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Subject:        **Cruise lines look beyond South Florida for new passengers**

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## **Cruise lines look beyond South Florida for new passengers**

*BY AMY MARTINEZ*

For years, Lisa Koger resisted going on a cruise vacation.

From the dry terrain of central Texas where she lives, cruising the Caribbean appeared too far away, too costly -- as the 46-year-old mom put it, ``too much trouble."

But then the cruise ships met her half way.

In 2001, Royal Caribbean began offering seven-day voyages to Mexico and Belize from Galveston aboard the *Rhapsody of the Seas*. No longer would Koger have to fly to South Florida to board a cruise ship bound for the Caribbean.

Swimming with the sting rays in Belize two years ago, Koger vowed to make cruising a part of her family's annual vacation deliberations. "I'm ready to go on another one," she said.

Cruise companies are counting on it.

The number of U.S. ports with cruise ships has more than doubled in the past decade to 26. Though South Florida still solidly remains the world's cruise capital, the fastest-growing ports no longer are here, but rather in Texas, the Pacific Northwest and New York.

The nation's major cruise lines hope that by putting ships closer to where people live, they'll persuade the vast majority of American consumers who've never taken a cruise to give it a try.

In 2004, only 4 percent of American consumers considered able to take a cruise actually did so, compared with an estimated 17 percent to 21 percent who vacationed in Orlando and Las Vegas, according to a report by Goldman Sachs.

Bob Dickinson, president and chief executive of Miami-based Carnival Cruise Lines, sees that as evidence of the need for more departure points. Carnival sails from 16 ports nationwide, up from six a decade ago.

"Most people don't live in Florida," Dickinson said. ``So we need to bring cruising to the West Coast, the East Coast and the Gulf Coast."

Analysts covering the major cruise lines say the growth of departure points poses little risk to South Florida. Rather, they say, the new departure points are attracting a wider customer base, which, in turn, will help Miami and Fort Lauderdale by stimulating interest in cruising. People like Koger, for instance, might take their first or second cruise from Galveston, but their third or fourth from South Florida.

Even so, the Port of Miami for the first time in more than a decade suffered a decline in cruise passengers last year. Nearly 1.7 million people boarded cruise ships at the port in 2004, down 14 percent from 2003, according to the International Council of Cruise Lines, an Arlington, Va.-based trade group.

Hydi Webb, the port's cruise development manager, blamed the decline on one-time events, such as a 2003 explosion aboard Norwegian Cruise Line's Norway. But Webb also blamed the push by cruise lines to place ships within driving distance of the Midwest and Northeast.

The decline occurred even as the cruise industry overall enjoyed its best year since the Sept. 11, 2001, terror attacks. The number of passengers nationwide rose 14 percent in 2004 to 8.1 million, according to the International Council of Cruise Lines.

Port Everglades fared better than Miami, with a 9 percent increase in passengers.

As the cruise lines have gone looking for new departure points, the amount of money being spent on new terminals and parking decks also has gone up. The American Association of Port Authorities estimate that spending on new and improved facilities for cruise passengers will top \$646 million between 2003 and 2007.

The Port of Miami is due to finish construction on two cruise terminals, each costing \$30 million, bringing its total to eight next year. Port Everglades plans to open a 12th terminal in 2008. Both ports are run by their respective county governments, though they support themselves financially through user fees, parking tolls and service charges.

For now, at least, local government leaders take solace in the fact that the newest and biggest ships tend to go to South Florida. Of the five ships Royal Caribbean has introduced since 2002, two have gone to Miami, one to Fort Lauderdale, and another to Cape Canaveral. The fifth went to San Juan, Puerto Rico.

Still, Carnival's Dickinson

said that's changing. Of Carnival's five newest ships, one went to New Orleans, one to Cape Canaveral, one to Tampa, one to Miami and another to Port Everglades.

Norwegian, also based in Miami, no longer has a ship departing year-round from Miami. Instead, Norwegian has focused on Hawaii, New York and Seattle.

"I continue to see Miami and Fort Lauderdale getting the biggest and best ships, but not exclusively," said Andy Stuart, executive vice president of marketing for Norwegian. "Other ports also will get the biggest and best."

Few dispute that South Florida can take its dominance in the cruise industry for granted any longer. The competition is heating up:

- In Mobile, Ala., a new \$20 million cruise terminal was built in only eight months to attract the Carnival Holiday. Carnival began offering four- and five-day voyages to Mexico from Mobile nearly a year ago.

Carnival had just signed a letter of intent to continue cruises from Mobile for at least another year when Hurricane Katrina slammed into the Gulf Coast. The Holiday is one of three ships now being used to house Katrina relief workers over the next six months.

Al St. Clair, director of Mobile's cruise terminal, said he hopes to persuade Miami-based Royal Caribbean to take the Holiday's place. "We could handle a second ship, a third ship or possibly a fourth ship," St. Clair said.

Carnival plans to resume voyages from Mobile sometime in the spring, Dickinson said. Likewise, he said, Carnival is eager for cruising to return to the Port of New Orleans, which handled 327,000 passengers in 2004, up 14 percent from the year before.

- Carnival and Norwegian agreed last year to pay \$200 million in fees to New York City's Cruise Passenger Terminal through 2017 to offset the costs of major infrastructure improvements.

Nearly 550,000 people departed New York last year on voyages to Canada, New England and the Caribbean, a 25 percent increase from 2003, according to the International Council of Cruise Lines.

New York City plans to spend \$150 million over the next several years improving cruise terminals in Manhattan and Brooklyn.

- In San Diego, Calif., Carnival is working on a financing arrangement to improve piers for cruise passengers at the downtown port. Essentially, Carnival will front San Diego about \$8 million needed for the improvements, spokesman Tim Gallagher said.

In Long Beach, Calif., Carnival is developing and running a terminal for its passengers. Long Beach embarked 367,000 passengers last year, a 35 percent increase from 2003.

## **9/11 REPERCUSSIONS**

The cruise lines say the push to expand elsewhere in the United States began slowly in the late 1990s and then took off after the Sept. 11 terror attacks. With many Americans afraid to fly, the cruise lines moved quickly to put more ships within driving distance, said Adam Goldstein, president of Royal Caribbean International.

"That put pressure on places like San Juan, and Miami to a degree," Goldstein said.

A recent report by Goldman Sachs credits the increase in departure points for making more Americans aware of the Carnival and Royal Caribbean brands. Goldman Sachs also notes they've made cruising more affordable by eliminating the need to buy airline tickets.

But the new departure points are not without their disadvantages, especially compared with South Florida. Some pose significant itinerary challenges, said Stewart Chiron, a Miami travel agent who calls himself "The Cruise Guy," the namesake for his popular website.

Cruisers leaving from New York, for instance, need seven days off just to make it to the Bahamas and back. A voyage to San Juan requires another day or two, Chiron said.

Others note the cruise industry needs more departure points to accommodate rapid growth. Nearly half of the industry's 150 ships came online in the past five years, said Brian Major, spokesman for the New York-based Cruise Lines International Association, which represents about 16,500 travel agencies.

## **LOCAL GRIDLOCK**

"There was gridlock in the South Florida ports," Major said. "You can't keep building ships and still have enough space." If anything, Major said, cruise lines could have moved faster to offer new departure points.

"Americans have no problem driving two or three hours to get on a cruise ship, or if they live in Texas, five hours," he said.

Meanwhile, officials in Miami say there's opportunity to grow as a port of call, rather than just as a departure point. They cite the Norwegian Dawn, which calls on Miami during seven-day voyages from New York to the Bahamas. Next year, the Norwegian Spirit will do the same.

But so far, Norwegian accounts for all of Miami's port-of-call business.

Stuart, Norwegian's marketing vice president, said New Yorkers were surprised to see Miami appear on the Dawn's itinerary several years ago.

"It's so ingrained in people's heads that you fly to Miami to get on a cruise ship," Stuart said.

"Slowly but surely," he added, "it's being accepted."

