting ships
- Ships are getting bigger
- Security is getting tighter
- BCBP is actually checking people
- **Lines are concerned with costs**
- Ports have financial constraints
- Cruise has great impacts on the community
- Passenger experience is becoming an issue
Big Picture
North American terminal demand
Reality

• New terminal capacity has only been built in the new emerging markets
  • Seattle
  • Galveston
  • Houston
  • Norfolk
  • Tampa
  • New Orleans

• Collectively the established ports have actually reduced the number of terminals
  • Made huge investments to rehabilitate old terminals
Sustainable growth?

- **Miami**
  - 1980 – 11 terminals
  - 2006 – 8 terminals

- **New York**
  - 1970’s - 6 terminals
  - 2006 – 4 or 5 terminals

- **Los Angeles**
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
Reality

- During the past five years, the industry has been able to absorb growth by redeveloping old terminals
  - Not many of these exist anymore
- During the next ten years, either
  - More alternate cities will be needed
  - Growth will be needed in the traditional ports
- Where do your ports grow?
  - In a financially feasible way
Public policy / Business issues

**BUSINESS ISSUES**

- Project Costs
- Method for Financing

**PUBLIC POLICY ISSUES**

- Ownership of Asset – Public / Private
- Operational Control
Achieving a balance

Public policy

Business plan
Terminal Design
The real picture
How to build a terminal, successfully
And live to tell about it
Myth 1

There is uniform standard or solution
The evolution of the cruise terminal

- Temporary Facility
- Conversion of existing building
- New facility
- Joint development
Embarcadero Circle
Embarkation (departure)
Disembarkation (arrival)
### Program guidelines (feet $^2$)

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Design process

process has been relegated to
design by committee
Myth 2

Cruise lines have an uniform or consistent idea of what they want
Myth 2a

People within the same cruise line have an uniform or consistent idea of what they want
Departures (check-in)
Myth 3

Security is uniform throughout the United States
Security

- Large variations from place to place
- Adjacent relationships
- Nearby uses
Myth 4

BCBP has a consistent design or direction
Design process

process has been relegated to design by committee
What’s the answer
Keys

• Think strategically
  • Community issues
  • Port’s mission

• Think financially
  • How to finance the project
  • Stay competitive with the industry

• Think functionally
  • Listen to your users and stakeholders

• Focus on all parts of the business
  • Operations
  • Third party costs to the lines

• Put it all together
Controlling costs

- Reduce terminal size
- Streamline operational costs
- Improve luggage handling
  - Direct luggage handling
  - Electronic tagging of luggage
- Improve provisioning
  - Containerazion of ship chandlery
  - Roll-on, roll-off of goods
Solutions

- The ports and lines will continue to evolve
- One solution for legacy ports
- another for start ups
- Themes
  - Speed and efficiency
  - Costs
  - Passenger experience
- What will happen as all the old terminals have been rebuilt –
- Where will the new capacity go to?