Port Canaveral: Leverage the Past, Building for the Future

The East Coast’s most diversified cruise port is poised for an exciting run at the future.

By Joseph Keefe
Almost 38 years ago, Port Canaveral, Florida had some minor cargo traffic, a large U.S. Navy presence, some submarines, and was homeport to an obscure fleet of specialized Military Sealift Command missile tracking vessels. And, not much else.

Those who called at the port in those days couldn’t possibly have visualized then what the port has now become. That’s because the first cruise vessel port call was still almost a decade away and the development of the local physical infrastructure to support the cruise traffic that would eventually come, hadn’t yet been started. In contrast, today’s operating revenues will reach $100 million and the port has quietly moved up the ladder to become the world’s second busiest cruise port.

Notwithstanding all of that impressive growth, Port Canaveral has no intention of sitting on its hands. Situated in the rapidly growing Southeastern United States, the port is forging ahead with a recently announced 30-year Strategic Master Plan. Hence, the next 30 years promise to be just as exciting as the previous 40. Quietly, Port Canaveral is developing its own unique signature, leveraging a business niche unlike anything else on the East Coast.

In the Beginning

The master plan has been in development for over two years, and addresses each of the Port’s major businesses: cruise, cargo, parks and recreation, and commercial development, as well as the potential offered by the resurgence and growth of the space industry in the Port’s region. Port CEO Captain John Murray puts the document in perspective, saying, “The Plan presents various opportunities over the 30-year planning horizon, but not every project in this Plan may become a reality.”

Today, roughly 80% of the port’s revenue stream is from the cruise business, and as much as 20% of that emanates from parking revenue. He explains, “Just like an airport. We’ve got a very unique business model here with respect to cruise.”

In the beginning, it began with Premiere Cruise Line. Leveraging a partnership with Disney, this entailed cruises to the Bahamas from Port Canaveral. Eventually, Disney also built ships and the rest is history. Port Canaveral was firmly on the map as a cruise port, initially because of their close and convenient proximity to Orlando. At around the same time, other operators – Norwegian Cruise Line, Royal Caribbean, Carnival – all expanded their local footprint.

Carnival eventually identified the port as an opportunity for drive-in customers. Separately, Disney decided that it would be a great complement to its theme park business. By 1999, the port’s cruise market had exploded. Part of that success can be attributed to location. Every port has some kind of challenge. Port Canaveral’s geographic advantages include direct access to the Atlantic Ocean with no bridges or air draft limitations, and a transit time from first buoy to dock of only 45 minutes.

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The Port’s central east coast Florida location, combined with uncongested easy access to major road and rail systems puts every major Florida market within three hours of the Port.

A Different, Local Business Model

Beyond its four ‘anchor’ clients, Port Canaveral hosts as many as 20 different cruise lines, many of them so-called ‘independent’ cruise lines that provision, change out passengers and crew. Much of this traffic involves the increasingly popular practice of ‘theme’ cruises that cater to a narrow, but enthusiastic passenger base. Here, they can get off and go to the Space Center or head into Orlando for a Disney experience.

With a nod to its two rivals to the south, Port Canaveral is cognizant of what can be and what will not. That business model has nothing to do with higher profile ports, and depends on a different demographic.

Miami is the largest cruise port in the world and Port Everglades comes in at number 3 after Port Canaveral in terms of global passenger throughput. But, Port Everglades and Miami both primarily serve different markets, both relying on a strong international component. Royal Caribbean and Carnival are headquartered there. There’s a reason why Miami is number one, but both ports have their own challenges.

Constrained by its physical footprint, Miami can’t expand without taking away from their cargo side. The answer to that challenge has been to rebuild old terminals and offer capabilities for the new ships. “They’re going to do fine at that. And it will always be the desired market for that international cruise passenger,” admits Murray. Similarly, Port Everglades finds itself in the same position: great connectivity to two major markets but constrained by its physical footprint.

“We’re going to be the first cruise port, I believe, that will be ready to accept LNG vessels. If we’re the second largest cruise port in the world, then they are probably coming here. You have to evolve with it as it goes.”

– Captain John Murray, Port Canaveral CEO

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international airports but also limited by their ability to grow. According to David German, Port Canaveral’s Director, Cruise Business Development, Port Canaveral is different. “A majority of our cruise passengers are US citizens and Canadians. We are a big drive-in market and that’s a big plus in our favor. We’re balancing the Orlando theme park market, we’re complementing that, and then they complement our business.” Driving in from the regional Southeastern states, families will take a week off involving a 3-day cruise out of Port Canaveral and then spend 4 days at the theme parks.

The drive-in market has its definite advantages. It eliminates the uncertainty of flight delays for those coming in for vacation, as well as the considerable cost of putting as many as four people on an airplane and then spending the night before the cruise in a local hotel. That’s not to say Canaveral customers don’t fly in. They do. But, here, they can be at the ship within an hour of departing Orlando International airport.

A quick drive through Canaveral’s parking lots reveals a great deal. The autos hail from South Carolina, Georgia, Tennessee, and North Carolina. When they arrive, Port Canaveral is ready for them. That’s because even the smallest garage at the port has more than 1,000 parking spaces.

Similar to the New Orleans model of selling a cruise and throwing in Bourbon Street as a bonus, Port Canaveral has its own unique draws, most of which translate into dollars for local businesses. A same day arrival and cruise ship boarding is far easier here than at southern Florida ports, but most people come in and spend the night. Those hotels trend towards the large suite-style, capable of putting multiple people in the same space. And, while some of that is a function of the cruise industry, it also leverages other attractions, as well.

In practice, it is a solid business model and the local hoteliers are succeeding with it. Moreover, most of these hotels offer off-site parking at the hotels where they can hold vehicles so customers don’t have to pay the higher, premiere parking prices at the port.

**Not Just Cruising: Quadri-Modal**

Port Canaveral itself is not ‘quadri-modal,’ but Brevard County markets itself as such because it has airports, a space port, a sea port, and then of course, the land component. It is the not-so-obvious space connection with the rapidly growing commercial space industry that the port also has its eyes on.

Tourism aside, the preferred method of recapturing rocket boosters for reuse involves a maritime presence and has a maritime component with offshore vehicles that they can land the boosters on, bring them back to the port, pull them off the conveyance, and recycle back into service at the Air

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**PORT CANAVERAL THROUGH THE YEARS, BY THE NUMBERS …**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Passengers</th>
<th>Cruise Lines (#)</th>
<th>Ship Port Calls</th>
<th>Cruise Revenue</th>
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<td>11</td>
<td>1,546</td>
<td>34,969,584</td>
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(*) Sterling Casino (gaming vessels) ceased operations.

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Force base, or the, NASA facilities. Port Canaveral, already entrenched in that game, aims to be the preferred venue for all of that, as well.

In addition to the commercial and support angle for the space component, those launches are also quite exciting to watch, as well. A recent launch proved that out and the passengers got a bonus on at least one Canaveral departure. “One of the cruise ships sailed – I won’t say which line but it was one of our Sunday vessels – and my wife and I are down the coast on the beach, and we went outside and thinking that ship should have been gone by now – it was 5:30, they’re normally long gone and passing by our place down there – and we looked out and
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– David German, Port Canaveral’s Director, Cruise Business Development

there it was, waiting for the launch,” said Murray. With cruise ship transit schedules planned as they are, that kind of ad-hoc entertainment is a bonus for Canaveral-based cruise ship.

**LNG: not just for ships anymore**

Driven by increasingly environmentally conscious operators, LNG-powered cruise vessels are coming. The recent news that Carnival Corporation had agreements in place to build eight LNG-powered cruise ships across four of its 10 global cruise brands brought that point home in no uncertain terms. Carnival isn’t alone in that effort.

That’s got Port Canaveral’s attention. Murray says flatly, “We’re going to be the first cruise port, I believe, that will be ready to accept LNG vessels. If we’re the second largest cruise port in the world, then they are probably coming here.” He adds for emphasis, “You have to evolve with it as it goes.”

The rapidly developing Crowley and Tote LNG bunkering operations just down the coast makes it clear that there will be many ways to get to the Promised Land. That involves both barge-based bunkering as well as fixed shoreside infrastructure. At Port Canaveral, all options are on the table. “Everybody wants to be in the LNG game,” explains Murray, adding, “At the end of the day, the relationship with the LNG supplier is between the cruise line, or the cargo line, and the supplier. What we’re here to do is facilitate whatever vehicle they want to use for LNG and make sure it happens.”

The port’s goal is to come up with a system that works for everybody. “We don’t want to have four cruise lines with four
different concepts of operation. We don’t have enough real estate to support that.” Lurking in the background is the deal between Harvey Gulf and Shell to build an ATB LNG carrier to supply bunkers to U.S.-based cruise lines. The changing landscape adds up to two things: LNG as a fuel is moving ahead, and the cruise industry is emerging as the primary driver. Port Canaveral aims to be at heart of that development.

Port Canaveral also has other plans for this clean fuel. As the commercial space industry contemplates burning LNG as a primary fuel, the need for the local space community to source this energy becomes more important. Already serving the space industries maritime assets, Canaveral looks to do the same thing when it comes to fueling the rockets of tomorrow.

For Port Canaveral, space, and not cruise ships, will be the initial driver for LNG. Murray puts the situation in perspective. “We’ve got the ships coming; we’ve got the rockets com-

“… The relationship with the LNG supplier is between the cruise line, or the cargo line, and the supplier. What we’re here to do is facilitate whatever vehicle they want to use for LNG and make sure it happens. We don’t want to have four cruise lines with four different concepts of operation. We don’t have enough real estate to support that.”

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Port Canaveral

Murray sums it up nicely when he says, “We’re probably the most diverse port in terms of books of business – we have containers, we have cars, we have cruise, we have bulk, we have liquid bulk and now, rockets. You go down the list, we have it all. Just not in the large volumes of some other ports but we have a little bit of everything.” Even at the world’s number two cruise port, a little bit of diversity sometimes goes a long way.

The Master Plan

In the works for almost two years, the plan focuses on long-term uses for the port. That necessarily involves sorting out the local politics that we’re sorting through. Port Canaveral is a special district of the State of Florida, with five elected commissioners. As a special district, the port has the power to levy ad valorem taxes. Murray says that’s not going to happen. “We haven’t done that since 1986. We’re not going to do that. We survive on our revenues and government grants from the state and the federal level, but we do everything on our operating income.”

Putting together the Master Plan spanned two years, in large part because of the resurgence of the space industry and the advent of the LNG piece. Neither variable could be easily predicted. In the end, the port knew that it had to (a.) be positioned for the future, (b.) recognize that ‘cruise’ is and will be its core business, and (c.) avoid trying to be something that the port is not.

“We’re not going to be the new, large, booming container port,” Murray told MLpro, continuing, “We’ve got our container terminal and it’s evolving, but we recognize that it’s never going to be the size of Savannah. That’s not the market that we serve.”

Separately, the commercial space industry needs the port. They can’t go to Jacksonville to make it work. Dave German explains, “We recognize the value of the space industry to the local community and surrounding areas in Central Florida. So being who we are in this community, it is incumbent upon us to make sure that that industry is successful. It is not going to be sufficient to ever make it wildly profitable, but we’re going to do everything we can to support it.”

An equally important part of the Master Plan recognizes the unique makeup of the port’s existing multi-use signature. For example, the recreational component here offers more activities – parks, free public boat ramps, marinas – than any other port in the state. Murray insists that none of that will change. “We have some very non-port-type things here that, and because of our stature in the local community, we’re going to continue to maintain those. Sometimes, a developer comes in and says, ‘How could you keep that as a park? It’d be a great hotel.’ Well, it’s not going to be a hotel – it’s going to be a park.” At the same time, the preservation of commercial fishing is part of the port’s charter.

The future includes all these things, and more. That’s because even though 80 percent of the revenue stream emanates from the cruise side, a bigger percentage of the total commerce lies elsewhere. An active cargo port, Port Canaveral is also a critical hub for gasoline distribution across the southeastern United States.

There are many layers to the Canaveral “onion.” As many as 4,000 vehicles landed in the last two weeks of December, with two ships supporting that business monthly. In January, the new class of post-Panamax shipping vessels made an inaugural visit to Port Canaveral. The MOL Brooklands, with a 125-foot beam and capacity to transport over 7,400 vehicles, is the largest vessel to call on the Port.

Even with a finite amount of land to work with, the port looks for new ways to bring in new customers – particularly for its cruise business. That starts with being able to accommodate the largest ships in the world that in turn can serve more passengers per vessel. With both of those boxes checked, there are other areas to attack, as well. Potential terminals have been identified that will help the port grow into the future, and the port has its eyes on another major cruise line.

Quietly and deliberately, Port Canaveral has made important strategic moves to accelerate its growth. Along the way, all infrastructure has been self-funded from operating revenue. As it gets ready to build a new cruise terminal, for $150 million, the port has already spent more than $87 million renovating two of its older facilities. The recently completed six-month deepening project of Port Canaveral’s West Turning Basin provides deeper draft vessel access equal to the authorized Port channel depth of 44 feet. Looking ahead, expenditures of almost $500 million are planned over the course of the next five years.

With the right infrastructure, adequate channel depths and a whole lot of planning, Port Canaveral has no problem hosting the largest class of ship in the world – the Oasis class – for Royal Caribbean. For most of the largest cruise vessels, draft is not an issue. Air draft, on the other hand, certainly is. That’s because those ships have an air draft of 236 feet.

Murray outlines the Port Canaveral advantage succinctly. “We don’t have any bridges. We’ve got 43 feet of water along-side our cargo berths and in the turning basin and 44 feet in the main channel, so we’ve got plenty of water for almost anything that comes at us.” That’s important because the four cruise line that are home-ported in Canaveral today – Norwegian Cruise Line, Carnival, Royal Caribbean, and Disney – all feature the larger vessels.

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