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SC Court of Appeals

THE STATE OF SOUTH CAROLINA
In the Court of Appeals

APPEAL FROM ADMINISTRATIVE LAW COURT
Ralph King Anderson, III, Administrative Law Judge

Appellant Case No. 2014-000847

Preservation Society of Charleston, Historic Charleston Foundation, Historic Ansonborough Neighborhood Association, South Carolina Coastal Conservation League, Charlestowne Neighborhood Association, Charleston Chapter of the Surfrider Foundation, and Charleston Communities for Cruise Control ..... Appellants,

vs.

South Carolina State Ports Authority and South Carolina Department of Health and Environmental Control..... Respondents.

APPENDIX TO RECORD ON APPEAL
VOLUME I OF II

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Exhibit 3

D H E C
PROMOTE PROTECT PROSPER
Catherine B. Templeton, Director
Promoting and protecting the health of the public and the environment

June 29, 2012

Derrick Bellamy
SC State Ports Authority
P.O. Box 22287
Charleston, SC 29413-2287

Re: **P/N# OCRM-12-054-B**
SC State Ports Authority

Dear Mr. Bellamy:

Staff has initiated the Department's technical review of your project and I am writing this letter to request additional information to aid in the Department's review. You have 180 days from the date of this letter, to submit the requested information. Please provide the following:

- Current traffic plan for current operations and proposed traffic plan/study that shows the impacts on surrounding traffic and community. Specifically, does the proposed traffic plan increase traffic congestion on neighboring communities? Please provide any proposed drawings/layouts that may be available.

- Detailed plans and an updated project description for any modifications made to building 322. This structure is located over the critical area and any modifications to the building or change in use will require authorization from the Department. As discussed with Mr. David Smith, June 28, 2012, this activity will require a new public notice.

- Detailed plans and an updated project description for the covered staging area that will be designated for handling luggage and/or storing, loading & unloading ship supplies. The structure is being built over the critical area which is under jurisdiction of this Department. As discussed with Mr. David Smith, June 28, 2012, this activity will require a new public notice.

- Information that indicates whether or not cruise ship(s) that will berth at this dock will be equipped with shore power and whether or not the facility will be able to provide shore power.

- Please address air quality and how emissions generated by the cruise ship(s) that will berth at this dock may adversely affect air quality. Please provide information and /or demonstrate the cruise ship operations are meeting Air Quality emission standards.

- A description of activities that will be occurring, in the future, in the area where the current cruise operations exist. Will this area be utilized for cargo ships or shipping activities in the future? Will the total number of ships calling on Union Pier as a whole increase?

- The Department must evaluate the extent to which the proposed use could affect the value and enjoyment of adjacent owners. Please address how the proposed use of Building 322, the covered staging area and cruise operations could affect the value and enjoyment of adjacent owners.

- Proof of Coordination between the SC State Ports Authority and the State Historic Preservation office to determine if and how the cruise ship operation in its new location will impact a designated historic area.

The permit application processing time schedule for your application shall be tolled from the date of this letter and shall resume when the Department receives the requested information from you. If you fail to respond to this request within 180 days from the date of this letter, the Department will deem this application withdrawn and the fee forfeited. If the deficiencies are addressed within the 180-day period, the time schedule will resume and the application will be processed to a conclusion pursuant to the regulatory timeframe outlined in R.30-4(C). R.30-4(C) requires staff to render a decision on an application within 30 days for minor activities and 90 days for major activities from the date of administrative and technical completeness.

Thank you for your understanding and you may call me at 953-0235 if you have any questions regarding the permitting process.

Sincerely,

Steven Brooks

Steven Brooks
Senior Regulatory Project Manager
Regulatory Programs Division

cc: Blair Williams, DHEC-OCRM
Nat Ball, USACOE

Exhibit 4

NEXSEN|PRUET

Mary D. Shahid
Member
Admitted in SC

July 17, 2012

VIA E-MAIL BROOKSS@DHEC.SC.GOV

Mr. Steve Brooks
Project Manager
SCDHEC-OCRM
1362 McMillan Avenue
Suite 400
Charleston, SC 29405

Re: P/N # OCRM-12-054-B - S. C. State Ports Authority

Dear Steve:

Charleston
Charlotte
Columbia
Greensboro
Greenville
Hilton Head
Myrtle Beach
Raleigh

This letter is in response to your letter of June 29, 2012, regarding the above-referenced permit application, and is in preparation for the scheduled meeting between Mr. Newsome, Ms. Melvin, and other representatives of the SPA and OCRM staff, scheduled for Wednesday, July 18th, at 1:00 p.m.

In your letter of June 29, 2012, you asked for additional information. Much of the information that you requested has already been provided to you. I'm attaching a letter from Mr. Newsome sent to you on May 9, 2012. The purpose of that letter was to address the comments raised at the public hearing. It appears that your letter of June 29, 2012, also seeks information related to matters raised by opponents to the permit application at the public hearing.

Below is a chart indicating your request for information and the responsive information that was provided on May 9, 2012, along with supplemental information when relevant and available.

205 King Street
Suite 400 (29401)
PO Box 486
Charleston, SC 29402
www.nexsenpruet.com

T 843.720.1788
F 843.414.8242
E MShahid@nexsenpruet.com
Nexsen Pruet, LLC
Attorneys and Counselors at Law

Traffic	There will be no increase in traffic from what currently exists. There will be a better traffic management plan than what currently exists. "There will be a simple, one-step cruise handling process obviating the need for shuttle buses and road closures." *Newsome letter para 3, 4, 5 p. 1-2.*
Modifications to Building 322	Detailed plans and an updated project description for modifications to Building 322 are in preparation and will be provided to you upon completion. All work performed to renovate Building 322 is interior within the existing four walls and dimensions of the building. "The northern end of Union Pier offers an opportunity to **retrofit an existing cargo warehouse** and is the most economically efficient and environmentally sustainable solution for a new cruise terminal ...." *Newsome letter para 5 p.2 (emphasis added.)*
Covered Staging Area	SPA staff is preparing plans reflecting the sheltered staging area for loading/unloading ship supplies.
Shore Power	It is well known that the Carnival ship that will call at the new terminal with the most frequency is the *Fantasy*, which is not equipped to connect with shore power. OCRM should be cognizant that the "shore power" discussion is nothing more than a thinly veiled attempt by the project opponents to discourage Carnival cruise lines from home-porting the *Fantasy* in Charleston. But more importantly shore power is prohibitively expensive infrastructure. "Shore power is extremely costly, and where it has been employed it has been subsidized by utilities and government grants so that it is cost-neutral to cruise line customers." *See Newsome letter shore power discussion para 12, 13, 14, 15 p. 3-4.* What OCRM should acknowledge is that significant measures are being taken to reduce air emissions based on the mandated reductions in NOX, SOX, and PM 2.5. *Newsome letter para 13 p. 3.*
Air Quality Standards	You have requested that SPA demonstrate that cruise ships are compliant with Air Quality standards. SPA has multiple statutory authorizations, obligations, and responsibilities, but monitoring and regulating air quality is not an SPA responsibility. However, DHEC's Bureau of Air Quality does have the responsibility of monitoring air quality and has collected ambient air quality data at or near other SPA facilities in Charleston County. SPA assumes that data is available to OCRM. As Mr.

	Newsome noted, "[t]he cruise lines calling Charleston are extensively regulated for environmental conduct and voluntarily exceed those regulations in all respects." *Newsome letter para 11 p. 3.* Moreover, movement of cargo operations from Union Pier to the Columbus St. terminal, along with the voluntary limitations that the SPA has imposed on the frequency of cruise embarkation/debarkation, has significantly reduced the maritime emissions at Union Pier. *Newsome letter para 12 p. 3.*
Description of activities to occur in the future at current location of cruise terminal.	I'm also attaching an Affidavit of Mr. Newsome that was filed in a pending challenge against the City of Charleston related to the cruise terminal. Note in paragraph 8 of this Affidavit that redevelopment of portions of Union Pier are under consideration. However, should the SPA continue to use Union Pier for "cargo ships" or "shipping activities" as is the focus of your inquiry, such activities are consistent with the SPA's statutory mandate to "foster and stimulate the shipment of freight and commerce through" the State's ports. *Newsome Affidavit p. 2, S. C. Code Sec. 54-3-140 et seq.* Moreover, in accordance with S. C. Code Sec. 54-3-130(9), the SPA is authorized to "perform any act or function which may tend to or be useful toward the development and improvement of such harbors and seaports of this State and to the increase of water-borne commerce; ... ." In furtherance of its statutory responsibilities, the "total number of ships calling on Union Pier" could increase which would have a significant beneficial impact on the citizens of the State of S. C. and should not be of concern to your agency.
Value and enjoyment of adjacent owners.	The Union Pier terminal is identified as TMS 459-00-00-009. A review of GIS data indicates that the parcel south of and adjacent to Union Pier is the Waterfront Park owned by the City of Charleston. The City supports the SPA's permit application. There are multi-family residential structures north of and adjacent to Union Pier. These structures are located in a maritime redevelopment area and were built and purchased with actual notice that the Port of Charleston conducted operations on the adjacent property. The extent of operations is no different, upon completion of the renovation of Building 322, than it is now. If anything, the operations are more limited, given the SPA's voluntary agreement to control the frequency of embarkation/debarkation of cruise

	ships. The SPA calculates that there will 200 fewer ships per year on Union Pier as a result of the project with related reductions associated with truck and train calls delivering cargo. In addition, as a first step to relocating the cruise terminal the SPA has moved RO-RO operations to Columbus Street. Consequently traffic and activity has been reduced, not increased, with the relocation of the cruise terminal.
Coordination with SHPO.	We are concerned about the notion that SPA is required to consult with SHPO to undertake maintenance of its existing facilities at the Port of Charleston. The SPA is well aware that the "Old and Historic Charleston" district was listed on the National Register of Historic Places in 1978. We have reviewed the nomination form wherein it is stated that the basis for nomination is the architectural integrity of the district which "includes certain areas all located in peninsular Charleston south of a line drawn from the Ashley River through the center line of Bee, Morris, and Mary Streets and extending eastward to the Cooper River." (National Register of Historic Places Inventory – Nomination Form.) The SPA is undertaking no activity that would threaten the architectural integrity of the historic district. The Port of Charleston and the historic district have co-existed peacefully for centuries and at no point in the many and varied actions and improvements undertaken by the SPA was there a requirement to coordinate with SHPO. This permit application is no different. There is absolutely no potential for any effect on the historic district which would "impair the values for which the site was placed on the National Register." CZMPD Chapt IV-25.

The work proposed by the SPA is likely exempt from permitting as it meets the regulatory definition of normal maintenance and repair. The SPA, in fulfilling its statutory obligations to facilitate, stimulate, and increase the shipment of freight and commerce, has undertaken many similar maintenance projects without seeking a permit from DHEC.

Rather than seeking additional information from the applicant, perhaps the staff could educate the commenting public on the applicable policies in the CZMP governing staff's review. For example, the SPA is encouraged to utilize existing industrialized areas for "new" port development. Port facilities shall be sited in a manner consistent with local zoning requirements. The SPA is required to maximize the use of existing developed port areas before establishing new facilities in relative undeveloped areas. (*See* CZMPD Chapt. III-19-21.) Moreover, DHEC's predecessor agency, Coastal Council, recognized with the development of the CZMP that the SPA has the responsibility for the "maintenance" of the State's port system. Consequently, DHEC has a responsibility to facilitate rather than impede maintenance of Union Pier terminal.

We understand your desire to provide an assessment of the impacts of this project, but in doing so the agency needs to understand that there are only two options for cruise operations in Charleston – the existing location on the south end of Union Pier and the proposed location on the north end. If SPA does nothing, then the north end of Union Pier continues to provide active cargo operations and cruise ships will continue to berth on the southern end. If the SPA relocates the cruise terminal to the north end of Union Pier then the cargo operations are relocated and maritime activity on Union Pier is decreased based on the voluntary restrictions on cruise ships. The latter clearly has more benefits for adjoining residents. And, by shifting the cruise terminal and moving the cargo operations the SPA opens up the southern portions of Union Pier to public and private redevelopment adjacent to the City-owned waterfront park which is beneficial to the entire community.

We look forward to meeting with you on July 18th and hope that our discussions are productive.

Very truly yours,

Mary D. Shahid

MS/mds
cc: James I. Newsome, III, CEO, SPA
Barbara Melvin, SVP, External Relations
Philip Lawrence, Esq., Chief Legal Counsel

NPCHART\96746\1\GLT-MSHAHID\02400048\042
7/13/12

Exhibit 5

D H E C
PROMOTE PROTECT PROSPER

AFFIDAVIT OF OWNERSHIP OR CONTROL

S. C. Department of Health and Environmental Control
Office of Ocean and Coastal Resource Management

Charleston	Beaufort	Myrtle Beach
953-0200	846-9400	238-4528
953-0201 (fax)	846-9810(fax)	238-4526(fax)

I hereby certify that I am the (check one):

- [X] Record Owner
- [ ] Lessee
- [ ] Record Easement Holder
- [ ] Applicant To Record Owner For Easement
- [ ] Contract To Purchase Property

of the below described property situated in Charleston County, South Carolina; and that said property is all of that said property that is contiguous to and landward of the area in which the work proposed in the permit application is to be conducted. Furthermore, I certify that as record owner, lessee, or record easement holder, I have, or will have prior to undertaking the work, necessary approvals or permission from all other persons with a legal interest in said property to conduct the work proposed in the permit application.

WRITE LEGAL DESCRIPTION OF HIGHLAND (as described in deed, lease, etc.) BELOW OR WRITE "SEE ATTACHED" (in large bold letters) AND ATTACH A COPY OF THE DEED, LEASE, EASEMENT, OR MOST RECENT CERTIFIED PLAT OF THE PROPERTY. IF YOU ARE NOT THE RECORD OWNER, LESSEE OR EASEMENT HOLDER, YOU MUST ALSO SUBMIT WRITTEN PERMISSION FROM THE OWNER OF THE PROPERTY TO CARRY OUT THE PROPOSED ACTIVITY.

SEE ATTACHED

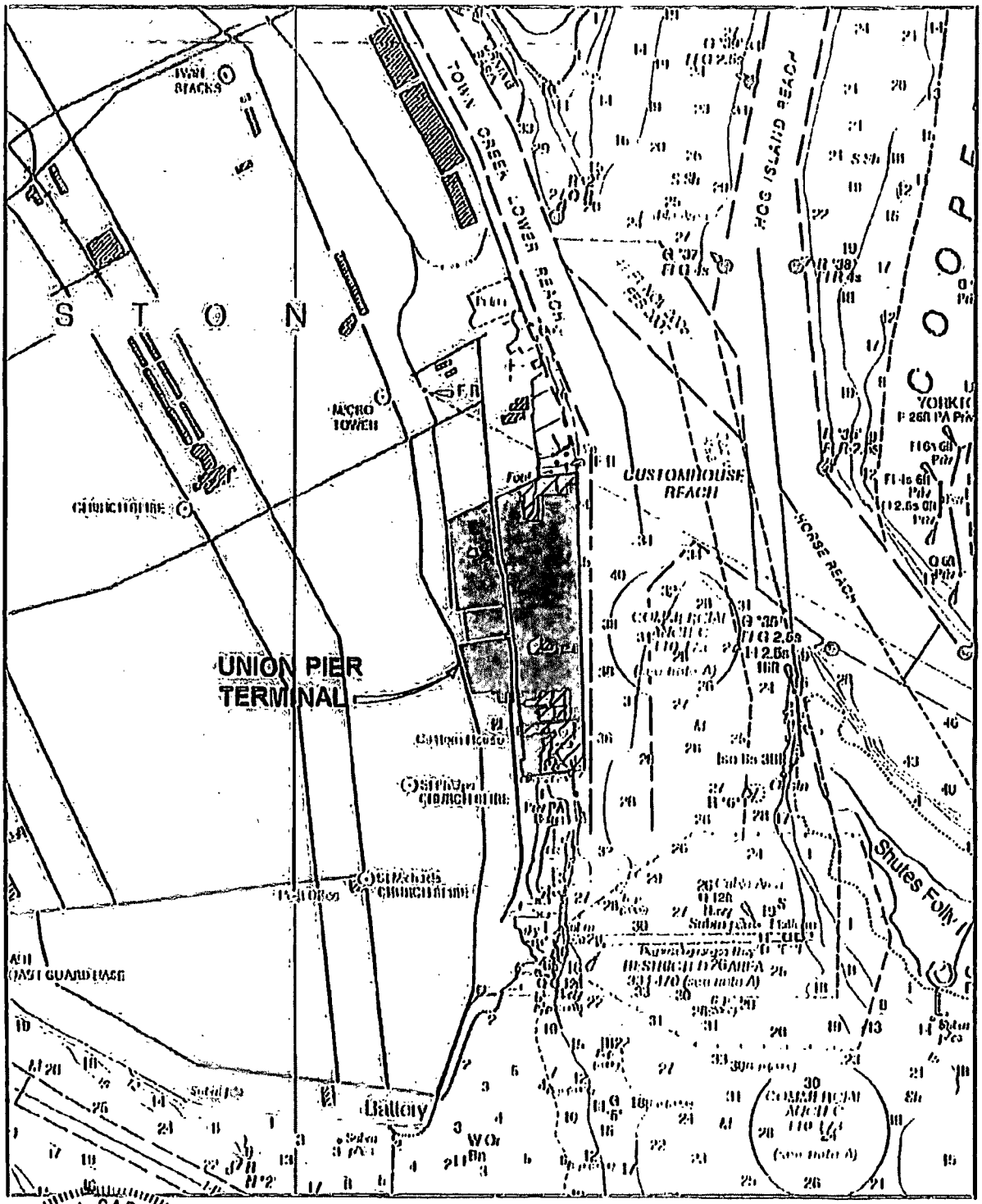
I also certify that the project as proposed does not cross any wetlands or areas below mean high water which is in the ownership of other private persons or public or private entities and that there is no disputed claim to the wetlands or areas below mean high water by private person or other entities due to a Kings Grant, State Grant, easement or conveyance or other legal document evidencing ownership of these areas.

David L. Bellamy
Signature of Record Holder or Lessee

Sworn to and subscribed before me at 400 Longpoint Rd. Mt. Pleasant, Charleston County, South Carolina, this 21 day of February, 2012.

Pamela J. Jones
Notary Public

My commission expires: Aug. 11, 2016



SOUTH CAROLINA PROFESSIONAL ENGINEER
LICENSED
No. 25448
2/21/12
DERRICK L. BELLAMY

Derrick L. Bellamy

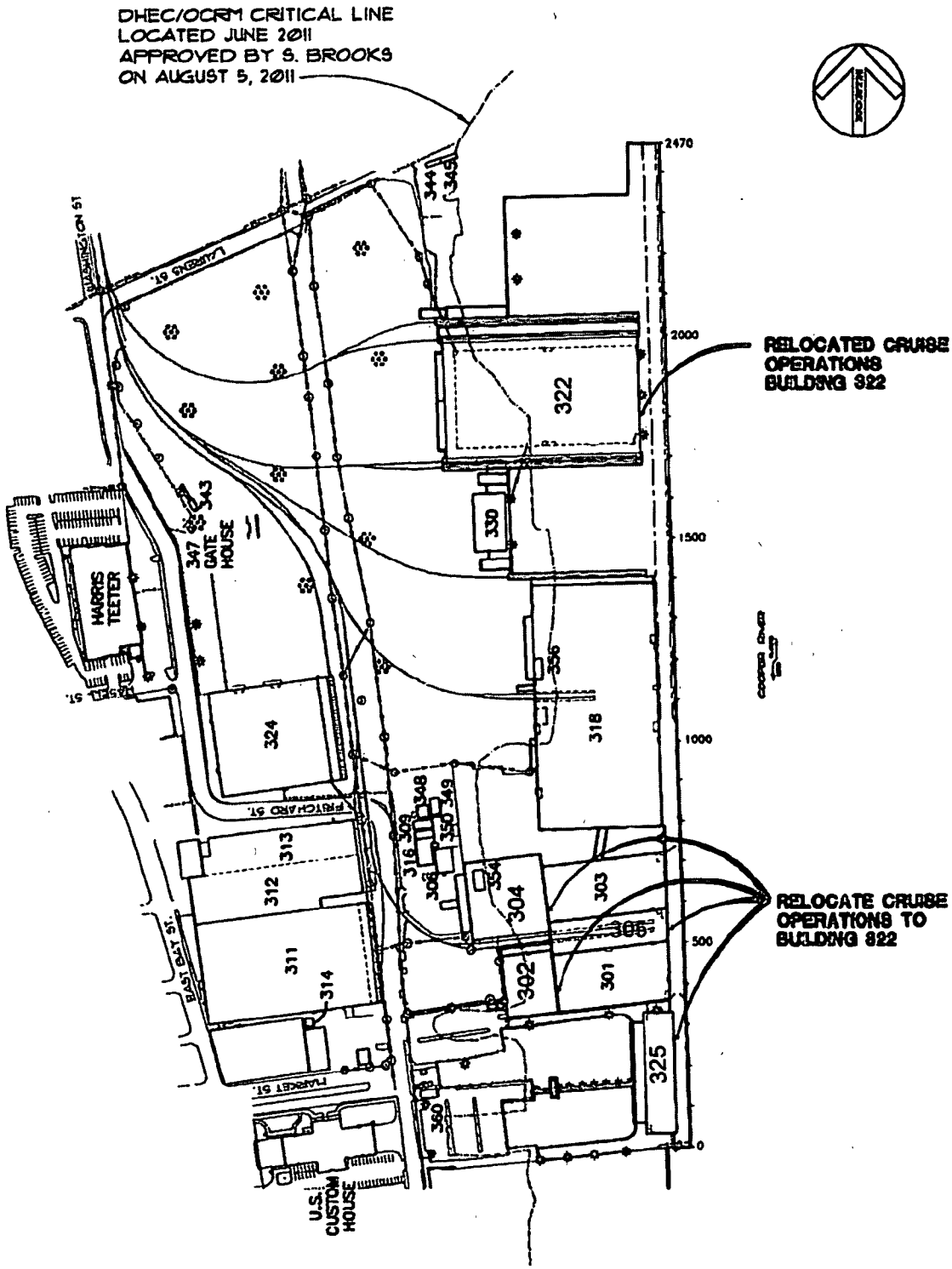
LOCATION

South Carolina State **PORTS AUTHORITY**
176 CONCORD STREET
P.O. BOX 22287
CHARLESTON, S.C. 29413-2287

PROJECT NO.: CF11E0058
FILE NAME: Upcplpl
DATE: DECEMBER 2011
SHEET 1 OF 4

SCPA 005258

R.003278



BUILDING LOCATION PLAN
UNION PIER TERMINAL

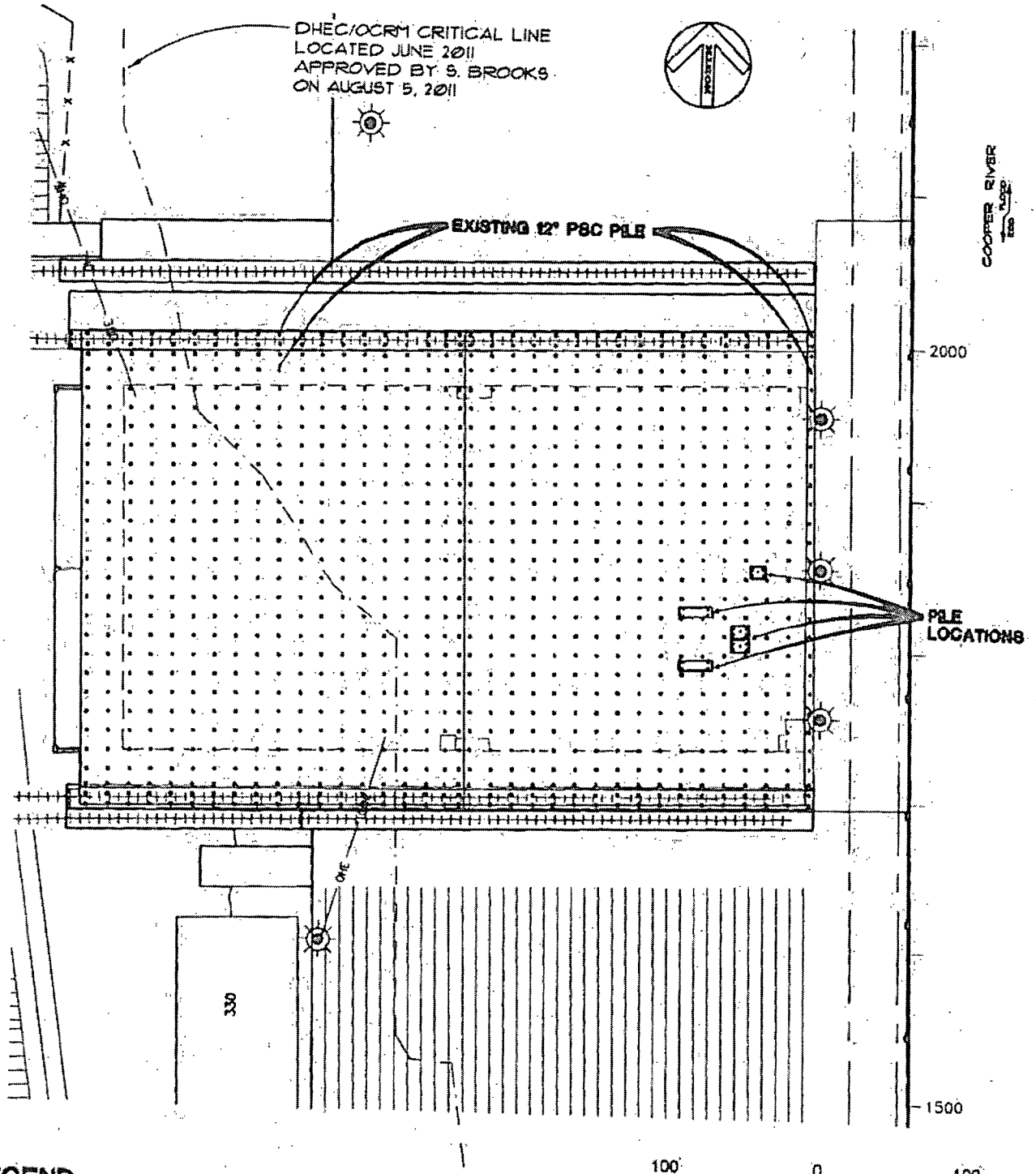
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SCALE IN FEET

South Carolina State **PORTS AUTHORITY**
176 CONCORD STREET
P.O. BOX 22287
CHARLESTON, S.C. 29413-2287

PROJECT NO.: CIF11E006B
FILE NAME: Upcptp2r1
DATE: FEBRUARY 2012
SHEET: 2 OF 4

~~SCPA 005259~~



LEGEND

B — B — ELEVATORS

A — A — ESCALATOR

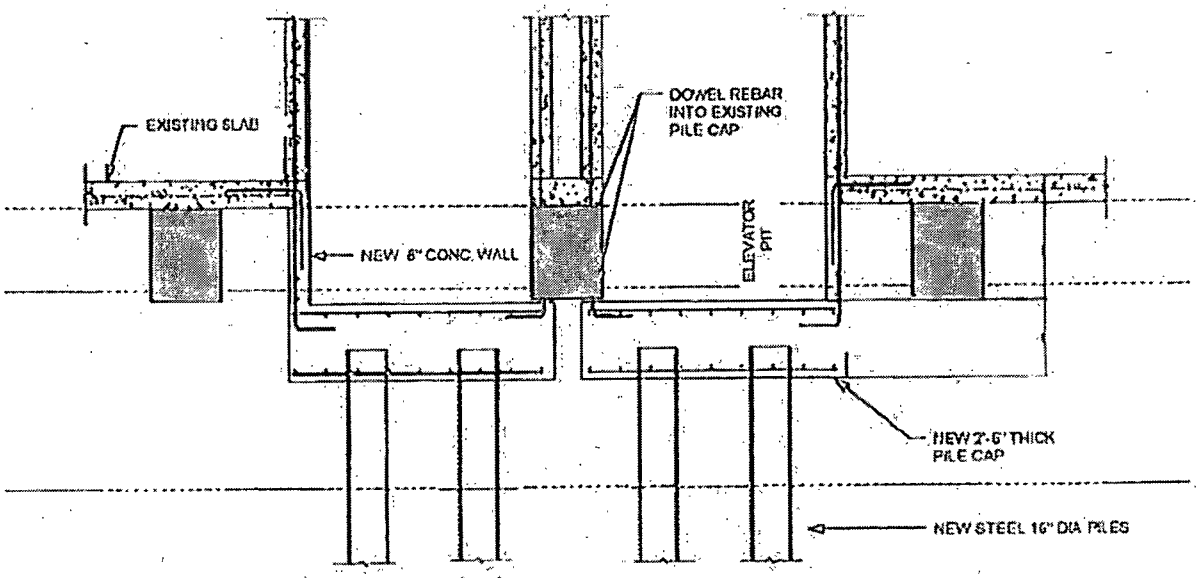
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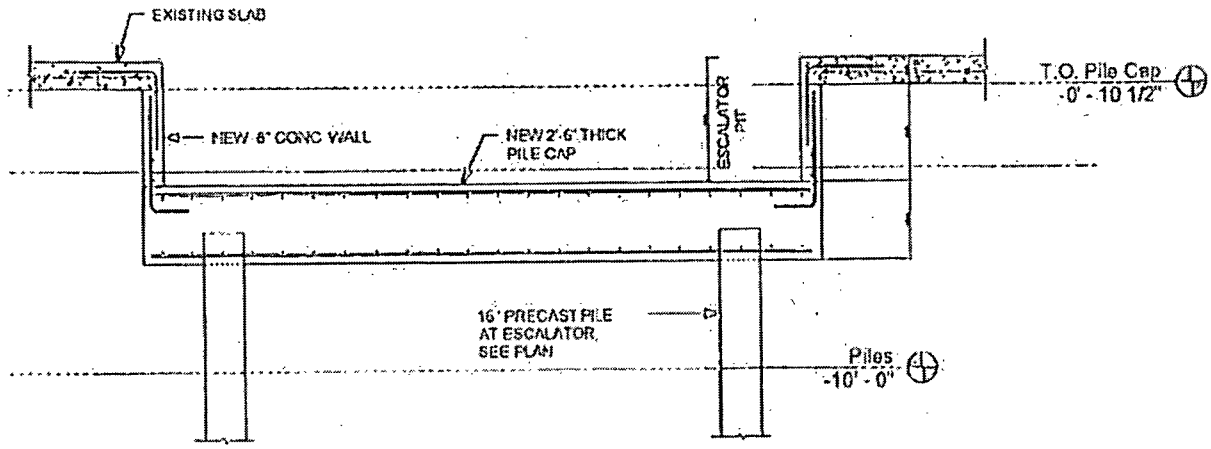
MODIFICATIONS (BUILDING 322)

South Carolina State **PORTS AUTHORITY**
176 CONCORD STREET
P.O. BOX 22287
CHARLESTON, S.C. 29413-2287

PROJECT NO. : CIF11E006B
FILE NAME : Upcptp3r1
DATE: FEBRUARY 2012
SHEET: 3 OF 4



A SECTION
ELEVATOR



B SECTION
ESCALATOR

SOUTH CAROLINA
LICENSED PROFESSIONAL ENGINEER
No. 25448
2/21/12
DERRICK L. BELLAMY
Derrick L. Bellamy

MODIFICATIONS (CROSS SECTION)

South Carolina State PORTS AUTHORITY
176 CONCORD STREET
P.O. BOX 22287
CHARLESTON, S.C. 29413-2287

PROJECT NO.: CF11E0008
FILE NAME: Upgdpl
DATE: DECEMBER 2011
SHEET: 4 OF 4

Deed Bk. T64 Pg. 736

south carolina state ports authority
P. O. BOX 817, CHARLESTON, SOUTH CAROLINA 29402, TELEPHONE 803/723-8651

October 14, 1981

SPA Deed File 20

Honorable John Tucker Campbell
Secretary of State
State of South Carolina
Hampton Office Building
Post Office Box 11350
Columbia, South Carolina 29211

Re: Coal Tipple Property
Charleston, South Carolina

Dear Mr. Campbell:

You are hereby notified that the South Carolina State Ports Authority has taken and is now occupying, for use in connection with the development and improvement of the port facilities at Charleston Harbor, the marsh, tidelands, and high lands with the improvements thereon described as follows:

ALL those certain tracts or parcels of land situate, lying and being at Charleston, in Charleston County, South Carolina, more particularly described as follows:

Parcel 72
Map 3

PARCEL 1: A tract of land bounded on the east by Cooper River, on the northwest by main track right of way of Seaboard Air Line Railroad and on the southwest by Belvedere Creek and a line extending from Belvedere Creek to the right of way of the Seaboard Air Line Railroad, more particularly described as follows: BEGINNING at a rail planted at the corner formed by the intersection of the southerly boundary line of Green Street with easterly boundary line of Railroad Avenue, said beginning point being ninety (90) feet northeastwardly from, measured at a right angle to, the center line of the main track of Charleston, Atlantic and Western Railway; and running thence North 65° 10' East, along said southerly line of Green Street, two hundred three and two-tenths (203.2) feet, more or less, to a corner (marked by a rail); thence South 25° 00' East, three hundred ten (310) feet, more or less, to a corner (marked by a rail); thence South 50° 35' East, four hundred twenty-nine and one-tenth (429.1) feet, more or less, to a

corner (marked by a rail); thence North 65° 00' East, four hundred seventy-eight and four-tenths (478.4) feet, more or less, to a west edge or bank of Cooper River; thence Southeastwardly, along the west edge or bank of Cooper River, a distance of five thousand two hundred (5,200) feet, more or less, to the north edge or bank of Belvedere Creek; thence along the north edge or bank of said Creek, in a general westerly direction, with the meandering thereof, two thousand eight hundred thirty-four (2,834) feet, more or less, to a corner; thence North 88° 30' West, one thousand one hundred thirty and four-tenths (1,130.4) feet, more or less, to the easterly line of Railroad Avenue; thence Northwardly, along the said easterly line of Railroad Avenue, four thousand (4,000) feet, more or less, to the point or place of beginning; containing 116 acres, more or less;

PARCEL 2: A lot bounded by Washington and Bay Streets and extending southwardly from Chapel Street a distance of approximately two hundred (200) feet, more particularly described as follows: BEGINNING at the intersection of the easterly line of Bay Street with the southerly line of Chapel Street; and running thence Northeastwardly, along said southerly line of Chapel Street, twenty-one and nine-tenths (21.9) feet, more or less, to a corner; thence North 66° 29' East, one hundred sixty-five and eight-tenths (165.8) feet, more or less, to a point in the westerly line of Washington Street; thence South 26° 52' East, along the said westerly line of Washington Street, one hundred ninety-nine and seven-tenths (199.7) feet, more or less, to a corner; thence South 63° 03' West, twenty-five and two-tenths (25.2) feet, more or less, to a point fifteen (15) feet north (measured at a right angle) of the center line of a Seaboard Air Line Railroad track; thence Northwestwardly, parallel to or concentric with and at all points fifteen (15) feet northwardly from center line of said last mentioned track one hundred ninety-three and nine-tenths (193.9) feet, more or less, to a point twenty-three (23) feet south (measured at a right angle) of center line of

Parcel 51
Map 2

track of Southern Railway; thence, Westwardly, concentric with center line of said Southern Railway track, thirty-three and seven-tenths (33.7) feet to a point fifteen (15) feet southwestwardly (measured at a right angle) of center line of said Seaboard Air Line Railroad track; thence Southeastwardly, parallel to or concentric with and at all points fifteen (15) feet southwestwardly from center line of said Seaboard Air Line Railroad track, two hundred and seven-tenths (200.7) feet, more or less, to a corner; thence South 63° 08' West, one hundred thirty-one and seven-tenths (131.7) feet, more or less, to the northeasterly line of Bay Street; thence North 22° 53' West, along said northeasterly line of Bay Street, two hundred two (202) feet, more or less, to the point or place of beginning; containing 0.75 acre, more or less;

PARCEL 3: A strip of land forty-five (45) feet in width, that is, fifteen (15) feet on the north side and thirty (30) feet on the south side of track 1-14 of Southern Railway, extending eastwardly from Washington Street, opposite Parcel 2, approximately four hundred (400) feet, more particularly described as follows: BEGINNING at a point in the easterly line of Washington Street fifteen (15) feet northwest of center line of Southern Railway track 1-14 (measured on a radius of curve therein); and running thence Northeastwardly, concentric with and all point fifteen (15) feet northwestwardly of center line of said track 1-14, three hundred twenty-five (325) feet, more or less, to the northerly line of property of Southern Railway; thence Eastwardly, along said northerly line of Southern Railway property, crossing track 1-14, sixty-three (63) feet, more or less, to a point thirty (30) feet distant southeastwardly from center line of said track 1-14 (measured on a radius of curve therein); thence Southwestwardly, concentric with and at all points thirty (30) feet southeastwardly from center line of said track 1-14, four hundred seven (407) feet, more or less, to the easterly line of Washington Street; thence Northwardly, along said easterly line of Washington Street, forty-five (45) feet, more or less, to the point or place of beginning; containing 0.4 acre, more or less;

Parcel 52
Map 2

PARCEL 4: A strip of land fronting fifty-two (52) feet on Washington Street and thirty-six (36) feet on Calhoun Street, more particularly described as follows: BEGINNING at the intersection of the easterly line of Washington Street with the southerly line of Calhoun Street; and running thence Eastwardly, along said southerly line of Calhoun Street, thirty-six (36) feet; thence Southwardly, sixty-five (65) feet; thence Westwardly, fourteen (14) feet to the easterly line of Washington Street; thence Northwardly, along said easterly line of Washington Street, fifty-two (52) feet, more or less, to the point or place of beginning; containing 0.03 acre, more or less;

Parcel 42 Map 1

PARCEL 5: Lots 11 to 25, inclusive, except Lot 19, in the block bounded by Marsh, Society, Washington and Laurens Streets, more particularly described as follows: BEGINNING at the intersection of the easterly line of Washington Street with the southerly line of Laurens Street, said point being also the northwesterly corner of Lot 17 in the aforesaid block; and running thence Northeastwardly, along said southerly line of Laurens Street, ninety and six-tenths (90.6) feet, more or less, to the northeasterly corner of Lot 18; thence Southwardly, along the line dividing Lots 18 and 19, one hundred fifteen (115) feet, to the southeasterly corner of Lot 18; thence Eastwardly, along the line dividing Lot 19 from Lots 16 and 22, forty-three and three-tenths (43.3) feet to the southwesterly corner of Lot 20; thence Northwardly, along the line dividing Lots 19 and 20, one hundred twenty-four and six-tenths (124.6) feet, more or less, to the northwesterly corner of Lot 20 in the southerly line of Laurens Street; thence Northeastwardly, along said southerly line of Laurens Street, ninety and two-tenths (90.2) feet, more or less, to intersection with the westerly line of Marsh Street, at the northeasterly corner of Lot 21; thence southwardly, along the westerly line of Marsh Street, three hundred ten (310) feet, more or less, to the southeasterly corner of Lot 25; thence Westwardly, along the line dividing Lots 25 and 26, one hundred nine and two-tenths (109.2) feet, more or less, to a corner common to Lots 12, 13, 25, and 26; thence Southwardly, along the line dividing Lots 12 and 11 from Lots 26 and 27, eighty (80) feet, more or less, to the

Parcel 35 Map 1

southeasterly corner of Lot 11; thence Westwardly, along the line dividing Lot 11 from Lots 8, 7 and 6, one hundred nine (109) feet, more or less, to the easterly line of Washington Street at the southwesterly corner of Lot 11; thence Northwardly, along the easterly line of Washington Street, three hundred thirty-seven and three-tenths (337.3) feet, more or less, to the point or place of beginning; containing 1.5 acres, more or less;

PARCEL 6: Lots 36 to 40, inclusive, and 45 to 50, inclusive, and parts of Lots 44 and 51, in the block bounded by Concord, Society, Marsh and Laurens Streets, more particularly described as follows: BEGINNING at the northwesterly corner of Lot 40 in the aforementioned block, which corner is in the easterly line of Marsh Street; and running thence Eastwardly, along the line dividing Lots 40 and 46 from Lots 41, 42 and 43, one hundred twenty-five and six-tenths (125.6) feet; thence Northeastwardly, crossing Lot 44, sixty-seven and two-tenths (67.2) feet to a point in the line dividing Lots 44 and 45; thence Northwardly, along last mentioned dividing line, ninety-six and six-tenths (96.6) feet, more or less, to the southerly line of Laurens Street, which is the northwesterly corner of Lot 45; thence Northeastwardly, along said southerly line of Laurens Street, forty-six and three-tenths (46.3) feet, more or less, to the westerly line of Concord Street, which is also the northeasterly corner of Lot 45; thence Southwardly, along said westerly line of Concord Street, four hundred one and three-tenths (401.3) feet, more or less, to the southeasterly corner of Lot 51; thence Northwestwardly, across Lot 51, fifty-five and eight-tenths (55.8) feet, more or less, to a point in the line dividing Lots 50 and 51; thence Westwardly, along said last mentioned dividing line, and continuing along the line dividing Lots 35 and 36, one hundred sixty (160) feet to the easterly line of Marsh Street, which is also the southwesterly corner of Lot 36; thence Northwardly, along the said easterly line of Marsh Street, two hundred (200) feet, more or less, to the point or place of beginning; containing 1.2 acres, more or less;

Parcel 36
Map 1

PARCEL 7: A tract of land bounded on the north by Laurens Street and the same extended, on the east by Cooper River, on the west by Concord Street and on the south by the north line of Lot 54 and the same extended, more particularly described as follows: BEGINNING at the intersection of the easterly line of Concord Street with the southerly line of Laurens Street, which is also the northwesterly corner of Lot 58 in the block bounded by Laurens, Concord and Society Streets and Cooper River; and running thence Northeastwardly, along the southerly line of Laurens Street (projected eastwardly), eight hundred sixty-six (866) feet, more or less, to the Pierhead Line of Cooper River; thence Southwardly, along said Pierhead Line, seven hundred thirty-five (735) feet, more or less, to intersection with the line dividing Lots 54 and 55 (projected eastwardly); thence Westwardly, along said dividing line and the same projected, eight hundred twenty-seven (827) feet, more or less, to the easterly line of Concord Street; thence Northwardly, along said easterly line of Concord Street, four hundred ninety-six (496) feet, more or less, to the point or place of beginning; being all of Lots 55, 56, 57 and 58 in the aforedescribed block and the area between the easterly line of said Lots and said Pierhead Line; EXCEPTING, however, right of way for track of Port Utilities Commission extending across the northwesterly corner of said Lot 58; containing 11.9 acres, more or less;

Parcel 40
Map 1

TOGETHER with the coal pier, and other improvements located on Parcel 1, the banana pier, utilities building and other improvements located on Parcel 7; and all riparian rights appertaining;

ALSO, all tracks located on the aforedescribed parcels and across streets intervening between Parcels 2 and 3, 5 and 6, 6 and 7, and also the track extending from a point in the north line of John Street about three hundred (300) feet west of Meeting Street, thence along and across John Street, Chapel Street, Bay Street, Parcel 2 and Washington Street to terminus at a point opposite Parcel 5, and portions of tracks extending from said last mentioned track within Washington Street to said Parcel 5; which said tracks are further described as follows:

(a) All of the tracks on Parcel 1 comprising 1.47 miles of yard tracks;

(b) The lead track beginning at the north line of John Street and extending thence eastwardly and southwardly in and along John Street, Chapel Street, Parcel 2 and Washington Street, to a point in Washington Street about one hundred fifty (150) feet north of Society Street;

(c) A connecting track springing from the lead track described in (b) in Parcel 2 and extending thence eastwardly across Parcel 2, Washington Street and Parcel 3, to the end of Southern Railway's ownership at the northeasterly line of Parcel 3;

(d) A system of tracks springing from the lead track described in (b), in Washington Street in the vicinity of Laurens Street, and extending thence eastwardly on, along and across Washington Street, Parcel 5, Marsh Street, Parcel 6, Concord Street, Parcel 7, and Vernon and Laurens Streets or the same projected;

All being substantially as shown on print of map bearing identifying number 34/392, dated August 21, 1957, last revised December 19, 1957, prepared in the office of Chief Engineer of Southern Railway System at Washington, D. C., hereunto annexed;

TOGETHER with all improvements located on the aforedescribed land and all rights or franchises granted to Southern Railway by the City of Charleston, or otherwise, for the construction, maintenance or operation of said tracks in any of the aforementioned streeds, including specifically (but not limited to) such rights in public streets granted to Southern Railway by the City of Charleston under Ordinances of October 24, 1933, January 13, 1942, May 22, 1945, and October 8, 1946, as well as all and singular the rights, members, hereditaments and appurtenances to the same belonging or in any wise incident or appertaining.

This property is necessary as part of the development and improvement of the port facilities for Charleston Harbor, Charleston County.

This property was taken and this notice is filed with you under the authority of Section 54-3-170 Code of Laws of South Carolina 1976.

Yours very truly,

SOUTH CAROLINA STATE PORTS AUTHORITY

By: _____
General Counsel

WHVjr/jd

cc: Division Director T. M. Copeland
Division of General Services of
So. Carolina Budget & Control Board
G. Luther Rosebrock
W. Don Welch

BOOK D 66 PAGE 489

LD 94853
ssh
5-16-58

THIS DEED, Made this 28th day of May, 1958, between Seaboard Air Line Railroad Company, a corporation duly created and existing pursuant to and by virtue of the laws of the Commonwealth of Virginia, hereinafter called "Grantor"; and South Carolina State Ports Authority, an instrumentality of the State of South Carolina, hereinafter called "Grantee"; and in the execution and delivery of which the undersigned Mercantile-Safe Deposit and Trust Company, as successor Corporate Trustee, and F. Edmund Sutton, as successor Individual Trustee, under the First Mortgage of Seaboard Air Line Railroad Company, join for the purpose hereinafter stated;

W I T N E S S E T H:

That for and in consideration of the sum of One Hundred Forty Five Thousand Dollars ($145,000.00) and of other good and valuable considerations, the receipt whereof is hereby acknowledged, the Grantor has, subject to the terms and conditions hereinafter set forth, granted, bargained, sold and released, and by these presents does grant, bargain, sell and release, unto the Grantee, its successors and assigns, in fee simple forever, all those certain parcels of land owned by the Grantor in the City of Charleston, County of Charleston, South Carolina, lying south of Laurens Street and easterly of the east line of Washington Street and a southerly projection thereof, together with all of the tracks (except as hereinafter provided), warehouses, wharves, buildings and other improvements located thereon (including specifically the old rice mill building and site lying west of Concord Street, but excluding specifically the machinery, property and other property located on the premises covered by the four (4) lease agreements enumerated on page 2 hereof and owned by the respective tenants thereunder) and owned by Grantor, and being all that portion of Society Street east of the easterly line of Washington Street closed by the City Council of the City of Charleston at its regular meeting held on November 23, 1915, and all of the land conveyed to Grantor's predecessors in title by the following deeds recorded in said Charleston County:

1. Martin Luhrs to Carolina, Atlantic and Western Railway by deed dated October 9, 1914, recorded in Deed Book T-27, Page 115;

2. Eveline Goodwine to Carolina, Atlantic and Western Railway by deed dated August 1, 1914, recorded in Deed Book T-27, Page 66;

3. Samuel Banov to Carolina, Atlantic and Western Railway by deed dated October 7, 1914, recorded in Deed Book T-27, Page 116;

4. Elizabeth Grace to Carolina, Atlantic and Western Railway by deed dated October 7, 1914, recorded in Deed Book R-26, Page 527;

5. Andrew B. Murray and Sarah B. Smith, to Carolina, Atlantic and Western Railway by deed dated July 16, 1914, recorded in Deed Book O-27, Page 272;

6. Charles S. Bennett to Carolina, Atlantic and Western Railway by deed dated July 16, 1914, recorded in Deed Book O-27, Page 270;

LD 94853
ssh
5-12-58

7. John R. Bennett to Carolina, Atlantic and Western Railway by deed dated July 13, 1914, recorded in Deed Book O-27, Page 271;

8. Atlantic Terminal Corporation to Charleston Northern Railway by deed dated January 13, 1914, recorded in Deed Book Y-25, Page 427; and

9. Frances Elizabeth Pregnall to Carolina, Atlantic and Western Railway by deed dated November 9, 1915, recorded in Deed Book Y-27, Page 132.

SAVING AND EXCEPTING the interchange track shown in GREEN on print of a part of Valuation Map L-5 SC, S3b, dated April 4, 1956, attached hereto as a part hereof, and RESERVING unto the Grantor, its successors and assigns, a perpetual right of way and easement for the operation and maintenance of said track.

The land hereinabove described and hereby conveyed is shown outlined in YELLOW on said attached print.

TOGETHER with all and singular the rights, members, hereditaments and appurtenances to said premises belonging or in any wise incident or appertaining.

TO HAVE AND TO HOLD all and singular the premises before mentioned unto the Grantee, its successors and assigns, in fee simple forever.

The property hereinabove described is conveyed to the Grantee subject (a) to any state of facts that an accurate survey would disclose, (b) to the rights of the public in and to all streets abutting or traversing said property and (c) to the rights of any and all persons using or occupying said land, including, but not limited to, the rights created and existing by virtue of the following agreements:

1. Grantor's Contract No. 40272 dated December 5, 1946, as supplemented, between Grantor and John T. Leonard, Jr., covering lease of land and the improvements thereon;

2. Grantor's Contract No. 41418 dated September 15, 1947, between Grantor and Geer Drug Company, Inc., covering lease of land;

3. Grantor's Contract No. 46682 dated March 21, 1952, between Grantor and L. Louis Green, Jr., and H. V. Salmons, covering lease of land and wharf facilities; and

4. Grantor's Contract No. 48178 dated June 4, 1953, as supplemented, between Grantor and Shipyard River Terminals, Division of Etiwan Fertilizer Company, covering lease of Bulk Storage Warehouse No. 22.

LD 94853
ssh
5-12-58

Subject to the aforesaid exception and reservation, and to the conditions set forth in the preceding paragraph, the Grantor does hereby bind itself and its successors and assigns to warrant and forever defend all and singular the said premises unto the Grantee, its successors and assigns, against itself and its successors and assigns, or any person whomsoever lawfully claiming, or to claim, the same or any part thereof, EXCEPTING, HOWEVER, from this warranty the following portions of said premises:

(a) Such portions as were included within the lines of an old canal situated generally to the south of the Bennett's Rice Mill property; and

(b) Such portions as extend to the channel of Cooper River from the land as delineated on plat of McCrady Bros. & Cheves, Inc., dated February, 1913, and recorded February 14, 1913, in Plat Book C, Page 86, in the Public Records of Charleston County, South Carolina.

As to said portions (a) and (b), Grantor binds only itself and its successors and all persons claiming by, through and under it.

The property above described is herein conveyed freed of and discharged from the lien of the First Mortgage of Grantor to Mercantile Trust Company of Baltimore and Nelson H. Stritehoff, as Trustees, dated January 1, 1946, as supplemented by that certain First Supplemental Indenture dated March 30, 1950, affecting only properties in Dade County, Florida, therein described, and as supplemented and modified by that certain Second Supplemental Indenture dated May 1, 1950, and said Mercantile-Safe Deposit and Trust Company and F. Edmund Sutton, as the present successor Corporate and Individual Trustees, respectively, under said First Mortgage, as so supplemented and modified, by joining in the execution and delivery of this deed hereby release and discharge the property hereinabove described from the lien of said First Mortgage, pursuant to Section 1 of Article Twelve thereof.

IN TESTIMONY WHEREOF, Grantor and Mercantile-Safe Deposit and Trust Company, as such successor Corporate Trustee, have caused this deed to be duly signed and sealed, and F. Edmund Sutton, as such successor Individual Trustee, has hereunto set his hand and seal, all as of the day and year first above written.

Attest:

Secretary.

SEABOARD AIR LINE RAILROAD COMPANY,

By

Vice President.

LD 94853
ssh
5-12-58

Signed, sealed and delivered by Seaboard Air Line Railroad Company, in the presence of:

M. B. Harris

L. B. Bryant, Jr.

Attest:

J. R. Henry
Assistant Secretary.

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, as successor Corporate Trustee under Seaboard Air Line Railroad Company First Mortgage, dated as of January 1, 1946, as supplemented and modified,

By _____
Vice President.

Signed, sealed and delivered by Mercantile-Safe Deposit and Trust Company, as successor Corporate Trustee, in the presence of:

E. F. Conway

011397 016670

_____ (SEAL)
As successor Individual Trustee under Seaboard Air Line Railroad Company First Mortgage, dated as of January 1, 1946, as supplemented and modified.

Signed, sealed and delivered by F. Edmund Sutton, as successor Individual Trustee, in the presence of:

E. F. Conway

LD 94853
ssh
5-12-58

STATE OF VIRGINIA,)
: ss.
CITY OF NORFOLK.)

Personally appeared before me L. R. Bozard, Jr., who being duly sworn, says that he saw Seaboard Air Line Railroad Company, by L. L. KNIGHT, its Vice President, execute and deliver the foregoing instrument, and by E. L. Lash, Jr., its ——— Secretary, affix and attest the seal of the corporation thereto and, by its said officers as and for its act and deed, deliver the same; and that he, with M. B. DAVIS, witnessed the execution thereof.

L. R. Bozard, Jr.

Sworn to and subscribed before me this 28th day of May, 1958.

Notary Public.

My commission expires January 10, 1960

LD 94853
ssh
5-12-58

STATE OF MARYLAND,)
:
CITY OF BALTIMORE.)

Personally appeared before me J. J. Dolan , who, being duly sworn, says that he saw MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a corporation, as successor Corporate Trustee under Seaboard Air Line Railroad Company First Mortgage dated as of January 1, 1946, as supplemented and modified, by J. R. Crunkleton , its Vice President, execute and deliver the foregoing instrument, and by J. E. Henry , its Assistant Secretary, affix and attest the seal of the corporation thereto and, by its said officers as and for its act and deed, deliver the same; and that he, with E. E. Conroy , witnessed the execution thereof.

J. J. Dolan

Sworn to and subscribed before me this 3RD day of JUNE , 1958.

Dorothy E. Schaaf
Notary Public

My commission expires
5-4-59

S. C. Individual

BOOK D 66 PAGE 495

LD 94853
ssh
5-12-58

STATE OF MARYLAND,)
:
CITY OF BALTIMORE.)

Personally appeared before me J. J. Dolan and made oath that he was present and saw the within named F. Edmund Sutton, as successor Individual Trustee under Seaboard Air Line Railroad Company First Mortgage dated as of January 1, 1946, as supplemented and modified, sign, seal and as his act and deed, deliver the within written instrument and that he with E. F. Conroy witnessed the execution thereof.

J. J. Dolan

Subscribed and sworn to before me this 3RD day of JUNE, 1958.

Dorothy E. Dolan
Notary Public

My commission expires
5-4-59

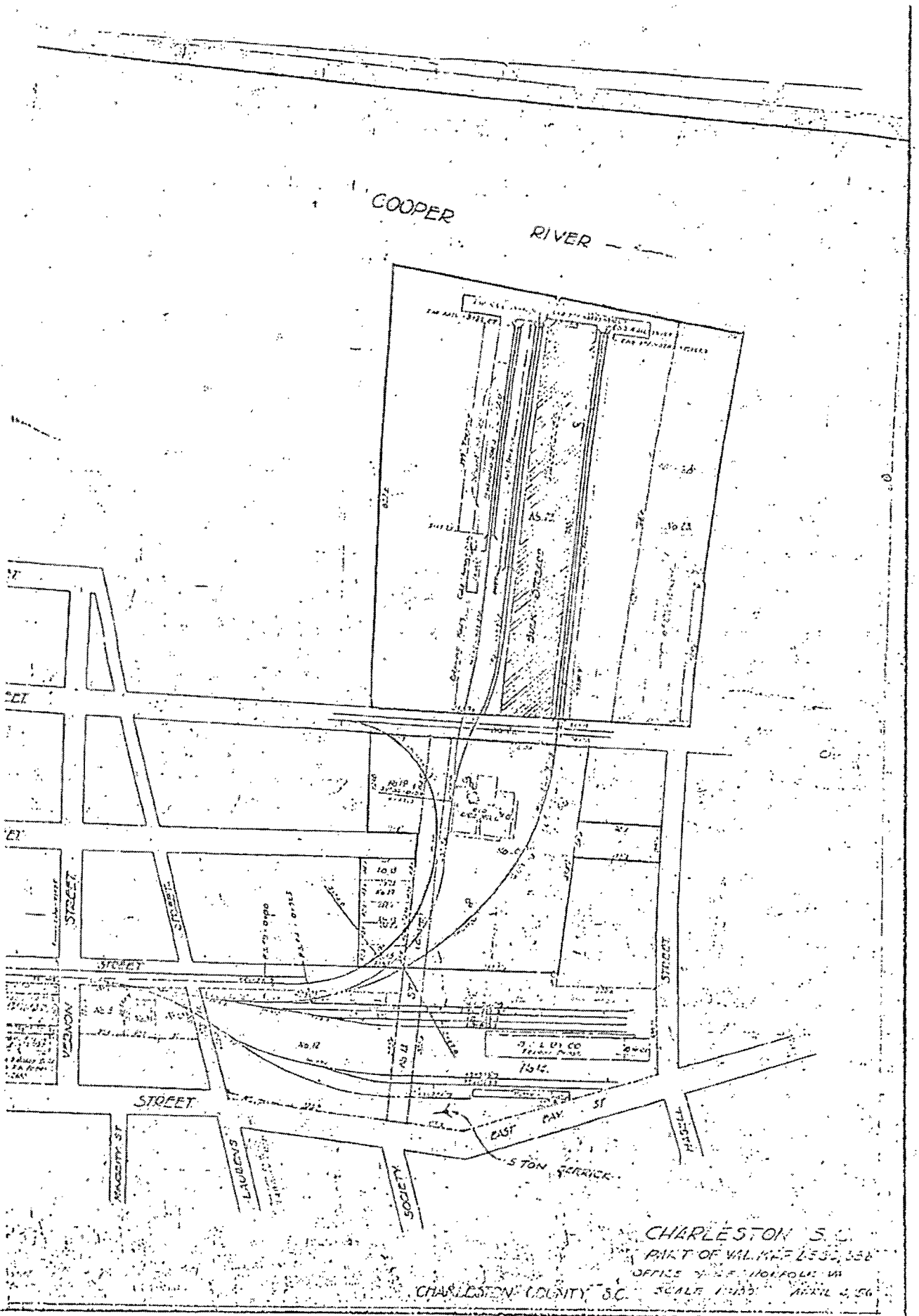
Recorded this _____ day o[illegible]

In Book D-8 Page 119 Fee _____

Henry Lieberman
Auditor Charleston County

SCPA 005277

R 003297



SCPA 005278

R.003298

Exhibit 6

From: psullitex@comcast.net
Sent: Tuesday, August 09, 2011 5:42 PM
To: Kate Parks; Katie Zimmerman
Subject: Fwd: Preservation Society to Urge Deferral of New Cruise Passenger Terminal at B.A.R. Wednesday,8/10/2011
just got this from PSC

P

still want to strategize with you all

From: "Preservation Society of Charleston" <rgurley@preservationsociety.org>
To: psullitex@comcast.net
Sent: Tuesday, August 9, 2011 5:25:39 PM
Subject: Preservation Society to Urge Deferral of New Cruise Passenger Terminal at B.A.R. Wednesday,8/10/2011

Having trouble viewing this email? Click here

Like

Preservation Society of Charleston

Preservation Society to Urge Deferral of New Cruise Passenger Terminal at B.A.R. Wednesday, 8/10/2011

The Preservation Society of Charleston is informing you of an important Board of Architectural Review meeting that will be held on **Wednesday, August 10 at 4:30 pm** in the **first floor** meeting room at **75 Calhoun Street**. The proposed new Union Pier Passenger Terminal will be presented for conceptual review. Our comments on this proposal is below. For questions or comments please contact Robert Gurley, Assistant Director of the Society at (843) 722-4630 or rgurley@preservationsociety.org .

COMMENTARY ON THE DESIGN OF THE PROPOSED NEW UNION PIER PASSENGER TERMINAL

280 Concord Street

August 10, 2011

The Preservation Society of Charleston's Planning and Zoning Committee met on August 8, 2011 to review conceptual plans for the proposed new Union Pier Passenger Terminal to be located at 280 Concord Street.

This project involves a highly visible adaptive use of an existing, non-historic warehouse structure. As built, the warehouse is not an architectural asset of the community. It is in a highly visible part of thecity from both land and water and will be visited by thousands of people. It will set the tone for the redevelopment of Union Pier overall. Accordingly, every effort should be made to mitigate and diminish the strictly utilitarian nature of the structure to the fullest extent possible.

003184

We feel that the concept plan under consideration looks outdated, anonymous, lacks warmth and does not reflect Charleston's character or quality.

East (Cooper River) Façade

1. The Cooper River waterfront façade, or east façade, fails to establish this building as an important public structure.

2. As this façade is essentially new construction, it provides an opportunity to design a public waterfront façade that is in keeping with the best of Charleston's historic maritime architecture.

3. The proposed use of tall, square columns in rectangular forms gives the unfinished appearance of freestanding scaffolding and uncannily recalls the current Union Pier Terminal or, more generally, the garage areas of industrial structures.

4. The use of brick, stone and stucco, with arched openings and expanses of glass will go a long way toward obscuring the existing warehouse form of the proposed terminal and better integrating the building with Charleston's waterfront architectural heritage.

West (Concord Street) Façade

5. This façade is equally important in that it will be the side of the building that is most visible to residents and passers-by on land.

6. Ideally, this façade would serve as the principal entrance to thefacility.

7. The proposed design simply exaggerates the existing warehouse form of the structure through the addition of latticed gables more appropriate for a shed or garage than a large, highly visible public building.

8. Again, this façade affords an opportunity through the use of brick, stone and stucco, as well as arched openings to better integrate the building with Charleston's waterfront architectural heritage.

South Façade

9. Ideally, the principal entrance to this facility would be on the west façade, although the central canopied entrance as proposed for the south façade does a good job of breaking up the monolithic massing of this long façade.

10. The provision of covered areas for passengers is an important andstrong element of the design.

North Façade

11. It appears that very little effort has been made to hide the warehouse form of the present structure on its north façade.

12. The design of the supply shelter on the northern portion of the lot exacerbates the lack of thought given to this façade through the use of structural supports that are best left on the inside of a building, rather than exposed to wide open view from the river.

13. More screening should be provided to obscure the view of this façade from the river.

Materials

14. There should be a greater use of brick and stone, particularly on the east and west facades, to better integrate this building and establish it as part of the continuum of brick maritime structures along the waterfront.

15. The use of tabby on this building is not appropriate, particularly in that historic tabby was stuccoed over, not left unfinished with visible shells, and not typically used in this part of the city.

Overall Plan

16. The height of the building is appropriate, as waterfront structures are typically lower in profile than buildings located in more central portions of the peninsula.

17. The additional height needed for functional purposes on the east façade is also appropriate.

18. The addition of clerestory windows to the building's roof is commendable.

19. We continue to urge the property owner to minimize surface parking on this site.

20. The integration of sheltered areas for shuttles is commendable.

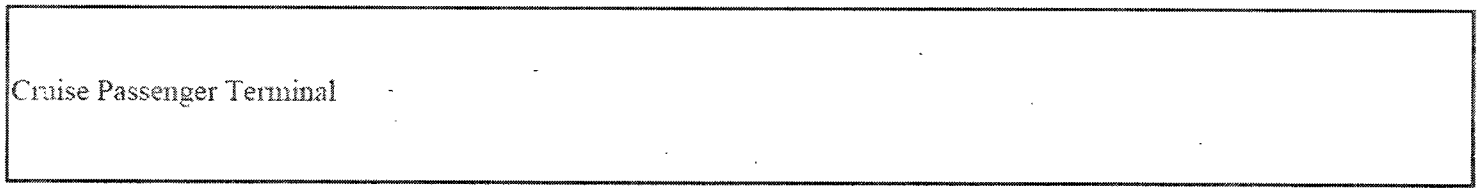
21. The construction of freestanding covered parking/drop-off areas along the waterfront is not appropriate because of their high visibility and theyshould be relocated elsewhere on the property.

22. We commend the SPA's commitment to planting as many trees as possible on this site.

23. We urge that additional trees be planted closer to the water's edge to obscure the large surface parking lot proposed for the southern portion of the terminal property.

We appreciate the opportunity to provide input into this important public project and requestthat this application be deferred.

A RENDERING OF THE NEW TERMINAL AS VIEWED FROM THE WATER IS BELOW:



The Preservation Society of Charleston, founded in 1920, is the oldest community-based historic preservation membership organization in the United States. The purpose of the Preservation Society of Charleston is to cultivate and encourage interest in the preservation of buildings, sites and structures of historical or aesthetic significance and to take whatever steps may be necessary and feasible to prevent the destruction or defacement of any such building, site or structure such purposes being solely eleemosynary and not for profit.

Visit www.preservationsociety.org for more information. Our offices are located at 147 King Street, Charleston, SC 29401.

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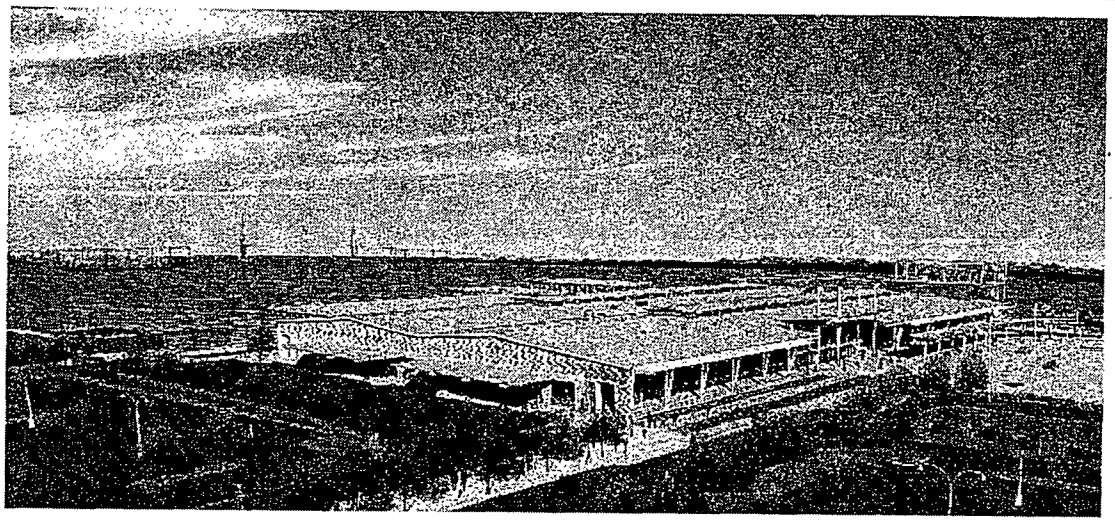
Exhibit 7

Ball, Nathaniel I SAC

From: South Carolina Ports Authority [scspainfo@scspa.com]
Sent: Thursday, April 12, 2012 11:02 AM
To: Ball, Nathaniel I SAC
Subject: Charleston Architecture Board Green Lights Cruise Terminal

Like

South Carolina Ports



Charleston's new cruise terminal has the official green light from the City's Board of Architectural Review (BAR), which unanimously granted final approval to the project's design.

Wednesday's vote marked the final in a three-step process initiated last summer, when the South Carolina Ports Authority (SCPA) voluntarily entered the formal architectural review process. The BAR previously voted to grant preliminary approval in November and conceptual approval to the project last August.

Charleston Mayor Joe Riley praised the cruise terminal's design, calling it a "wonderful transformation" of an existing warehouse and a "great achievement."

"What we have now is a very fine building that graces this city," Mayor Riley said during the meeting.

After a presentation by the SCPA's design team, led by CH2M Hill with local partners LS3P and Design Works, the BAR approved the design plan.

The new terminal is the conversion of an existing cargo-handling building into a functional and attractive passenger terminal, and the design is reflective of input received from numerous meetings with stakeholders as well as feedback previously received from the BAR.

By incorporating public input and design influences seen around Charleston like siding,

louvres and tabby, as well as maritime-influenced railing, the design fits contextually into the rest of the area.

Importantly, the conversion of the structure to a cruise operation re-knits the site into the City, replacing the chain link fence that currently surrounds the property with landscaped edges and re-establishing Concord Street through the entire site. The new cruise terminal is the first step in the larger redevelopment of Union Pier Terminal.

For additional images of the terminal's design, visit our Union Pier Plan online gallery.

Connect with us!





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SC State Ports Authority | PO Box 22287 | Charleston | SC | 29413

Exhibit 8

From: Miller, Byron
Sent time: Thursday, August 11, 2011 2:38:50 PM
To: Jennifer (CCL) De La Cruz (JDeLaCruz@carnival.com) <JDeLaCruz@carnival.com>; Tom Dow (TDow@carnival.com) <TDow@carnival.com>
Subject: (BAR) voted unanimously

Just a quick update…

Great news! Last night the City of Charleston's Board of Architectural Review (BAR) voted unanimously in favor of conceptual approval for our new cruise terminal design. Mayor Riley, residents and others spoke in favor. There are two more steps at the BAR, and this was a great success right out of the gate (see story below).

Also, the mayor will advance an ordinance for the next city council meeting on Tue, Aug 16 that spells out how they will get input from the public should the Ports Authority decide to deviate from our voluntary commitments. Considering this ordinance speaks to the City's actions, doesn't bind us, and leaves decision-making with the Ports Authority, we will not oppose it.

Byron

Byron Miller

S.C. Ports Authority

e-mail: bmiller@scspa.com

office: 843-577-8197

mobile: 843-514-9397

http://www.scspa.com

The Post and Courier

Cruise ship terminal plan catches fair winds with initial Board of Architectural Review approval

By David Slade

Thursday, August 11, 2011

Charleston's Board of Architectural Review is not known for recommending large signs, but they suggested the new cruise ship terminal should have large, free-standing letters on the roof that spell out "Welcome to Charleston."

The idea of a welcome sign facing the water was among several directed at architects for the State Ports Authority on Wednesday, at a meeting where the BAR granted initial approval for the terminal design.

The BAR's recommendations are often incorporated into building design plans, between the initial "conceptual approval and the

more detailed reviews that follow.

One suggestion the Ports Authority has signaled it's unlikely to embrace is the idea that a parking garage would be preferable to the acres of asphalt at the site. Members of the public made the same suggestion during design forums for the new cruise terminal.

The SPA has said there may come a time, as the redevelopment of Union Pier proceeds, when a parking garage would make sense, but for now it's logical to use the asphalt parking area that's already there. The parking area had been a staging area for BMW automobiles and other equipment awaiting shipment.

"I have to join in with those who have said a parking garage would be much better," BAR member Robert DeMarco said.

DeMarco, Erika Harrison, Christian Schmitt and Edward Fava voted 4-0 to grant initial approval to the cruise terminal design. Three of the seven BAR members recused themselves from voting; Craig Bennett because his firm is involved with the project, and Phyllis Ewing and Sheila Wertimer because they are members of the Coastal Conservation League.

The league, the Historic Ansonborough Neighborhood Association, the Charlestowne Neighborhood Association, and the Preservation Society of Charleston together sued Carnival Cruise Lines in June.

They allege that Carnival's use of Union Pier, where the current cruise terminal is located and where the new cruise terminal is planned, is illegal under city zoning.

Representatives of the league and the Preservation Society were among the minority who criticized the new terminal's design Wednesday. "It doesn't look like a building that has substance," said Robert Gurley of the Preservation Society.

Katie Zimmerman of the Coastal Conservation League said the terminal should have solar panels on the roof.

Fran Clasby, president of the Wagener Terrace Neighborhood Association, offered the sharpest critique. He called the plan a $30 million exercise in putting lipstick on a pig.

The "pig" would be the industrial warehouse at the north end of Union Pier that the SPA plans to spend $35 million transforming into a modern cruise ship terminal. It's part of a broader plan for the pier that involves extending city streets through the property, creating small parks, removing chain-link fencing, and landscaping the parking area.

Mayor Joe Riley spoke in support of the terminal design, saying it will be "a beautiful part of a new public realm."

"This building, I believe, fits Charleston," he said.

Others who spoke at the meeting also supported the design, as did all those who wrote letters to the BAR.

The four BAR members who approved the plan each said they would like to see some additional work on various facades of the building, but they mostly applauded the plan.

"They have actually done a very nice job," said Fava.

Schmitt described the plan as "an incredible adaptive re-use of a warehouse building."

The next and more detailed BAR review of the plan has not yet been scheduled.

Reach David Slade at 937-5552.

What happened?

The State Ports Authority voluntarily submitted design plans for a new cruise ship terminal at Union Pier to Charleston's Board of Architectural Review, which granted conceptual approval Wednesday. The $35 million plan calls for extensively renovating an existing warehouse.

What's next?

Two more rounds of BAR review of the cruise terminal plan, as yet unscheduled, will follow. Design plans related to the appearance of the building could change to reflect BAR recommendations. The State Ports Authority has said it hopes to begin

construction later this year.

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Exhibit 9

From: Lehman, Peter
Sent time: Thursday, January 07, 2010 4:38:30 PM
To: edbutler@mailaaa.com
Cc: SWallace@CharlestonCVB.com; Bull, Marion; Kaiser, Suzanne
Subject: FW: Cruise News from Port of Charleston

Dear Ellen,

Happy New Year to you and AAA! I wanted to send along to you our first Cruise News letter of the New Year. It was created by Marion Bull our Marketing Manager and will be going out on a quarterly basis. We are using it as a tool to reach out to several different communities, once of which is the travel agent community. I was hoping that you would be able to pass it on within your AAA network so that we can get the word out about cruising from Charleston. Please feel free to add your own verbiage to the cover email text.

We hope the bookings are going well from Charleston and that you are seeing signs of life in the economy from travel industry perspective. Please keep us informed about how we are doing with bookings? My best to you and your family.

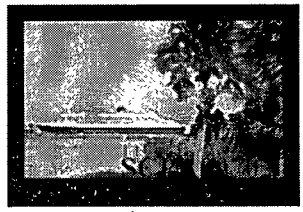
Sincere regards,

Peter Lehman

From: Marion Bull [mailto:marion@port-of-charleston.ccsend.com] **On Behalf Of** Marion Bull
Sent: Thursday, January 07, 2010 4:20 PM
To: Lehman, Peter
Subject: Cruise News from Port of Charleston



Cruise News



CARNIVAL TO LAUNCH YEAR-ROUND CRUISES

The Port of Charleston's cruise program has taken a huge leap forward with Carnival Cruise Lines' decision to home port the **Carnival Fantasy** in Charleston for year-round cruises to The Bahamas and Key West. This will be the Port of Charleston's first 52-week cruise offering. The itinerary will include five-, six-, and seven-day voyages beginning May 18, 2010. We are delighted Carnival has selected Charleston and look forward to a long and mutually prosperous relationship.

For more information on the **Carnival Fantasy** and cruises in Charleston visit www.Carnival.com.

CELEBRITY CARIBBEAN CRUISES BEGIN

Celebrity Cruise Lines will begin a new service to the Caribbean out of Charleston on February 15. The **Celebrity Mercury**, which has often called Charleston as a port-of-call vessel recently, will be taking on passengers for luxurious 10-and-11-day cruises. There is a natural crossover of Celebrity's type of passenger and a significant share of Charleston's typical visitor. The accommodations, the focus on food, the length of the cruise...it all works very nicely for Charleston visitors. We are ecstatic to have Celebrity bringing their world-class reputation to the Charleston market and are eager to continue outstanding service into Celebrity's 2011 season.

For more information on the **Celebrity Mercury** and cruises in Charleston visit www.CelebrityCruises.com.

NEW CRUISE TERMINAL ON THE HORIZON

The South Carolina State Ports Authority has selected the urban design firm Cooper, Robertson & Partners to update the master plan for Union Pier Terminal in downtown Charleston, including the development of a new Passenger Terminal. The SCSPA and the City of Charleston are working collaboratively on the plan which anticipates a mixed-use development that fits within the historic, aesthetic, and community context of Charleston. We are excited about the tremendous opportunity this project brings to our cruise clients, potential passengers in our marketplace, and to the South Carolina businesses that benefit from cruise activity.

For more information on the new cruise terminal please visit www.UnionPierPlan.com.

CHARLESTON 6-MONTH CRUISE CALENDAR

January 4 ***CELEBRITY MERCURY*** Port of call

January 25 ***CELEBRITY MERCURY*** Port of call

February 15 ***CELEBRITY MERCURY*** Caribbean

February 26 ***CELEBRITY MERCURY*** Caribbean

March 8 ***CELEBRITY MERCURY*** Caribbean

March 19 ***CELEBRITY MERCURY*** Caribbean

March 29 ***CELEBRITY MERCURY*** Caribbean

April 9 ***CELEBRITY MERCURY*** Caribbean

April 12 ***ATLANTICA*** Port of call

April 18 ***BRAEMER*** Port of call

April 19 ***CELEBRITY MERCURY*** Caribbean

May16 ***MAASDAM*** Port of call

May 18 ***CARNIVAL***

Special Events



Southeastern Wildlife Exposition

When: February 12-14, 2010
Where: Charleston, SC
What: The largest wildlife art and nature event in the nation, SEWE offers something for everyone.

Now in its 28th year, the Southeastern Wildlife Exposition has grown to be the largest event of its kind in the nation, attracting over 500 artists and exhibitors from around the globe who present their offerings to over 40,000 attendees. A 3-day celebration of nature that has earned a reputation for excellence, SEWE now hosts the world's foremost experts in wildlife and nature art, as well as conservation research and environmental education.

www.SEWE.com

Charleston hosts many other special events including the world-renowned Spoleto USA arts festival. For more information visit www.CharlestonCVB.com



Receive our Charleston Cruise News e-mail.

FANTASY The Bahamas

May 19 ***CLELIA II***
Port of call

May 23 ***CARNIVAL FANTASY*** The Bahamas

May 24 ***CARNIVAL GLORY*** The Bahamas

May28 ***VEENDAM***
Port of call

May 29 ***CARNIVAL GLORY*** The Bahamas

May 30 ***CARNIVAL FANTASY*** The Bahamas

June 5 ***CARNIVAL FANTASY*** The Bahamas

June 11 ***CARNIVAL FANTASY*** The Bahamas

June 16 ***CARNIVAL FANTASY*** The Bahamas

June 21 ***CARNIVAL FANTASY*** The Bahamas

June 26 ***CARNIVAL FANTASY*** The Bahamas

To book your dream vacation on any of these cruises contact your favorite travel agent today!

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Port of Charleston | PO Box 22287 | Charleston | SC | 29413

Constant Contact
TRY IT FREE

The contents of this e-mail are confidential to the ordinary user of the e-mail address to which it was addressed and may also be privileged If you are not the addressee of this e-mail you should not copy, forward, disclose or otherwise use it or any part of it in any form whatsoever If you have received this e-mail in error, please notify us by telephone or e-mail the sender by replying to this message, and then delete this e-mail and other copies of it from your computer system We reserve the right to monitor all e-mail communications through our network

Exhibit 10

Subject: Re: Charleston Historic District on another watch list--City BAR considers cruise terminal design next week (Wed., Oct. 12th 4:30 pm)

Date: Thursday, October 6, 2011 12:44:29 PM ET

From: Evan R. Thompson

To: Katie Zimmerman

Thanks for getting this information out!

Evan R. Thompson
Executive Director

The Preservation Society of Charleston
147 King Street
Post Office Box 521
Charleston SC 29402
p: 843-722-4630
f: 843-723-4381
www.preservationsociety.org

Founded in 1920, the purpose of the Preservation Society of Charleston is to cultivate and encourage interest in the preservation of buildings, sites and structures of historical or aesthetic significance and to take whatever steps may be necessary and feasible to prevent the destruction or defacement of any such building, site or structure such purposes being solely eleemosynary and not for profit.

From: Katie Zimmerman <katiez@scccl.org>
Date: Thu, 6 Oct 2011 11:58:49 -0400
To: Katie Zimmerman <katiez@scccl.org>
Subject: Charleston Historic District on another watch list--City BAR considers cruise terminal design next week (Wed., Oct. 12th 4:30 pm)

Dear Friends,

Important news to be aware of as we continue to work for local cruise standards!

First, Charleston's Historic District has been added to the World Monuments Fund 2012 Watch List after being nominated by the Preservation Society of Charleston. This designation is in addition to the National Trust for Historic Preservation's placement of Charleston on its "watch list." As PSC Executive Director Evan Thompson comments: "'What we're trying to prevent down the road is having cruise ships and mass tourism dominate our downtown,' he said. 'So many places around the world have been tarnished by mass tourism. ... I think they're looking to Charleston to figure this out.'" The P&C coverage is below, but this story is picking up national press coverage.

Also, the City of Charleston's Board of Architectural Review (BAR) will be considering for preliminary review the design plans for the new Union Pier cruise terminal. Among other concerns, the terminal plans still include 9 acres of surface parking, and do not include shoreside power or solar panels. Please plan to attend this meeting and comment on your concerns about the design. **The meeting is 4:30 pm Wednesday of next week (Oct. 12th) at 75 Calhoun Street on the third floor.** The BAR agenda is at the following link (cruise terminal design is item 7): http://www.charleston-sc.gov/shared/docs/0/bar%20agenda%2010-12-11.pdf

In addition to our environmental concerns about the design, you can see the Preservation Society's previous comments from the conceptual review here: http://www.preservationsociety.org/program_currentdetail.asp?icID=47

As always, please do not hesitate to get in touch if you have questions or concerns.
Thanks greatly!
Katie

Exhibit 11

Newsome, Jim

From: Adame, Jeannie
Sent: Friday, April 09, 2010 1:51 PM
To: Newsome, Jim
Cc: Miller, Byron
Subject: RE: cruise ship garbage

Jim,

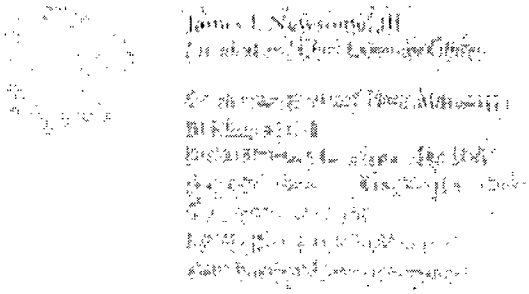
That is correct. I have verified again with both Royal Caribbean and Carnival. Voluntarily, both of them do not discharge **anything** inside 12 miles to include ground up food waste.

Jeannie

Jeannie Adame
Manager, Environmental Affairs
South Carolina State Ports Authority
Phone: 843-577-8175
Mobile: 843-514-9593
Take the Pledge for Growth!

From: Newsome, Jim
Sent: Friday, April 09, 2010 1:19 PM
To: Adame, Jeannie
Subject: RE: cruise ship garbage

Can I assume that ground food waste is done 12 miles out as well on voluntary basis.



From: Adame, Jeannie
Sent: Friday, April 09, 2010 12:10 PM
To: Newsome, Jim
Subject: cruise ship garbage

Jim,

I checked with Byron, and he said he believes that statement in the table came from the cruise lines directly, but he would have to check his e-mail trail. I think part of the confusion comes from trying to simplify the waste stream into just "garbage". Below is the answers from Carnival to a reporters recent question:

Exhibit 12

United States Environmental Protection Agency
Office of Water, Office of Wastewater Management
Water Permits Division

March 2013
Final 2013 Vessel General Permit

On March 28, 2013, the U.S. Environmental Protection Agency (EPA) signed the final 2013 National Pollutant Discharge Elimination System (NPDES) Vessel General Permit (VGP).

Background

On March 30, 2005, the U.S. District Court for the Northern District of California (in *Northwest Environmental Advocates et al. v. EPA*) ruled that the EPA regulation excluding discharges incidental to the normal operation of a vessel from NPDES permitting exceeded the Agency's authority under the Clean Water Act (CWA). On July 23, 2008, the Ninth Circuit upheld the decision. In response to this Court order, EPA developed the Vessel General Permit to regulate discharges from vessels. EPA signed the VGP on December 18, 2008, with an effective date of February 6, 2009. The VGP currently being finalized will replace the 2008 VGP when it expires on December 19, 2013.

Summary of the Final 2013 VGP

The 2013 final VGP will continue to regulate 26 specific discharge categories that were contained in the 2008 VGP, and would provide coverage for fish hold effluent in the event that a permitting moratorium currently in effect expires in December 2014.

For the first time, the final VGP contains numeric ballast water discharge limits for most vessels. The permit generally aligns with requirements contained within the 2012 U.S. Coast Guard ballast water rulemaking. Additionally, the VGP contains requirements to ensure ballast water treatment systems are functioning correctly. The final permit also provides additional environmental protection for certain vessels. For example, certain high-risk vessels entering the Great Lakes must conduct additional management measures to reduce the risk of introducing new invasive species to our waters.

The final VGP also contains more stringent effluent limits for oil to sea interfaces and exhaust gas scrubber washwater, which will improve environmental protection of U.S. waters. EPA has also improved the efficiency of several of the VGP's administrative requirements, including allowing electronic recordkeeping, requiring an annual report in lieu of the one-time report and annual noncompliance report, allowing combined annual reports for some vessel operators, allowing a reduced inspection frequency for vessels in a prolonged idle status, and requiring small vessel owners and/or operators to obtain coverage under the VGP by completing and agreeing to the terms of a Permit Authorization and Record of Inspection form.

This action applies to vessels operating in a capacity as a means of transportation that have discharges incidental to their normal operation into waters subject to these permits, except recreational vessels as defined in Clean Water Act section 502(25) and vessels of the Armed Forces as defined in Clean Water Act section 312(a)(14).

For More Information

Visit http://www.epa.gov/npdes/vessels.
For questions about the VGP, email VGP@epa.gov.

Exhibit 13

MEMORANDUM OF UNDERSTANDING
BETWEEN THE
S.C. DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL
AND THE
SOUTH CAROLINA STATE PORTS AUTHORITY

This Memorandum of Understanding (MOU) is made and entered into this 5th day of November 2012, by and between the South Carolina Department of Health and Environmental Control (DHEC) and the South Carolina State Ports Authority (Ports Authority) (each a Party and collectively Parties).

RECITALS

WHEREAS, DHEC and the Ports Authority are committed to responsible environmental stewardship and recognize the importance of protecting our marine and coastal waters including the waters of the Charleston harbor;

WHEREAS, DHEC is charged with protecting public health, coastal resources, and the State's land, air and water quality as authorized under multiple state and federal laws;

WHEREAS, the United States Environmental Protection Agency (EPA) is charged with administering a National Pollutant Discharge Elimination System (NPDES) permit to cover discharges "incidental to the normal operation of a vessel" which includes a wide range of discharges such as ballast water, bilge water, gray water, deck runoff, and anti-fouling paints and has class-specific requirements for various vessel types and sizes and incorporates the United States Coast Guard requirements for vessel-source pollutants, and further proposes to issue a 2013 Vessel General Permit (VGP) to cover such discharges;

WHEREAS, cruise vessels are subject to a myriad of mandatory international and federal standards, including but not limited to the International Convention for the Prevention of Pollution from Ships (MARPOL); the Federal Water Pollution Control Act, 33 U.S.C.A. §§ 1251 *et seq.*; the Act to Prevent Pollution from Ships, 33 U.S.C.A. §§ 1905-1915; and the Ports and Waterways Safety Act, 33 U.S.C.A. §§ 1221-1236;

WHEREAS, the cruise vessel industry has adopted voluntary compliance standards through the Cruise Lines International Association (CLIA), including but not limited to the *Cruise Industry Waste Management Practices and Procedures*;

WHEREAS, DHEC and the Ports Authority recognize that the passenger capacity of large modern cruise vessels creates a potential source for harm to health and the marine environment in the event of a major discharge of sewage in the waters of South Carolina.

NOW THEREFORE, in furtherance of these recitations and in consideration of the mutual covenants and promises made herein, the Parties agree as follows:

1.0 PURPOSE

1.1 The Ports Authority agrees that it will impose a "no discharge" requirement for commercial passenger vessels (cruise vessels) calling on a Ports Authority terminal in the harbors and seaports of South Carolina.

2.0 TERMS OF THE MOU

2.1 The "no discharge" requirement shall apply to commercial passenger vessels (cruise vessels) calling on Ports Authority terminals and operating in the harbors and waters of South Carolina within the jurisdiction of the Ports Authority pursuant to Title 54, Chapter 3 of the South Carolina Code of Laws. This restriction will be placed in the applicable tariff(s) of the Ports Authority to read as follows:

> "No sewage shall be discharged within the waters of the harbors and seaports of South Carolina by commercial passenger vessels (cruise vessels) calling at South Carolina Ports Authority facilities. Commercial passenger vessels (cruise vessels) calling at South Carolina Ports Authority facilities must at all times be in compliance with federal and international laws, regulations, and standards governing the storage, processing, and discharge of sewage. Failure to comply with the requirements of this rule may result in a non-compliant commercial passenger vessel being barred from future port calls to South Carolina Ports Authority facilities. Any discharge in violation of this requirement must be reported immediately to the South Carolina Ports Authority. Reported violations may result in enforcement actions by appropriate Federal or State authorities."

2.2 The Ports Authority shall notify DHEC of any reported violation of the no discharge requirement.

2.3 The restriction in Paragraph 2.1 may only be modified by the Ports Authority with prior notice and consultation by the Ports Authority with DHEC. No modification will be made that alters the requirement that commercial passenger vessels (cruise vessels) calling at South Carolina Ports Authority facilities shall not discharge sewerage within the waters of the harbors and seaports of South Carolina.

2.4 This MOU and all obligations and duties hereunder expire and terminate on December 19, 2017 or the date the 2013 VGP is no longer in effect, whichever occurs last.

3.0 OTHER MATERIAL TERMS

3.1 This MOU is made and entered into in the State of South Carolina and shall in all respects be interpreted and governed under the laws of the State of South Carolina.

3.2 This MOU constitutes the entire agreement between the Parties pertaining to the subject matter hereof and embodies, merges, and integrates all prior and current agreements and understandings of the Parties regarding this matter. No interpretation, clarification, modification, change, amendment, termination or waiver of any provision pursuant to this MOU shall be binding upon a Party except in writing signed by each of the signatories hereto or their other authorized representatives.

3.3 The Parties agree that this MOU is entered into solely for their mutual benefit only and is not intended and does not create any independent or separate rights or benefits for any third parties.

3.4 Neither Party shall have the right to transfer, assign, or delegate its rights or obligations pursuant to this MOU without the written consent of the other Party.

3.5 This MOU shall inure solely to the benefit of and be binding upon the Parties hereto and their successors.

3.6 This section and other headings contained in this MOU are for reference purposes only and shall not affect the interpretation or meaning of this MOU. This MOU may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

3.7 Except as may be provided herein to the contrary, nothing herein shall waive the powers which the Ports Authority and DHEC have under existing law.

IN WITNESS WHEREOF the Parties have caused their authorized representatives to execute this Memorandum of Agreement and set their hands and seals as of the date first set forth above.

SOUTH CAROLINA DEPARTMENT OF HEALTH & ENVIRONMENTAL CONTROL

Catherine B. Templeton
Director

SOUTH CAROLINA STATE PORTS AUTHORITY

James I. Newsome, III
President & Chief Executive Officer

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SOUTH CAROLINA DEPARTMENT OF HEALTH & ENVIRONMENTAL CONTROL

Catherine B. Templeton
Director

SOUTH CAROLINA STATE PORTS AUTHORITY

James I. Newsome, III
President & Chief Executive Officer

Exhibit 14

The Post and Courier

Conservation League backs responsible port expansion

BY LAURA D. GATES

Posted: Monday, June 23, 2008 12:01 a.m., Updated: Thursday, March 22, 2012 10:56 a.m.



/ Laura D. Gates

Last Monday, columnist Ron Brinson challenged the Coastal Conservation League to explain its position on the port. We welcome that opportunity.

We support the ongoing operation of the port, and its expansion, with one simple qualification: the Port of Charleston should ensure that its operations do not endanger our health and quality of life. Our region is home to more than 600,000 people. It's a diverse economy encompassing virtually every business sector from health care to tourism to manufacturing. It is set in an environment of unparalleled beauty. Our economic future depends on protecting all these assets.

No one debates whether the port can operate responsibly. We believe it can and has an obligation to uphold the highest standards of port performance in the nation. Our citizens and businesses deserve nothing less. This requires more than a fancy marketing campaign. It means significant improvement in the operation of terminals and, most importantly, it requires major reductions in air pollution from the two largest sources of pollution in our region — ships and trucks.

The risks we face are real and serious. Air pollution is on the verge of violating federal standards. For two years now, the American Lung Association has given Charleston an "F" for particulate matter, an extremely dangerous pollutant that causes asthma, strokes, heart disease and cancer.

Furthermore, recent research has shown that southeastern port cities such as ours are at greater risk from air pollution than other regions. Air pollution readily reacts with air-born salt particles to produce dangerous levels of ozone. Two weeks ago, The Post and Courier reported Charleston's ozone levels within one point of violating federal standards.

Our roads are heavily congested. Sections of Interstates 26 and 526 virtually gridlock in the morning and afternoon. Every analysis shows the proposed terminal will make the situation far worse. The SPA's own Environmental Impact Statement projects currently uncongested sections of I-26 becoming gridlocked. That's no surprise since every container that passes through the terminal will do so on a truck from I-26.

The SPA predicts 7,000 trucks per day will enter and leave the facility — roughly one every five seconds. In spite of this, the SPA has made no provision to move even a single container by rail.

Similarly, the actions taken and proposed by the port are entirely inadequate to address the problem of dangerous air pollution. The SPA's Environmental Impact Statement projects the port's emissions exceeding federal air standards for fine particulate matter by 30 percent. They have committed to use low-sulfur diesel in terminal machinery several years ahead of the date they would be forced to do so by federal law. But they have ignored the cause of 90 percent of port pollution, ships and trucks being the largest contributors.

Other ports have addressed these same problems and remain competitive. The SPA should insist that ships approaching the port switch to clean fuel offshore and not return to dirty "bunker fuel" until they leave the region. The ports of Long Beach and Los Angeles require this and we should settle for no less. Trucks should be systematically upgraded with diesel particulate filters. Again, West Coast ports have already begun this process.

Finally, the port should outfit the proposed terminal with rail on the docks, like virtually every terminal that has been built worldwide in the past few decades. Further, it should organize its existing terminals to utilize rail more extensively. One example of how this could be done is the proposal to barge containers from the Wando Terminal to a rail site on the Cooper River, significantly reducing trucks on I-526. Rail is six times more fuel efficient for moving containers — critically important for competitiveness in this age of sky-rocketing fuel prices.

Mr. Brinson suggests that the Conservation League should return to advocacy of a private terminal in Jasper County.

We have not deviated from our assertion that the Jasper site, constructed entirely with private funds and requiring minimal public infrastructure investment, presents an appealing alternative to the $1.2 billion Navy Base project, which Mr. Brinson has described as the most expensive terminal in history.

The Jasper site has an added advantage. By allowing the largest ships to load and unload 10 miles below the Savannah port, the need to dredge a deeper shipping channel to Savannah would be eliminated. Besides saving public money, this would protect the Savannah National Wildlife Refuge from salt water intrusion.

The Conservation League's position is that we should operate the cleanest port in the country, with ships burning clean fuel and using electric power when docked, trucks outfitted with state-of-the-art pollution technology and access to rail at the terminals. The Navy base terminal should not open until we have accomplished these changes.

And because Charleston will inevitably have to deal with capacity limits, either now or once the Navy base terminal is full, we should honestly compare a new terminal in Jasper County to the challenges and costs — both financial and environmental — of dealing with additional expansion in Charleston.

Exhibit 15

From: Dana Beach [mailto:DanaBeach@scccl.org]
Sent: Sunday, January 19, 2014 2:05 PM
To: Dana Beach
Subject: One step forward on shore power for cruise ships.

Folks,

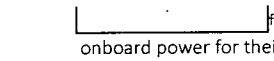
This article by Tyrone Richardson with the Post and Courier reports that state representatives Merrill and Stavrinakis have introduced legislation to provide funding for shore power at the cruise terminal at Union Pier. This would be an important step, because one cruise ship idling for eight hours produces roughly the same amount of air pollution as 30,000 diesel trucks idling for the same length of time.

The hitch is that the State Ports Authority apparently will not agree to deploy shore power. Their response, that they will install "other more modern technologies that provide equal or greater benefits," is nonsensical, because no other technology can eliminate this source of toxic emissions, in this case just a few hundred yards from homes and businesses, as well as the densest concentration of tourists in the state.

Dana

Proposed legislation to bring shore-side power to Charleston cruise terminal

Tyrone Richardson
Posted: Friday, January 17, 2014 12:53 p.m., Updated: Friday, January 17, 2014 7:08 p.m.


file/staffCruise ships that tie up to Union Pier, such as the Carnival Fantasy, have to run engines to generate onboard power for their crews and passengers. Buy this photo

Cruise ships docked in Charleston soon could be plugging into a shoreside power outlet, a welcome development for groups that have complained about fumes from the idling vessels.

State Reps. Jim Merrill and Leon Stavrinakis announced a plan Friday to authorize up to $5 million to install the necessary equipment at the State Ports Authority passenger terminal at Union Pier.

Merrill, R-Charleston, and Stavrinakis, D-Charleston, both serve on the House Ways and Means Committee. They expect their proposal to be included in this year's budget.

"With this new technology, Charleston will be a national leader in both economic growth and environmental innovation," Stavrinakis said in a statement. "Shoreside power will ultimately bring more tourism dollars to Charleston while cleaning up our air at the same time."

Shoreside power has been mentioned as one way to bring together the feuding sides in a long-running dispute about the future of the cruise industry in Charleston.

Merrill said the shoreside power could ease the tensions.

"It definitely should take away one concern that is expressed, and what we want to do is find a solution," he said. "We see the ports authority's position of requiring shore power on every ship puts them at an economical disadvantage, and it doesn't work on all ships, but for those that have it, this gives them the option."

The SPA applauded the efforts by Merrill and Stavrinakis on Friday, but it stopped short of fully endorsing shoreside power for cruise ships.

"While we understand that shoreside power has been the focus of conversations to date, the industry is also pursuing other more modern technologies that provide equal or greater benefits," the maritime agency said in a statement. "We anticipate utilizing the industry's most modern and efficient technologies at the new passenger terminal at Union Pier and applying these proposed funds, if appropriated, to implement these practices."

Environmentalists and neighborhood groups have complained about pollution in the historic district coming from cruise ships idling their engines at Union Pier. Most complaints target the Carnival Fantasy, which is based in Charleston year round.

On Friday, the groups said they support what the lawmakers are proposing.

"We commend this effort for attempting to address the serious health and environmental effects of cruise ship diesel soot, and hope efforts are made to explore the other means of reducing cruise impacts on the historic peninsula," said Carrie Agnew, executive director of the Charleston Communities for Cruise Control. "We have always and continue to support shore power at the new terminal, wherever it is ultimately built."

Dana Beach, executive director of the Coastal Conservation League, said it would be "a huge step forward."

"We have said consistently that shore-side power is the only way we can completely protect the health of residents from the emissions from cruise ships," Beach said Friday.

Last year, his Charleston-based group released a study that concluded hooking a cruise ship to shoreside power source would cut toxic emissions by 19 percent to 90 percent, depending on the type of fuel the vessel burns.

The SPA took a close look at shoreside power while planning a new $35 million cruise terminal it wants to open at Union Pier. It concluded it was too costly.

In 2011, the SPA estimated it would have invest $5.6 million to provide shoreside power,. Carnival Cruise Lines would have to spend about another $1.5 million to retrofit the Fantasy, the cruise ship that calls on Charleston most often.

The SPA wants to redevelop a warehouse at the north end of Union Pier to replace its current cruise terminal at the south end of the terminal. The new building could handle larger ships and more passengers.

Lawsuits have stalled those plans.

In addition to shoreside power, groups like Charleston Communities for Cruise Control and the Coastal Conservation League have argued for limits on ship visits and passengers.

Dana Beach
Executive Director

Coastal Conservation League
328 East Bay St., Charleston, SC 29401
Direct: 843.723.7016 | Fax: 843.723.8308

CCL's Conference video footage is now online!

View footage online from our 25th anniversary conference *Prosperous Lowcountry, Flourishing Planet*, at cclfuture.org/presentations.

Exhibit 16

Regulatory Advisory

December 2013

Ships At-Berth Regulation

The Air Resources Board Will Recognize Good Faith Efforts of Vessel Fleets to Comply During Transition Period

This regulatory advisory describes steps the Air Resources Board (ARB) is taking to assist vessel fleets with the transition to the 2014 compliance requirements under the Airborne Toxic Control Measure for Auxiliary Diesel Engines Operated on Ocean-Going Vessels At-Berth in a California Port (Regulation). California's ports, terminals, and most of the vessel fleets have made substantial investments in new equipment and practices to transform their operations and meet the requirements of the Regulation. These vessel fleets need some flexibility during the transition period from January 1-June 30, 2014, to implement the new practices. The overall goal of this action is to recognize good faith compliance efforts while ensuring that emissions reductions required by the Regulation are achieved in a timely manner to provide critical public health benefits for communities near ports.

This Advisory does not change the requirement that vessel operators utilize shore power if both the vessel and berth are equipped to do so. It does not provide consideration for vessel fleets that have not made good faith efforts. And, nothing in this Advisory modifies the obligations of ports, terminals, and vessel operators receiving grants under the Proposition 1B Goods Movement Emission Reduction Program or the Carl Moyer Memorial Air Quality Standards Attainment Program for installation of the shore power infrastructure.

Background

The At-Berth Regulation is intended to reduce emissions of diesel particulate matter (PM) and oxides of nitrogen (NOx) from auxiliary engines on ocean-going vessels while at-berth at California ports. Fleets affected by the Regulation include those composed of container vessels, passenger vessels, or refrigerated cargo vessels. Fleets intending to comply with the Regulation by satisfying the Reduced Onboard Power (Shore Power) Option must satisfy the following two criteria, on a quarterly basis, starting January 1, 2014:

- At least 50 percent of a fleet's visits to a port must satisfy the following limit on engine operation: for each visit, the auxiliary engines on the vessel cannot operate for more than three hours during the entire time the vessel is at-berth (e.g., a shore power visit); and
- The fleet's total onboard auxiliary engine power generation must be reduced by at least 50 percent from the fleet's baseline power generation.

Recognizing Good Faith Efforts to Comply

To be able to satisfy these requirements, ports and terminals must install the necessary shore-side infrastructure and fleets must provide vessels able to use shore power prior to the 2014 deadline. ARB staff is aware that some vessel fleets, which have made the necessary investments in vessel shore power equipment as part of their good faith efforts to comply, may not be able to comply with the above requirements that become effective January 1, 2014, due to factors outside their control. With this Advisory, ARB is addressing several factors that may

affect a fleet's ability to comply with the Regulation. These include situations where a berth is not ready to provide shore power by the end of 2013 (and the shift of commissioning activities into 2014), and delays in obtaining shore power equipment for vessels (e.g., transformers and cable reels), from manufacturers. ARB staff is aware of other challenges to fleet compliance, such as labor issues and the need to contract for charter vessels that are equipped to use shore power, but does not believe these merit similar accommodation.

The delays in the availability of the shore power-ready berths have caused fleets to delay the following required actions until well into the first quarter of 2014: 1) performing safety tests of the shore power equipment on the vessel, commonly referred to as commissioning; and 2) practicing the set-up connection of vessel-side equipment to shore-side equipment, and switching power from the auxiliary engines on the vessel to shore power. The complexity of the process to successfully use shore power requires practice by the parties involved to consistently and safely achieve quick connection and disconnection of shore power equipment. This practice is important to satisfy the Regulation's three to five hour (based on the type of power transfer) operating limit for auxiliary engines for each visit.

While the January 1, 2014 compliance date remains unchanged, ARB will recognize a fleet's good faith efforts to comply with the requirements during a transition period. The criteria to determine if good faith efforts have been made, information that must be submitted to ARB to document good faith efforts, specific relief being provided from the Regulation, and the timing of any potential relief are outlined for each potential situation described below. A vessel fleet may experience more than one of these situations in 2014, and may utilize the relief afforded under each situation it qualifies for, subject to ARB staff's determination that the specific combination still represents a good faith effort to fully comply with the Regulation.

1. The vessel fleet visiting the port is equipped to receive shore power but the terminal's berth is not ready to provide shore power.

This scenario applies to fleets which have made good faith efforts to comply such that the fleet is equipped to receive shore power as required by the Regulation, but for reasons beyond the fleet operator's control, the terminal's berth is not ready to provide shore power. To demonstrate its good faith effort, a fleet must prove that it would have complied with the 50 percent shore power visits and the 50 percent power reduction requirements for vessels that called on the port if shore side power had been available. This demonstration must be made for each quarter that shore side power is not available at the berth.

In recognition of the fleet's good faith efforts, visits made by a shore power-ready vessel to a berth not yet capable of providing shore power (i.e., one that has not completed load-bank testing) will count towards compliance with the Regulation. That is, the visit will count as a shore power visit. Once the terminal completes load-bank testing for shore power readiness at the berth, the fleet must utilize the shore power infrastructure as required by the Regulation for a vessel's visit to that berth, and this provision will no longer apply.

In order to qualify for relief under this scenario, the fleet operator must provide documentation, at the end of each quarter, showing the schedule of vessels that visited each berth and that these vessels were equipped to receive shore power.

Terminals and ports that do not make shore power available by January 1, 2014 may be subject to ARB enforcement action, which will consider the specific circumstances of each case.

2. During calendar year 2014, a vessel makes its first commissioning visit to a terminal (one commissioning visit per terminal), and during the visit, the auxiliary engines operate longer than three hours.

This scenario applies to fleets with vessels that are equipped to receive shore power as required by the Regulation, but for reasons beyond the fleet operator's control, the vessel's first commissioning visit took place on or after January 1, 2014. To show good faith, a fleet must demonstrate that as of January 1, 2014, the fleet can comply with the 50 percent shore power visits and the 50 percent power reduction requirements pursuant to the Regulation. In recognition of the fleet's good faith efforts, the first commissioning visit made by a vessel to a terminal in 2014, regardless of the time necessary to connect or disconnect to shore power, will count towards compliance with the Regulation (i.e., the first commissioning visit will count as a shore power visit). This good faith provision only applies to the vessel's first commissioning visit per terminal.

In order to qualify for relief under this scenario, a fleet operator must provide documentation that the fleet is equipped to satisfy the Regulation as of January 1, 2014, as well as a list of the vessels in the fleet that are to be commissioned in 2014 and the anticipated date each vessel is to be commissioned. Documentation must be provided at the end of each quarter to verify that the scheduled commissionings have occurred.

3. During the first and second calendar quarter of 2014, a vessel uses shore power but fails to meet the three/five-hour time limit for connecting or disconnecting shore power.

This scenario applies to fleets which demonstrate that as of January 1, 2014, the fleet is equipped to comply with the 50 percent shore power visits and the 50 percent power reduction requirements pursuant to the Regulation. For the first and second calendar quarters of 2014, the fleet is allowed to exceed the three-hour/five-hour time limit, but must show that averaged over calendar year 2014, an actual power reduction of 50 percent or greater was achieved. The 50 percent shore power visits and 50 percent power reduction requirements remain in effect for the third and fourth quarters of 2014.

In order to qualify for relief under this scenario, the fleet operator must provide documentation that the fleet is equipped to satisfy the Regulation and additional information to verify that an overall 50 percent power reduction was achieved for 2014.

4. During the first and second calendar quarters of 2014, a vessel is unable to use shore power due to delays in receiving shore power equipment and making retrofits to the vessel to utilize the equipment.

This scenario applies to fleets that can demonstrate they took the necessary actions prior to July 1, 2013 to procure and install the equipment needed to modify their vessels to use shore power, but have experienced delays in receiving/installing the equipment for certain vessels. The same requirements apply to vessels owned by the fleet operator and to charter vessels contracted for service by that operator. To demonstrate good faith, a fleet must show that: (a) all necessary equipment to enable the vessels to connect to shore power was ordered prior to July 1, 2013; (b) the modifications to the vessels were scheduled prior to July 1, 2013; and (c) vessel modifications to use shore power sufficient for full compliance with the Regulation will be completed no later than June 30, 2014. In recognition of the fleet's good faith efforts, visits from vessels affected by equipment delays will count towards as shore power visits until the vessel is so equipped or June 30, 2014, whichever occurs first.

In order to qualify for relief under this scenario, the fleet operator must provide documentation of equipment purchases specific to each vessel, work orders for construction of shore power boxes or modifications to each vessel, and a demonstration that, with the equipment installed, the fleet will be able to fully satisfy the requirements of the Regulation for the subsequent quarters in 2014.

5. During the first and second calendar quarters of 2014, vessels are using an alternative technology (while that technology is undergoing in-use emission testing) to help comply with the At-Berth Regulation.

As of January 1, 2014, fleets may use an alternative technology for compliance with the Regulation, but need to switch compliance options to the equivalent emission reduction option. No alternative technology has yet satisfied the requirements of the Regulation to establish the technology's control efficiency for vessel auxiliary engines, but one is entering the evaluation process. There are two phases for the emission reduction evaluation process following ARB approval of a test plan: initial emission testing and in-use emission testing.

Fleets that use an alternative technology covered by an ARB-approved test plan, with a successful demonstration in the initial emission testing phase, will receive provisional credit towards compliance with the Regulation for emission reductions achieved by using that alternative technology to reduce PM and NOx emissions from vessels during the in-use emissions testing phase. However, if the alternative technology does not successfully demonstrate the required performance during the in-use testing process by June 30, 2014, the provisional credit for emission reductions will be cancelled at that time and the fleet will be required to make up the emission reductions required under the Regulation since January 1, 2014. The ability to claim provisional credit during in-use emission testing of alternative technology will expire June 30, 2014.

In order to qualify for relief under this scenario, the fleet operator must provide documentation of the fleet's shortfall in satisfying the requirements of the At-Berth Regulation, and provide information on the alternative technology, including the name of the technology, a description of the technology, confirmation of ARB approval of the test plan and successful initial emission testing, and the schedule milestones for the technology to complete ARB's emission reduction evaluation process by June 30, 2014.

Reporting Compliance Actions Taken Under this Advisory

To qualify for temporary relief from specified At-Berth Regulation requirements described in this Advisory, an affected vessel fleet operator must report, under penalty of perjury, specific information to ARB through ShorePower@arb.ca.gov. Information for the submittal, including how and when to report to ARB, will be made available by January 10, 2014 at: http://www.arb.ca.gov/ports/shorepower/shorepower.htm

Failure to Comply

Fleets that fail to fully comply or to demonstrate good faith efforts pursuant to this Advisory may be subject to enforcement action and penalties. Fleets that make good faith efforts as described in this Advisory, but are not in compliance with the At-Berth Regulation requirements by the dates outlined above, may be subject to enforcement action and penalties.

For Additional Information

Please visit http://www.arb.ca.gov/ports/shorepower/shorepower.htm, contact ARB staff at ShorePower@arb.ca.gov, or call Jonathan Foster at (916) 327-1512.

Exhibit 17

From: Bryant, Joe
To: Adame, Jeannie; Miller, Byron
Subject: FW: Vessel Shore Power
Date: Friday, March 05, 2010 8:26:33 AM
Attachments: Microsoft Word - Report Onshore Power Supply Questionnaire February 2010.pdf
DOW Presentation -Short Shorepower 09.pdf
FullReport.pdf
Microsoft PowerPoint - Result OPS Questionnaire February 2010.pdf

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Here is what I received from Dakota Chamberlain in Seattle. It seems their cruise line requested shore power. It also seems they are planning to shore power many of their other berths. They note the low cost of hydroelectric power in the NW and seem to build an economic justification. Hydroelectric power is also clean power, so they can make an A/Q justification as well. If one assumes lower sulfur fuels will become more prevalent and more expensive in the future, their economics should be even better.

Joe

From: Chamberlain, Dakota [mailto:Chamberlain.D@portseattle.org]
Sent: Thursday, March 04, 2010 4:57 PM
To: Bryant, Joe
Subject: FW: Vessel Shore Power

Joe – I've included answers to your questions below. In addition to this information Nathan Watson with KPFF will be presenting a paper on cold ironing at Ports 2010. I've seen a draft of the team's presentation. This might be helpful as well. Attached are several documents that might be helpful.
Dakota

From: Bryant, Joe [mailto:JBryant@SCSPA.com]
Sent: Thursday, February 18, 2010 6:41 AM
To: Chamberlain, Dakota
Subject: Vessel Shore Power

Dakota:
I understand Seattle has installed shore power for some of its berths. We are getting pressure in Charleston from the local environmentalists to consider shore power. I would like to understand more about what drove Seattle toward shore power and how it has worked. Ray Rawe said you were the one to contact.

I have put together a list of basic questions. Any responses you could provide would be appreciated.

Thanks, and I look forward to seeing you in Jacksonville in April.

Joe

1. What was Seattle's motivation for installing shore power?
   - This was requested by our customers Holland America and Princess. They were being proactive wanting to get out ahead of regulatory/compliance issues.
2. Approximately how much per berth did it cost to install?
   - T30 costs 2 berths: Princess Berth $2.7M; Holland America Berth $4.8M.
   - T91 costs 2 berths: The total cost of the shore power system for the two berths at T91 is approximately $7M. This includes cost components from prior utility infrastructure work such as the long duct bank/multiple large vaults from the City Light's feed at the east side of the facility, north of the Magnolia Bridge. Also

tidal challenges may not be as severe at SC so it likely would translate to a lower construction cost there given the same design/construction parameters. This cost is estimated. This work was accomplished during larger projects and the cost was a part of other work done and not identified as a separate line item.

- Background – The two cruise berths located at T30 were relocated to T91. This was part of a larger program to return T30 to use as a container terminal. While some of the infrastructure to support shore power remains at T30 those berths no longer have shore power.

3. How many berths were modified? Out of how many total? Is the plan to provide it at all berths?
   - 4 berths were modifies, but only two have the electrical equipment needed to operate shore power. In addition to T91 we have identified an additional 11 berths that have some potential for shore power. T5 – 2 berths; T18 – 3 berths; T25 – 1 berth; T30 – 2 berths; T46 – 2 berths; and P66 – 1 berth. Attached is a study that discusses the possibilities of shore power at the Port of Seattle. We currently have one project identified in our capital plan for shore power. However issues with power availability and costs of uplands work make that project unlikely in the near term.
4. Who paid for the vessel modifications? How much per vessel?
   - The cruise lines paid for vessel modifications. We understand that Princess paid $500K and Holland America paid $1.1M.
5. How many vessels were modified?
   - We are not sure how many vessels were modified specifically for calls in Seattle. The ships calling in Seattle change regularly. For example in 2009 we had 5 vessels calling Seattle that had been modified for shore power, in 2010 that number will be 4.
6. What % of vessels using the berth use shore power? What % of vessels calling Seattle use shore power?
   - At T91 46% of the cruise vessels using the 2 cruise berths use shore power.
7. Who does the actual connection – longshore, port personnel, vessel personnel?
   - Connections are made by vessel personnel. To accommodate this the controls for the jib crane are operated from the vessel by vessel personnel.
8. Any estimates on A/Q improvements or plans to try to determine it?
   - I was not able to gather this information.
9. Anything else that you might think of that would help us in evaluating the cost/benefit of shore power.
   - Consider where your residential populations are, proximity matters when it comes to diesel emissions.
   - How clean is your grid power? In the northwest our power is mostly hydroelectric.
   - Consider the cost of grid power. What is the ROI? Hydro is relatively inexpensive.
   - Look at labor costs. If union labor must make every connection you may have higher costs.
10. What pitfalls or surprises were encountered?
    - Flexibility was an issue. The location of the shore power connection varies by vessel. We had to develop a system that would accommodate various connection locations.
    - Plugs are not universal.
    - Power requirements are not universal. Most cruise vessels are 11 kV and most cargo

vessels are 6.6 kV. We opted for dual power at the cruise berths.

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Exhibit 18

Fwd: Deadline Tomorrow!!

From: "Cruise Ship Standards/Controls" <cruisestandards@gmail.com>
To: "amy@scelp.org" <amy@scelp.org>, Phyllis Nisoff <phyllis@scelp.org>
Date: Tue, 30 Apr 2013 5:14 PM

Charleston Communities for Cruise Control
PO Box 21022
Charleston, SC 29413
cruisestandards@gmail.com

For more information about C4, visit www.charlestoncruisecontrol.org *[http://www.savecharleston2.org]*

---------- Forwarded message ----------
From: **Cruise Ship Standards/Controls** <cruisestandards@gmail.com>
Date: Tue, Oct 9, 2012 at 9:45 AM
Subject: Deadline Tomorrow!!
To: Cruise Controls <cruisestandards@gmail.com>

All comments regarding the SPA's petition to receive a permit from the OCRM are due **tomorrow**!

If you haven't already sent something in, PLEASE, send a note to:

Steven Brooks

brookss@dhec.sc.gov

Or by fax:

(843) 953-0201 *[tel:%28843%29%20953-0201]*

Attn: Steven Brooks

The message does not need to be long. There are many reasons the permit should be denied:

- The SPA did not address all the questions the OCRM asked for in their letter to the SPA dated June 27
- The terminal will facilitate permanent and far-reaching impacts on a small historic city
- The lack of binding regulations threatens property values, quality of life for citizens **and** the base tourism industry for which Charleston has received so many accolades
- The SPA's lack of willingness to require—let alone consider or provide onshore power—shows a blatant disregard for the health and well-being of the people where the SPA does its business.

So please, please, send a note to Steve Brooks. Make your voice heard. Fly your flag. Help us keep the pressure on!!

Many thanks!

Carrie Agnew
Executive Director; C4

Charleston Communities for Cruise Control
PO Box 21022
Charleston, SC 29413
cruisestandards@gmail.com

For more information about C4, visit www.charlestoncruisecontrol.org *[http://www.savecharleston2.org]*

Exhibit 19

U.S. Department of Homeland Security

United States Coast Guard

Commandant
U. S. Coast Guard

2100 Second Street, S.W. Stop 7581
Washington, DC 20593-7581
Staff Symbol: CG-5PC
Phone: (202) 372-1016
Fax: (202) 372-1915

AUG - 8 2013

Michael Kaczmarek
Vice President, Shipbuilding
Carnival Corporation & plc
3655 NW 87th Avenue
Miami, FL 33178

Dear Mr. Kaczmarek,

This letter is in response to the request made by Carnival Corporation & plc (Carnival) seeking the conceptual views of the United States Coast Guard (USCG) and the Environmental Protection Agency (EPA) regarding a Carnival trial program under Regulation 3.2 of Annex VI to the International Convention for the Prevention of Pollution from Ships (MARPOL), in which Carnival's flag States would exempt 32 Carnival ships from the fuel sulfur requirements of the North American and Caribbean Emission Control Areas (ECAs).

Both the USCG and EPA, as U.S. Government Port State representatives for the North American and Caribbean ECAs, support the development of exhaust gas cleaning technology as a method for complying with the fuel sulfur limits applicable in the ECAs. The USCG and EPA have had a series of cooperative discussions with Carnival over the past several months, which have resulted in progress towards developing a feasible conceptual approach for Carnival to develop an exhaust gas cleaning system trial program for selected ships. Given the information provided by Carnival on their planned development program, and how it will be implemented in an aggressive timeframe across a variety of engine types and configurations, USCG and EPA can support the concept as meeting the spirit of a trial program for ship emission reduction and control technology research, as outlined in MARPOL Annex VI, Regulation 3.2, and subject to the further discussion as described below.

Under the proposed trial program, Carnival will install exhaust gas cleaning systems for engines on 32 vessels that operate in the ECAs, and those systems will help enable the vessels to meet or exceed the sulfur emission levels required within the ECAs. We understand that Carnival will install sufficient exhaust gas cleaning capacity on each of the ships to meet or exceed the 2015 ECA fuel sulfur requirements. Additionally, these exhaust gas cleaning systems will be installed during vessel drydocks on the following schedule: 9 ships in 2014, 16 ships in 2015, and 7 ships in the first half of 2016. Once installed, the exhaust gas cleaning systems will be employed while the ship is operating in the ECA. During the period of the exemption, Carnival will also limit the sulfur content of heavy fuel oil used in these ships. Based on the geographic area that the fuel is purchased, we understand the cap on average fuel sulfur used may range from 2.4 to 3.1 percent. Lastly, we understand that Carnival intends to use shore power, or marine gas oil with a fuel sulfur content no greater than 0.1 percent, for each ship while at berth during the period of the exemption from the Regulation 14 fuel sulfur standards.

Under the proposed trial program, the fuel sulfur exemption for the ships scheduled for drydock in 2014 and 2015 (25 vessels in total) will begin as soon as the permit for each ship is approved by the

AUG - 8 2013

appropriate flag State. For ships scheduled for drydock in 2016, the exemption will begin no sooner than January 1, 2015.

We recognize there are a number of details that still need to be addressed before we can provide a final assessment of, and comment on, the trial program. These details include, among other things, the appropriate monitoring, recordkeeping, reporting, termination and verification provisions which must be specified in any permit approved by the flag States for the affected vessels. Both the USCG and EPA look forward to continued coordination with Carnival to develop these provisions as expeditiously as possible.

Sincerely,

J. C. Burton
Captain, U.S. Coast Guard
Director of Inspections and Compliance

Christopher Grundler
Director, Office of Transportation and Air Quality
U.S. Environmental Protection Agency

Cc: Thomas M. Dow, Vice President Public Affairs, Carnival North America LLC
Paul Topping, Marine Safety and Security Transport Canada

Exhibit 20

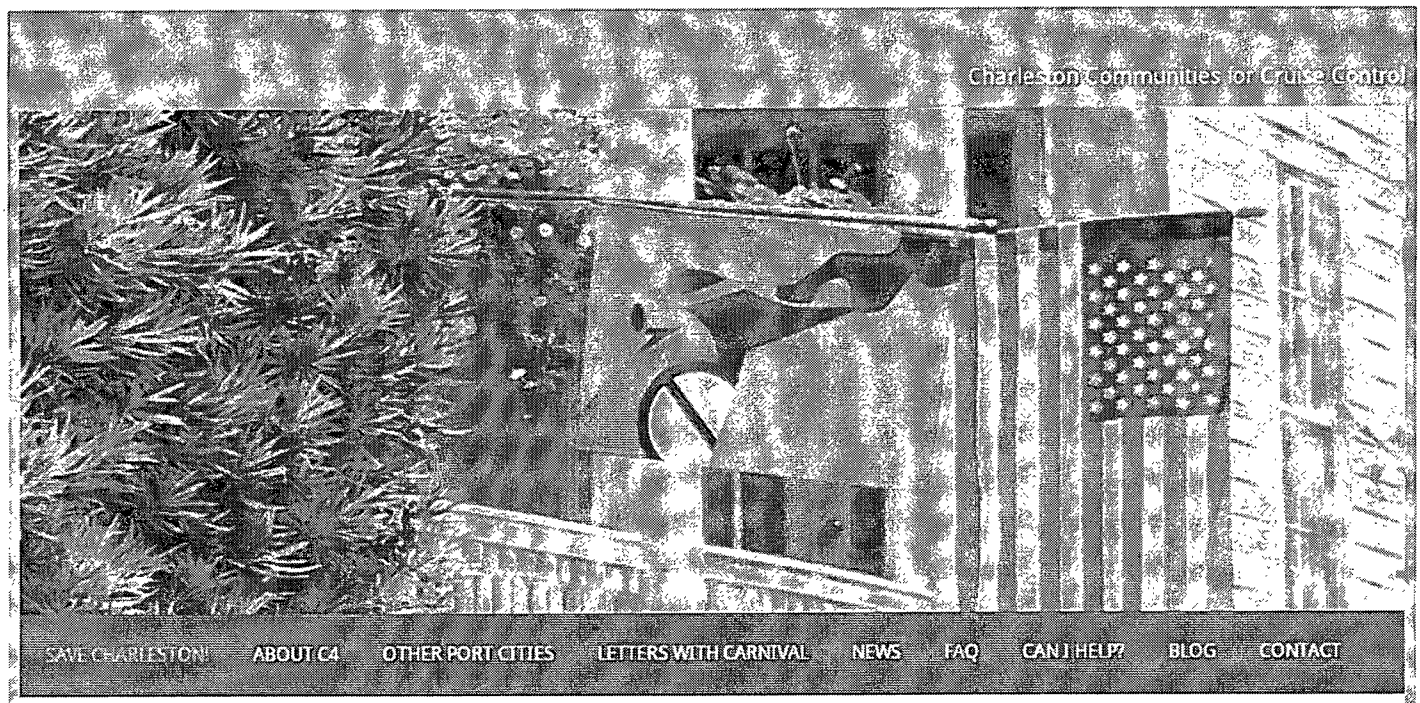
Union Pier
Cruise Terminal Cost Estimate

Cruise Terminal Renovation (Building 322)	
	$29,068,665.00
Ground Transporation Area	
Site Prep - 318 (North) Building Demo	$465,500.00
Site Prep - 330 Building Demo	$114,930.00
Site Prep - Fill	$170,000.00
Traffic Islands - Landscaping	$35,210.00
Ground Transportation: Finished Surface	$800,000.00
	$1,585,640.00
Parking & Services	
Site Prep - 343 Bldg. Demo	$3,200.00
Parking Fields	$108,500.00
Security Fencing	$64,500.00
Public Access to Waterfront: Railing, Lighting, Signage	$178,500.00
Concord Street	$340,000.00
	$694,700.00
Deck Seismic Retrofit	
Building 322	**$6,480,000.00**
Total	**$37,829,005.00**

Columbus Street Terminal
Cruise Terminal Cost Estimate

Cruise Terminal Building Essentials		
		$29,068,665.00
Ground Transporation Area		
Reefer Demo		$700,000.00
Traffic Islands - Landscaping		$35,210.00
Ground Transportation: Finished Surface		$800,000.00
		$1,535,210.00
Parking & Services		
Parking Fields		$108,500.00
Security Fencing		$64,500.00
		$173,000.00
Cruise Building Structure (110,000 SQ. FT)		
$85/ SQ. FT - $120/ SQ. FT		
	$40,126,875.00	**$43,976,875.00**
Differential:	**$2,297,870.00**	**$6,147,870.00**

Exhibit 21



"Shore Power Now" Month for February 2014 Launched by Charleston Communities for Cruise Control"



Charleston, SC: Charleston Communities for Cruise Control (c4) has designated February 2014 as "Shore Power Now" month to highlight the mounting evidence that the use of shore power in Charleston, as demonstrated by many other ports across the globe, would reduce pollution from cruise ships in our community.

Our objective in focusing on shore power during February is to encourage the City of Charleston and the State Ports Authority (SPA) to support shore power for the betterment of Charleston residents and visitors. We will unveil a new billboard and an educational campaign to provide the public at large with a greater understanding of the health and environmental protections shore power would provide for the community and especially residents, workers and tourists closest to the cruise operation in downtown Charleston.

With two State Representatives now seeking to earmark State funds for shore power at the new cruise terminal, it is important for the general public to be aware of the health and environmental dangers created by cruise operations in Charleston, as recognized by the Charleston County Medical Society (CCMS) and the South Carolina Medical Association (SCMA).

By utilizing shore power while in port, the home-port ship (currently Carnival's 25 year-old Fantasy) would lower harmful emissions of various pollutants by up to 97% versus what the ship would emit burning even the cleanest diesel fuels required in 2015. The pollution reductions would be even greater for the larger ships that SPA's



SAVE CHARLESTON
SUPPORT CRUISE CONTROL
CharlestonCruiseControl.org

CRUISE SHIP CODE OF CONDUCT
STAY INFORMED
SIGN THE PETITION
FLAGS, BANNERS & STICKERS!

Recent Posts

Clear the air with shore power
February 4, 2014

Limit cruise ship consequences on peninsula
February 4, 2014

proposed cruise terminal is designed to allow it to host.

Shore Power Now
February 4, 2014

The effect of one car
February 4, 2014

Heard it through the grapevine, how much longer til we plug in?
February 3, 2014



Like 730 people like this.

Exhibit 22

b. North End - 27 Acres (43%) – Cruise Facility
c. South End - 36 Acres (57%)– Private & Public Development
    i.

Private Development	16.2
Civic/Garage	2.9
Streets	8.6
Open Space	8.3
	36.0

5) Net value of southern end after infrastructure improvements are made jointly by Authority & City of Charleston = $48 - $58 Million
    a. $1.3 - $1.6 Million per Gross (Public & Private) Acre in Value ($3.0 - $3.6 million per Private Development Acre).
    b. Note: Infrastructure improvements are estimated to be $43 million with $13 - $23 million covered by the City of Charleston using Tax Increment Financing.

Current Situation & Conclusion

As of April 2011, the situation is as follows:

1) BMW has moved to Columbus Street Terminal for cargo operations. In addition, heavy lift and other cargo operations continue to grow at Columbus Street Terminal.
    a. The Authority embarked on a $20 million paving & rail improvement project at Columbus Street to better accommodate BMW and heavy lift operations.
    b. Approximately half of Columbus Street is being used for BMW & other Roll-On/Roll-Off cargo. BMW's exports are projected to grow by 20% in FY2011 and an additional 20% in FY2012.
    c. Heavy lift cargo and warehouse cargo customers currently comprise the other half of the terminal. Westinghouse is planned to occupy a portion of the terminal within the upcoming year. In addition, the Authority is in negotiations with the niche customer that has both breakbulk and containerized cargo.
    d. Given the investment that was recently made at Columbus Street as well as the growth in cargo operations, it does not make logistical or business sense to move cruise operations to Columbus Street Terminal.
        i. The entire area where BMW cargo currently operates was repaved & the majority of the rail improvements that were completed at Columbus Street Terminal were accomplished specifically for BMW vehicles.
        ii. In order for cruise operations to work at Columbus Street, BMW would have to move back to Union Pier Terminal or some other unidentified location. Given BMW's projected growth, this could

mean parking vehicles in warehouses across the street from the terminal. This had to be done in the 2007/2008 timeframe and created operational and traffic inefficiencies.

2) The Cruise Business Segment is projected to contribute $4.5 Million in cash flow in FY2011. This is over 400% growth from FY2010.
    a. Once the new terminal comes online, an operational savings of approximately $800,000/year should be realized.
    b. Assuming the current number of dockings and passengers, cruise is projected to realize cash flow of approximately $200K/annually per acre once the new terminal is functional.

Given the direction of cargo and cruise growth in the past year, the Authority believes that the decisions made in 2010 were the right decisions from a business perspective for the Port. In addition, the Authority has diligently and openly worked with the community to devise a plan that is the best – not only for the Port – but for Charleston and its surrounding areas.

Exhibit 23

From: J. Randolph Pelzer [jrandolphpelzer@hotmail.com]
Sent: Friday, February 11, 2011 11:00 AM
To: J. Randolph Pelzer; mtrose19@gmail.com; Katie Zimmerman; Dana Beach; Steve Gates
Subject: Bullet Points

LOCATE NEW CRUISE TERMINAL AT NORTHERN END OF COLUMBUS STREET TERMINAL
AND SELL ENTIRE UNION PIER TERMINAL FOR PRIVATE REDEVELOPMENT

PROBLEMS WITH A CRUISE TERMINAL AT UNION PIER
.Traffic brought into congested downtown residential areas
.Street closings
.Noise from ship disturb peace
.Soot from ships bad for health and property
.Ships visits increasing
.Ships size increasing
.Visual blight from ships towering over city
.Unlike every other property owner, ships totally unregulated by state and local government
.Charleston premier brand in tourist market damaged
.Part of Union Pier irrevocably committed to parking lot for cruise terminal business, a fickle customer
.Other part of Union Pier developed compatible with being next to cruise terminal, i.e. Key West and St. Thomas

SOLUTION
THE STATE SHOULD DIRECT THE SPA TO SELL THE ENTIRE UNION PIER TERMINAL FOR PRIVATE REDEVELOPMENT AND LOCATE ANY NEW CRUISE TERMINAL AT THE COLUMBUS STREET TERMINAL JUST SOUTH OF THE BRIDGE

ADVANTAGES TO CITY
.Entire 74 acre Union Pier redeveloped
.Tax base greatly increased
.Maximum construction jobs.
.Traffic leave city street from Morrison Dr. before East Bay, avoiding further downtown congestion
.Spur for redevelopment of Morrison Dr. near entrance to Columbus St. terminal
.No street closings
.No diversion of police to direct traffic
.Economic benefits of cruise business retained with slight extension of existing bus service
.Residential neighborhoods protected from noise, air pollution, skyline impairment and traffic congestion
.Downtown property values protected
.Charleston tourist market "brand" protected
.Bitterness of downtown residents against City ends

ADVANTAGES TO SPA AND STATE
.Northern end of Columbus St. terminal wonderful site for cruise terminal with existing convertible warehouse
.No need to employ police to direct traffic
.No street closings
.Revenue stream from parking and passenger fees retained
.Lawsuits avoided
.Maximum sales price from sale of entire Union Pier tract

002556

.If cruise lines leave, Columbus St. cruise site can still be used for core cargo operations

ADVANTAGES TO CRUISE LINES
.Cruise lines still can be marketed as cruise out of Charleston
.Avoid negative publicity and hostile downtown
.Operations less subject to demands for regulation

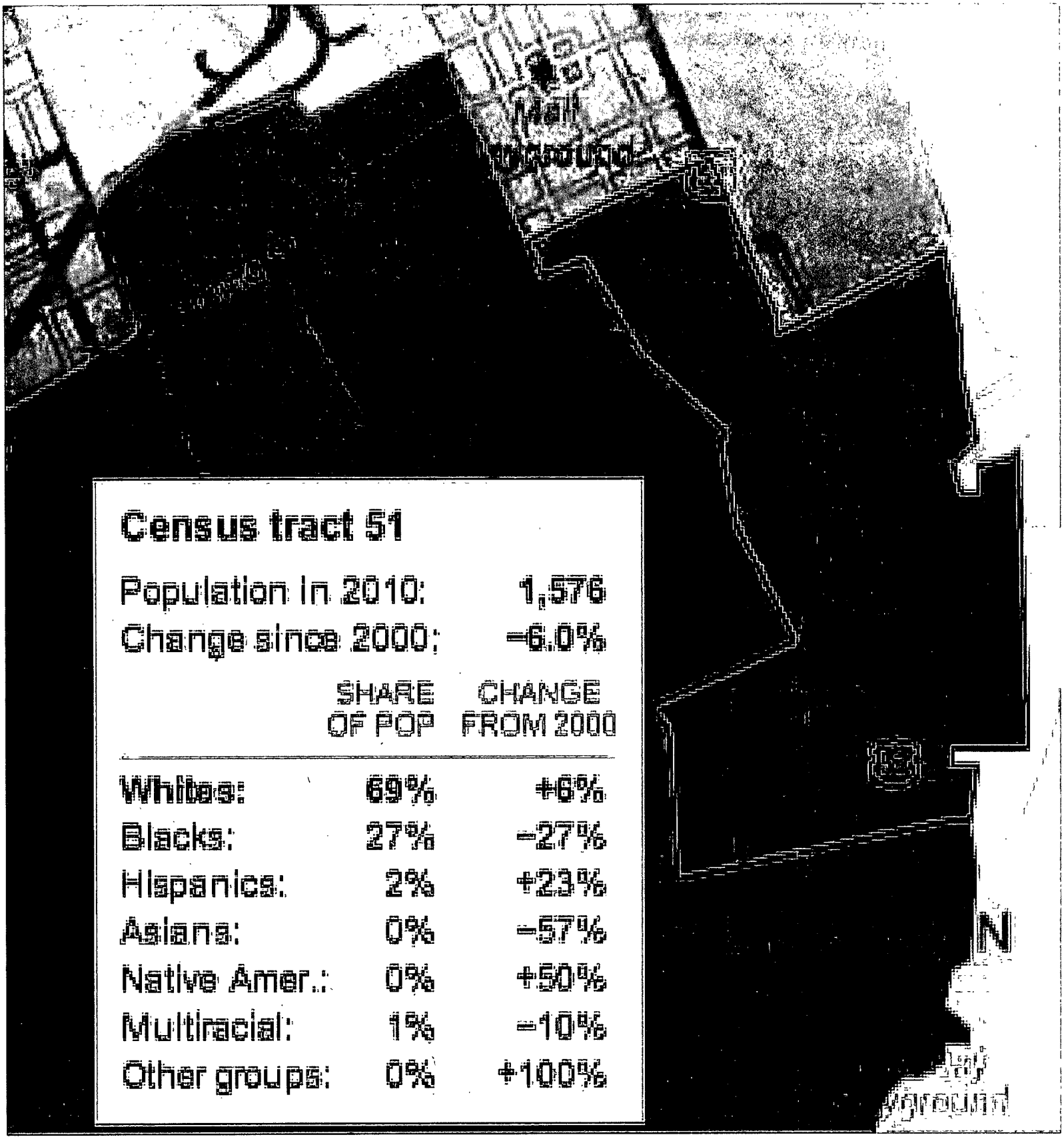
ADVANTAGES TO DOWNTOWN
.Protect integrity of Charleston as national leader in preservation of quality of life
.Quiet and healthy enjoyment of property preserved from noise, air pollution, traffic congestion, and skyline blight
.Property values preserved

FEASIBILITY
.Ample space and warehouse for cruise terminal at 155 acre Columbus St. terminal
.No navigation problem to dock cruise ship there
.No interference with existing container cranes there
.Columbus St. terminal currently not needed or being used for container traffic
.Container traffic being handled out 689 acre Wando terminal and 201 acre old North Charleston terminal
.SPA admits that it has adequate capacity for maximum projected cargo traffic until at least 2018, when new 286 acre North Charleston terminal could open first phase
.Cruise terminal would only occupy 1/6 of Columbus St. terminal acreage and berths.
.Columbus St. terminal already slated for major site work

DESIRABILITY
.Private redevelopment of entire Union Pier preferable to development by government enterprise such as SPA
.Return of entire 74 acre Union Pier to tax rolls compensates city and county for loss of tax base to Colleges, MUSC, and SPA in the past
.Modern cruise terminals normally located away from residential areas
.Prevailing winds at Columbus terminal goes over marsh and industrial areas
.State through SPA realizes maximum amount from Union Pier (hundred of million dollars) at time of financial crisis

CONCLUSION
.In 2009, State ordered SPA to sell 3 properties not needed for core operations
.Construction of cruise terminal at Union Pier will be far greater financial debacle then the $9,000,000 lost in the Laffey affair by another Charleston-based state agency
.After due study, the State should direct SPA to sell the entire Union Pier tract for private redevelopment and locate new cruise terminal at Columbus St. terminal

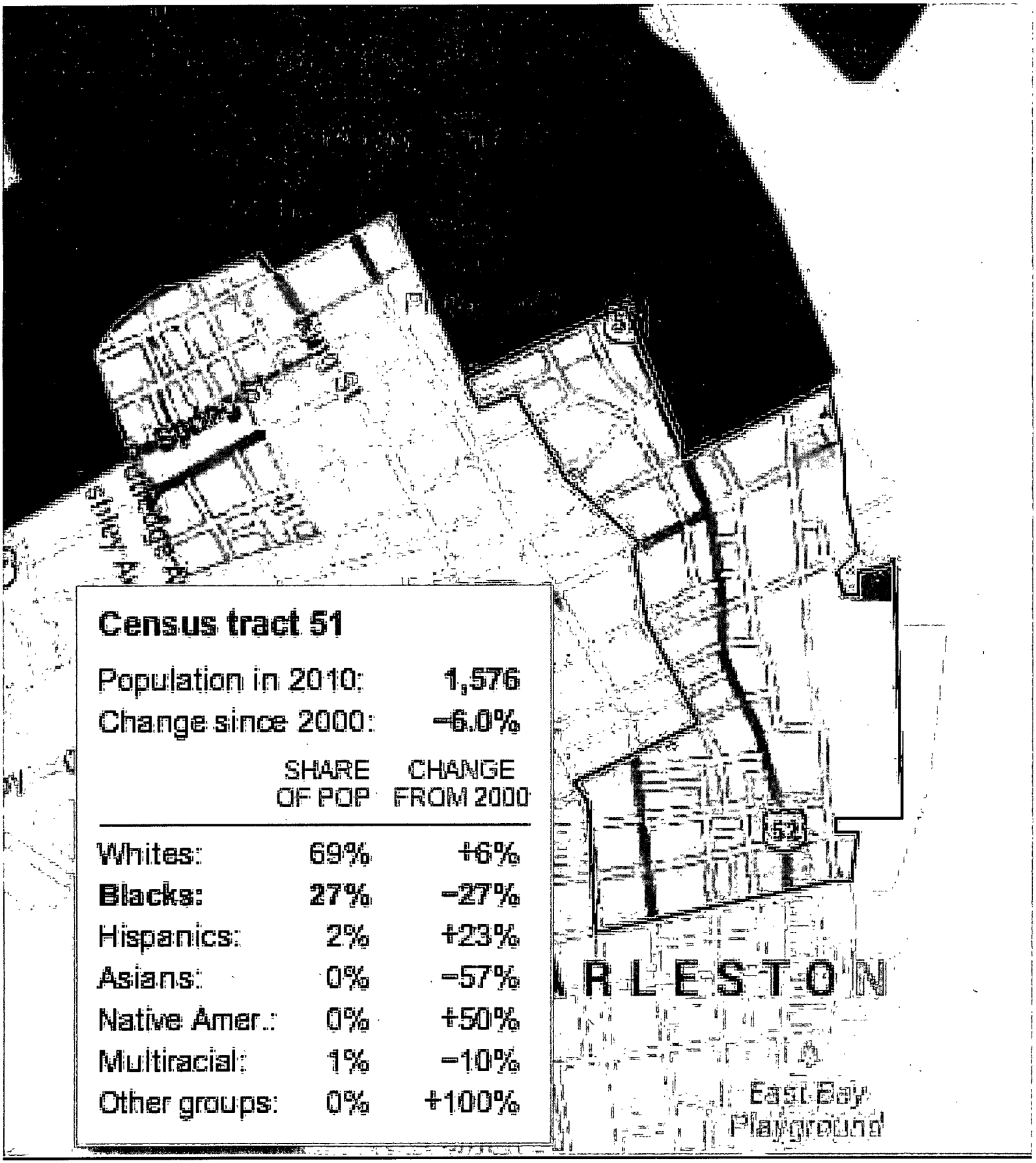
Exhibit 24

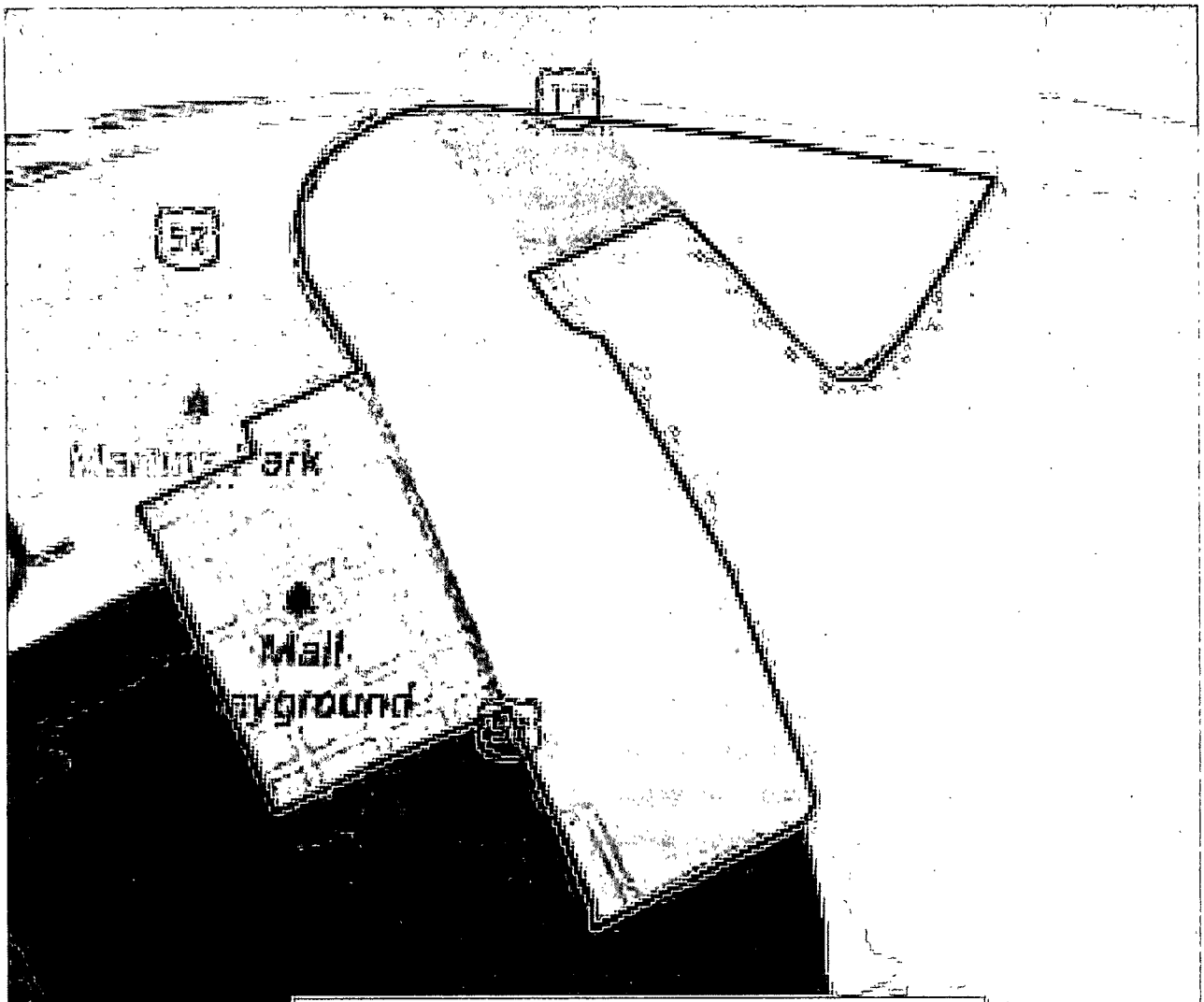


Census tract 51

Population in 2010:	1,576
Change since 2000:	-6.0%

	SHARE OF POP	CHANGE FROM 2000
Whites:	69%	+6%
Blacks:	27%	-27%
Hispanics:	2%	+23%
Asians:	0%	-57%
Native Amer.:	0%	+50%
Multiracial:	1%	-10%
Other groups:	0%	+100%


Census tract 51
Population in 2010: 1,576
Change since 2000: -6.0%
SHARE OF POP
CHANGE FROM 2000
Whites: 69% +6%
Blacks: 27% -27%
Hispanics: 2% +23%
Asians: 0% -57%
Native Amer.: 0% +50%
Multiracial: 1% -10%
Other groups: 0% +100%
East Bay Playground

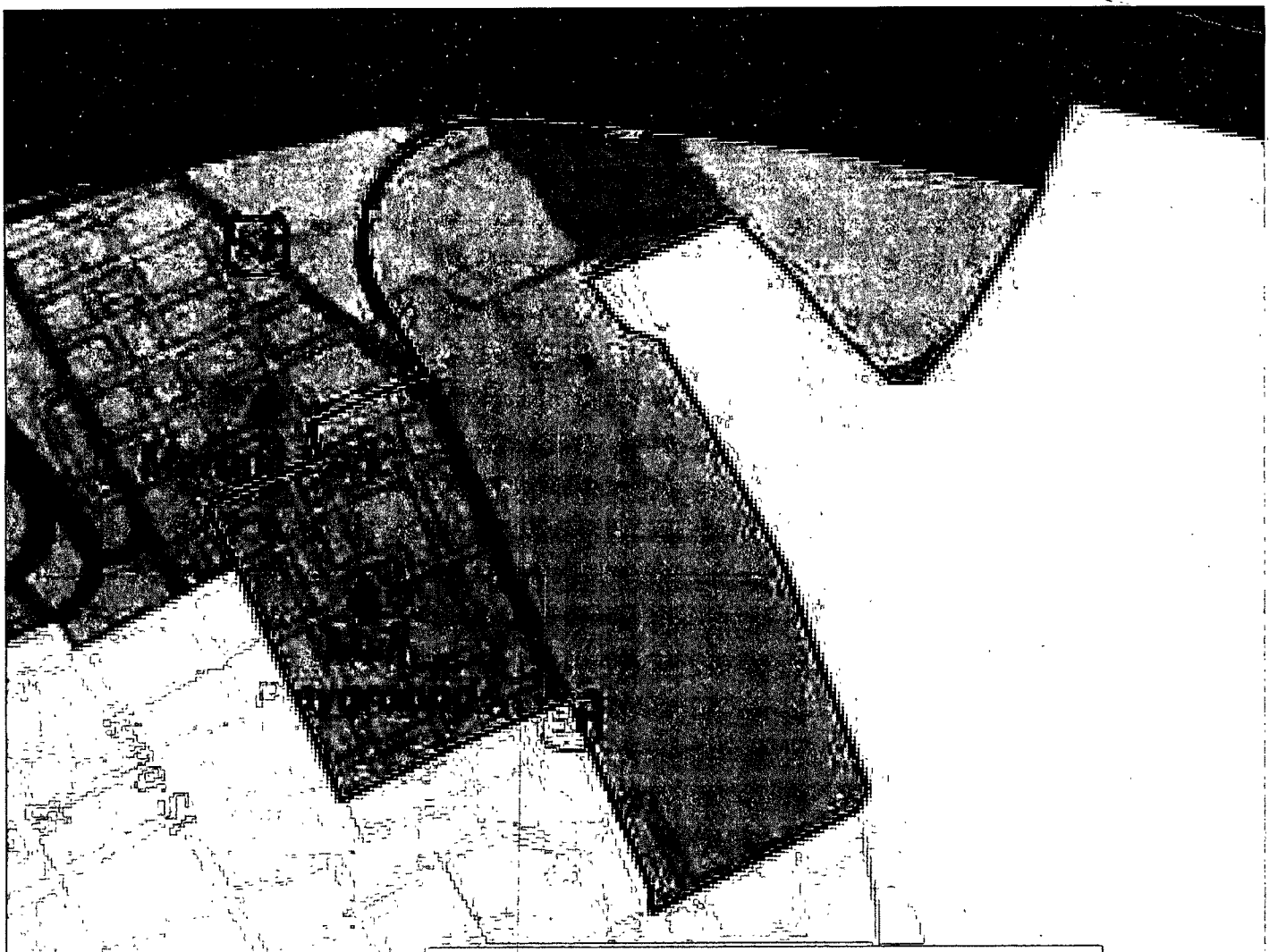


Census tract 9

Population in 2010:	1,413
Change since 2000:	-15.2%

	SHARE OF POP	CHANGE FROM 2000
Whites:	**21%**	**+188%**
Blacks:	75%	-32%
Hispanics:	2%	+325%
Asians:	0%	+200%
Native Amer.:	0%	+150%
Multiracial:	2%	+83%
Other groups:	0%	%

R.003362



Census tract 9

Population in 2010:	1,413
Change since 2000:	-15.2%

	SHARE OF POP.	CHANGE FROM 2000
Whites:	21%	+188%
Blacks:	75%	-32%
Hispanics:	2%	+325%
Asians:	0%	+200%
Native Amer.:	0%	+150%
Multiracial:	2%	+83%
Other groups:	0%	%

S1901 | INCOME IN THE PAST 12 MONTHS (IN 2012 INFLATION-ADJUSTED DOLLARS)

2008-2012 American Community Survey 5-Year Estimates

Note: This is a modified view of the original table.

Supporting documentation on code lists, subject definitions, data accuracy, and statistical testing can be found on the American Community Survey website in the Data and Documentation section.

Sample size and data quality measures (including coverage rates, allocation rates, and response rates) can be found on the American Community Survey website in the Methodology section.

Although the American Community Survey (ACS) produces population, demographic and housing unit estimates, it is the Census Bureau's Population Estimates Program that produces and disseminates the official estimates of the population for the nation, states, counties, cities and towns and estimates of housing units for states and counties.

Subject	Census Tract 9, Charleston County, South Carolina				Census Tract 51, Charleston County, South Carolina
	Households	Families	Married-couple families	Nonfamily households	Households
	Estimate	Estimate	Estimate	Estimate	Estimate
Total	654	266	33	388	915
Less than $10,000	26.9%	18.8%	0.0%	32.5%	22.2%
$10,000 to $14,999	6.3%	5.6%	0.0%	6.7%	3.6%
$15,000 to $24,999	13.8%	7.5%	21.2%	18.0%	7.3%
$25,000 to $34,999	16.7%	30.5%	0.0%	7.2%	6.1%
$35,000 to $49,999	11.2%	17.3%	78.8%	7.0%	19.9%
$50,000 to $74,999	14.4%	6.8%	0.0%	19.6%	17.5%
$75,000 to $99,999	1.7%	0.0%	0.0%	2.8%	5.5%
$100,000 to $149,999	8.6%	12.0%	0.0%	6.2%	5.0%
$150,000 to $199,999	0.6%	1.5%	0.0%	0.0%	3.4%
$200,000 or more	0.0%	0.0%	0.0%	0.0%	9.5%
Median income (dollars)	25,909	26,875	45,913	22,011	42,762
Mean income (dollars)	35,776	41,414	N	31,758	69,750
PERCENT IMPUTED					
Household income in the past 12 months	47.9%	(X)	(X)	(X)	33.4%
Family income in the past 12 months	(X)	62.0%	(X)	(X)	(X)
Nonfamily income in the past 12 months	(X)	(X)	(X)	38.1%	(X)

Subject	Census Tract 51, Charleston County, South Carolina		
	Families	Married-couple families	Nonfamily households
	Estimate	Estimate	Estimate
Total	307	211	608
Less than $10,000	17.6%	5.7%	24.5%
$10,000 to $14,999	4.2%	0.0%	3.3%
$15,000 to $24,999	2.6%	0.0%	9.7%
$25,000 to $34,999	4.2%	0.0%	7.1%
$35,000 to $49,999	7.5%	10.9%	26.2%
$50,000 to $74,999	19.2%	20.9%	16.6%
$75,000 to $99,999	6.2%	6.6%	5.1%
$100,000 to $149,999	7.5%	10.9%	3.8%
$150,000 to $199,999	5.2%	7.6%	3.8%
$200,000 or more	25.7%	37.4%	0.0%
Median income (dollars)	63,542	113,625	38,182
Mean income (dollars)	124,419	N	40,866
PERCENT IMPUTED			
Household income in the past 12 months	(X)	(X)	(X)
Family income in the past 12 months	36.5%	(X)	(X)
Nonfamily income in the past 12 months	(X)	(X)	31.9%

Data are based on a sample and are subject to sampling variability. The degree of uncertainty for an estimate arising from sampling variability is represented through the use of a margin of error. The value shown here is the 90 percent margin of error. The margin of error can be interpreted roughly as providing a 90 percent probability that the interval defined by the estimate minus the margin of error and the estimate plus the margin of error (the lower and upper confidence bounds) contains the true value. In addition to sampling variability, the ACS estimates are subject to nonsampling error (for a discussion of nonsampling variability, see Accuracy of the Data). The effect of nonsampling error is not represented in these tables.

While the 2008-2012 American Community Survey (ACS) data generally reflect the December 2009 Office of Management and Budget (OMB) definitions of metropolitan and micropolitan statistical areas; in certain instances the names, codes, and boundaries of the principal cities shown in ACS tables may differ from the OMB definitions due to differences in the effective dates of the geographic entities.

Estimates of urban and rural population, housing units, and characteristics reflect boundaries of urban areas defined based on Census 2000 data. Boundaries for urban areas have not been updated since Census 2000. As a result, data for urban and rural areas from the ACS do not necessarily reflect the results of ongoing urbanization.

Source: U.S. Census Bureau, 2008-2012 American Community Survey

Explanation of Symbols:

1. An '**' entry in the margin of error column indicates that either no sample observations or too few sample observations were available to compute a standard error and thus the margin of error. A statistical test is not appropriate.
2. An '-' entry in the estimate column indicates that either no sample observations or too few sample observations were available to compute an estimate, or a ratio of medians cannot be calculated because one or both of the median estimates falls in the lowest interval or upper interval of an open-ended distribution.
3. An '-' following a median estimate means the median falls in the lowest interval of an open-ended distribution.
4. An '+' following a median estimate means the median falls in the upper interval of an open-ended distribution.
5. An '***' entry in the margin of error column indicates that the median falls in the lowest interval or upper interval of an open-ended distr bution. A statistical test is not appropriate.
6. An '*****' entry in the margin of error column indicates that the estimate is controlled. A statistical test for sampling variability is not appropriate.
7. An 'N' entry in the estimate and margin of error columns indicates that data for this geographic area cannot be displayed because the number of sample cases is too small.
8. An '(X)' means that the estimate is not applicable or not available.

Exhibit 25

From:	Miller, Byron
Sent time:	Tuesday, October 18, 2011 5:18:03 PM
To:	Harry Lesesne (lesesneh@charleston-sc.gov) <lesesneh@charleston-sc.gov>
Cc:	donator@charleston-sc.gov; Melvin, Barbara; Newsome, Jim
Subject:	CST Cruise Option
Attachments:	CST Cruise Option.doc Non Container Cargo Surging PRINT.doc

Harry, as requested, see attached a summary regarding Columbus Street as an "alternative" for cruise. This is more a stream of consciousness than anything else, but I hope it helps.

What this ***doesn't*** address are the advantages the mayor raised re: accessibility and mobility, which are obviously much better at Union Pier. In talking to groups, the public really understands Union Pier is the best place in that context. And when cruise guests leave the terminal, if they choose to be a tourist they are certainly subject to all the same city tourism standards for carriages, buses, accommodations, etc.

The bottom line is Columbus Street is vital to the state's port operations. Attached also is a press release from today. We handled 112,000 BMWs at Columbus Street since March (when the 1st phase of improvements were completed). That's about **550 cars a day** and nearly **double** what we handled in the same period last year. And our total breakbulk tonnage at Columbus Street was 363,000 tons Mar-Sep, up from 53,000 tons last year. That's phenomenal growth (and good jobs) that is obviously better accommodated at Columbus Street.

Please feel free to call if you need anything further or want to discuss.

Byron

Columbus Street Terminal Cruise Option

Those suing to run off Carnival and thereby kill the opportunity to redevelop Union Pier continue to raise the idea of relocating cruise operations to the north end of Columbus Street Terminal. This is a non-starter. It is a red herring, neither practical nor appealing when considering the facts.

Cruise at Columbus Street is impossible for many reasons. First, Columbus Street is essential for the state's cargo operations. Every SC-made BMW exported through our port goes through Columbus Street, totaling more than $4 billion in cars annually. Daimler Vans, a major area employer, is also a major user.

In addition, the north end of Columbus Street is the only place in the port where we have a shipside warehouse and a rail line right on the dock. This is where our port handles shipments of massive power generation equipment, such as turbines manufactured by GE and the equipment for power plants serving the state, such as Progress Energy's conversions from coal to gas. The Ports Authority is working with other energy projects and must have this terminal to serve them.

Another consideration is navigational access. Unlike cargo ships, cruise ships nearly always dock starboard-side (or right side) to the dock. The north end of Columbus Street has been navigationally restricted for decades because of the currents associated with Town Creek.

Turning a large vessel for starboard-side-to docking maneuvers, particularly during ebb tide even without wind, would be very challenging and likely restricted. You'd essentially have to turn around and then back the ship up to the dock.

This could be marginally possible with tug assistance, but cruise ships have no need for tugs under normal circumstances – like at Union Pier – and don't particularly care for either the expense or the dings to their paint jobs. Plus, any such maneuver would be practically impossible with a ship in the berth immediately to the south. This then would limit cargo operations.

Combine conflicts with the 200 ro-ro ships now going to Columbus Street (because we moved them from Union Pier), the breakbulk cargo demand, etc. and the north end is operationally impossible.

Equally unworkable are suggestions that cruise be shifted to North Charleston (air draft restrictions and, well, location problems) or to a new dock at Patriots Point with massive dredging/construction expense. Plus, does the CCL's "poop in the harbor" issue go away if it's on the other side of the harbor?

Saving the best for last, Dana Beach actually suggested in a recent meeting with Jim Newsome that we build a brand new cruise terminal on... wait for it... Daniel Island. Yes, it's true.

Short story, the only place for the cruise terminal is Union Pier. But shifting the cruise north on Union Pier isn't a substandard option that we've resorted to by default. It is by far the most attractive option.

Shifting cruise north on Union Pier means all cargo operations would move to other terminals. This removes industrial cargo activity from the southern part of the peninsula for the first time in 331 years. Gone are 1,800 truck and vehicle trips a week, and four rail switches a day, and up to 200 cargo ships.

The Ports Authority began to effect this plan following City Council's unanimous vote in support in September 2010. It invested about $23 million in Columbus Street Terminal to enhance cargo operations and shifted BMW to this terminal. Already, more than 180 annual ship calls have been relocated from Union Pier to Columbus Street Terminal and only minimal cargo operations remain.

This move also would open the balance of the property to public access, redevelopment and other attractive benefits. Plus, it centralizes all cargo operations north on the peninsula, nearer to the rail and road infrastructure. The benefits are quite apparent.

While the north end of Columbus Street was never an option, the Ports Authority did look at the south end of Columbus Street for the cruise terminal soon after Jim Newsome joined the Ports Authority. **BUT** this was in the context of keeping and expanding cargo operations at Union Pier.

This was determined to be impractical for a number of reasons (mixing cargo/cruise, security considerations, operational limitations, etc.) **AND** we found a much better option – improve Columbus Street, move all the cargo there, shift cruise north on Union Pier, and free up the southern portion for redevelopment.

That takes all the rail and truck traffic off the lower peninsula. A brilliant solution for all – including the state's major port customers, our neighbors and our modest cruise business.

By any fair and reasonable estimation, relocating the cruise terminal north on Union Pier Terminal delivers the most benefits to the Port, area residents, our community and the state.

Non Container Cargo Surging PRINT.doc

South Carolina Ports **NEWS RELEASE**

176 Concord Street, P.O. Box 22287, Charleston, SC 29413-2287
Telephone: (843) 577-8197 • Fax: (843) 577-8127 • e-mail: bmiller@scspa.com
Contact: Byron D. Miller

FOR IMMEDIATE RELEASE
October 18, 2011

CHARLESTON BREAKBULK VOLUME SURGES WITH $23-MILLION INVESTMENT

Container Volume up 18% in September

Charleston, SC – With a $23-million improvement project at its Columbus Street Terminal completed, the South Carolina Ports Authority (SCPA) is enjoying a surge in non-container cargo at the Port of Charleston.

The first major phase of the project to improve the storage yard and enhance rail infrastructure was finished in March. In those seven months, Columbus Street Terminal's non-container cargo totaled 362,952 tons, a six-fold increase from 52,781 tons last year. The facility's vehicle count for the seven-month period totaled 112,161 autos, compared to 58,856 in the port during the same period in 2010.

"Columbus Street Terminal has obviously become a critical asset for cargo operations," said Jim Newsome, president and CEO of the SCPA. "With great facilities, excellent oversize rail clearances and skilled labor, Columbus Street Terminal is one of the premier ro-ro, breakbulk and heavy lift terminals on the U.S. East Coast."

Driven largely by the growth at Columbus Street, total breakbulk tonnage in the Port of Charleston is up nearly 80 percent in the first quarter of the fiscal year, which began July 1. The SCPA handled 234,232 pier tons of breakbulk and bulk cargo at its terminals in Charleston from July to September, up from 130,226 tons in the same period in 2010.

Calendar year-to-date, breakbulk tonnage is up 39 percent, with 609,674 tons handled in 2011 and 438,344 tons in 2010.

"Growth in the non-container segment is good for waterfront jobs, and it also provides a valuable service to major South Carolina employers and industries," said Newsome, referring to the BMW exports and power generation shipments that are large users of Columbus Street Terminal.

Charleston's container business also increased in September, totaling 125,032 20-foot equivalent units (TEUs), up 8.9 percent from August and up 17.6 percent from the same month last year. Container volume for the quarter (July through September) totaled 353,368 TEUs, the strongest quarter for the Port of Charleston since Q4 2008.

"These numbers are welcome news for our state and our maritime community," said Newsome. "Exports are driving growth and there are good signs out there for outbound growth, yet it's still a little unclear how far and fast the economy will go in the near-term."

-more-

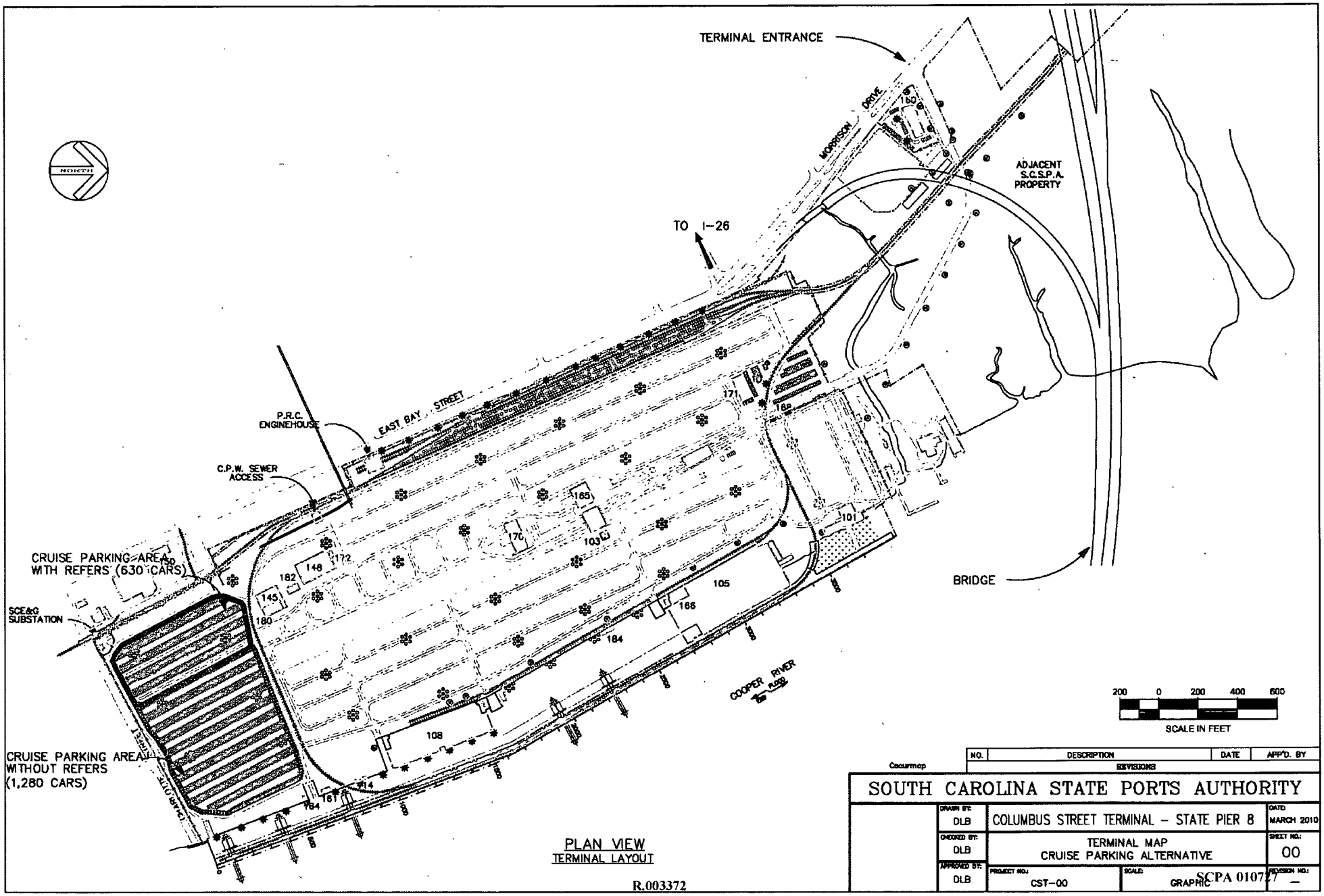
Breakbulk volume surges with $23M investment – add one

The Port of Georgetown's business grew five fold during the month of September over 2010, while tonnage for the fiscal year is up 379 percent. Georgetown volume totaled 43,419 tons in September and 112,701 tons in the first three months of the fiscal year, up from 8,596 tons in September 2010 and 23,537 pier tons in FY11.

About the South Carolina Ports Authority

The South Carolina State Ports Authority, established by the state's General Assembly in 1942, owns and operates public seaport facilities in Charleston and Georgetown, handling international commerce valued at more than $50 billion annually while receiving no direct taxpayer subsidy. An economic development engine for the state, port operations facilitate 260,800 jobs across South Carolina and nearly $45 billion in economic activity each year. For more information, visit www.scspa.com.

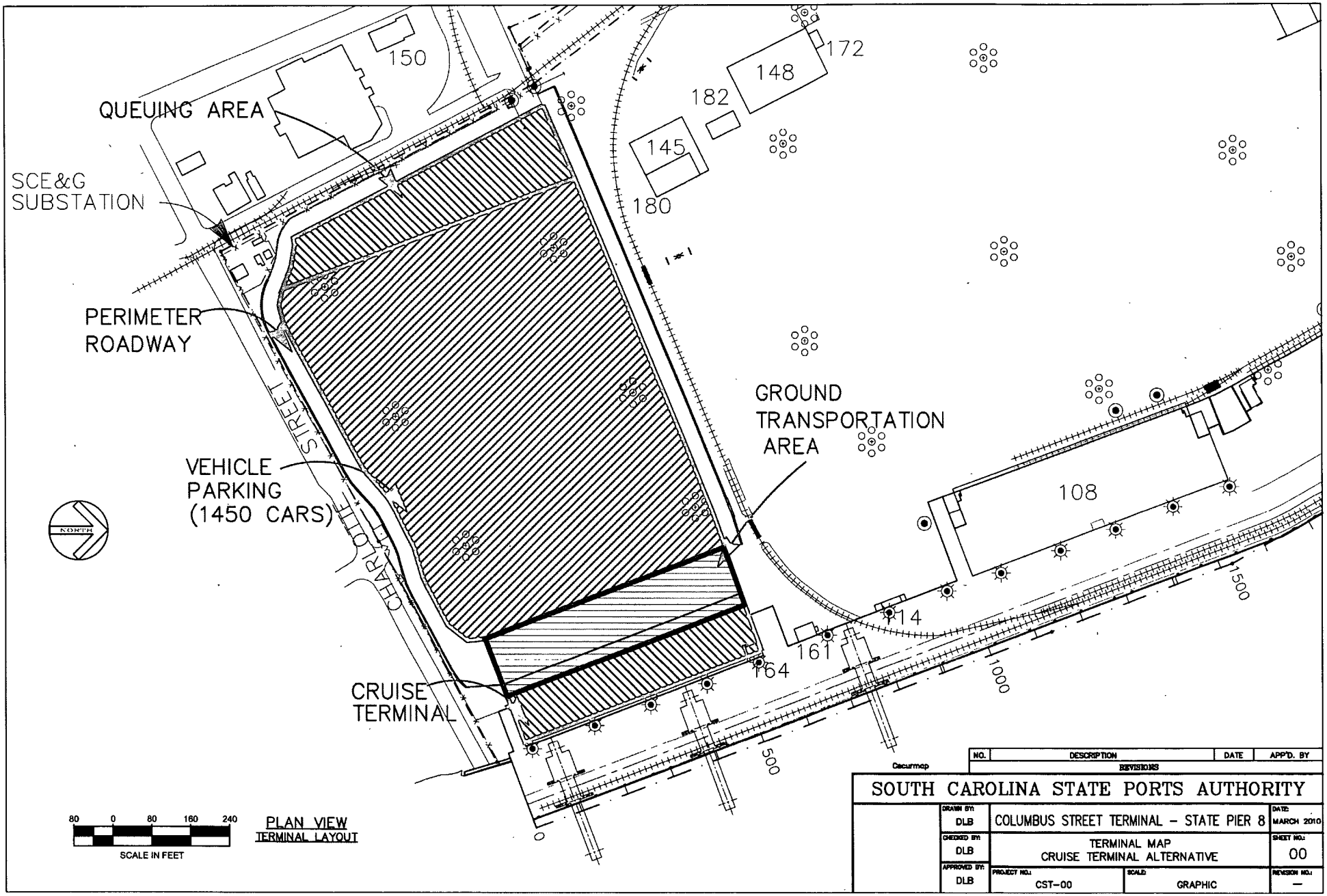
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PLAN VIEW
TERMINAL LAYOUT

R.003372

SCPA 010727



R.003373

SCPA 010728

Questions and Answers

Q - *Why not relocate the passenger terminal even farther north, at the Port's Columbus Street Terminal, thereby enabling all of Union Pier to be developed for public and private uses?*

A - The Columbus Street Terminal is a cargo terminal and must remain so in order to accommodate the Port's cargo business. Otherwise, the Port would need to expand our cargo operations to Union Pier. Then Union Pier would continue forever to be entirely used for maritime purposes.

Q - *Why have cruise ships at all?*

A - Cruise ships are part of the Port's maritime mission. They create jobs and are responsible for an annual economic impact of more than $37 million.

Q - *Why Carnival?*

A - Carnival is the leading cruise ship company, which includes other prominent brands like Cunard, Seabourn, and Holland America. Carnival has been an excellent corporate citizen, supporting local non-profits and even providing entertainment to the patients at MUSC's Children's Hospital.

Q - *What about air quality and Carnival ships dumping in our harbor?*

A - Carnival meets and exceeds all federal and international environmental regulations which are extensive. For more information, visit cruiseindustryfacts.com.

Q - *Why won't the Port agree to codify its commitments with respect to the size and number of cruise ships?*

A - The Port has committed in writing to a one-berth, one-ship terminal, annually accommodating up to 104 ships about the size of those that have regularly visited Charleston. The Port has also committed to a process it would follow if at any future time it thought those limits should be reconsidered. Imposing legal limits on any portion of its maritime business could lead to legal limits on other portions. And that would effectively make the Port uncompetitive. Since the Port is our state's economic engine, that could put thousands of South Carolinians out of work and cripple our economy.

Q - *Why is the Union Pier Plan contingent upon the new passenger terminal?*

A - By relocating the passenger terminal to the northern end on Union Pier, the southern portion of the property is unlocked for public and private uses.

Q - *What exactly will those public and private uses be?*

A - They will be determined by the community and the marketplace through an extensive public process during Phase II after the completion of the new passenger terminal.

Q - *What happens if the lawsuit delays the new terminal?*

A - The Port needs a new terminal. If the Port faces unreasonable delays on the new one, it will renovate the old one, bring more cargo operations back to Union Pier, and Union Pier will remain 100% maritime with no public access.

For more information and to provide input, please visit www.UnionPierPlan.com.

CONSIDERATIONS:

1. SLOT REQUIREMENTS BASED ON CURRENT VOLUMES, DESTINATION SORTS AND FREQUENCY OF VESSELS

2. ASSUMES NO PTZ OR BATTERY CHARGING

3.

CURRENT SLOT REQUIREMENTS:	PROPOSED SLOTS PROVIDED IN THIS LAYOUT:
1500 - FAR EAST	1160 - FAR EAST
300 - MID EAST	300 - MID EAST
400 - SOUTH HAMPTON	425 - SOUTH HAMPTON
1000 - BREMERHAVEN	1000 - BREMERHAVEN
400 - IMPORTS	400 - IMPORTS
300 - DAIMLER VANS	300 - DAIMLER VANS
3900 - TOTAL SLOTS REQUIRED	300 - ADDITIONAL SLOTS
	4485 - TOTAL SLOTS PROVIDED

4. CURRENT BMW CONTRACT REQUIRES 1000 COVERED SLOTS (NOT SPECIFIC AS TO WHICH CARS ARE TO BE COVERED) 1000 OF THE PROVIDED SLOTS WILL BE COVERED - LOCATION TO BE DETERMINED

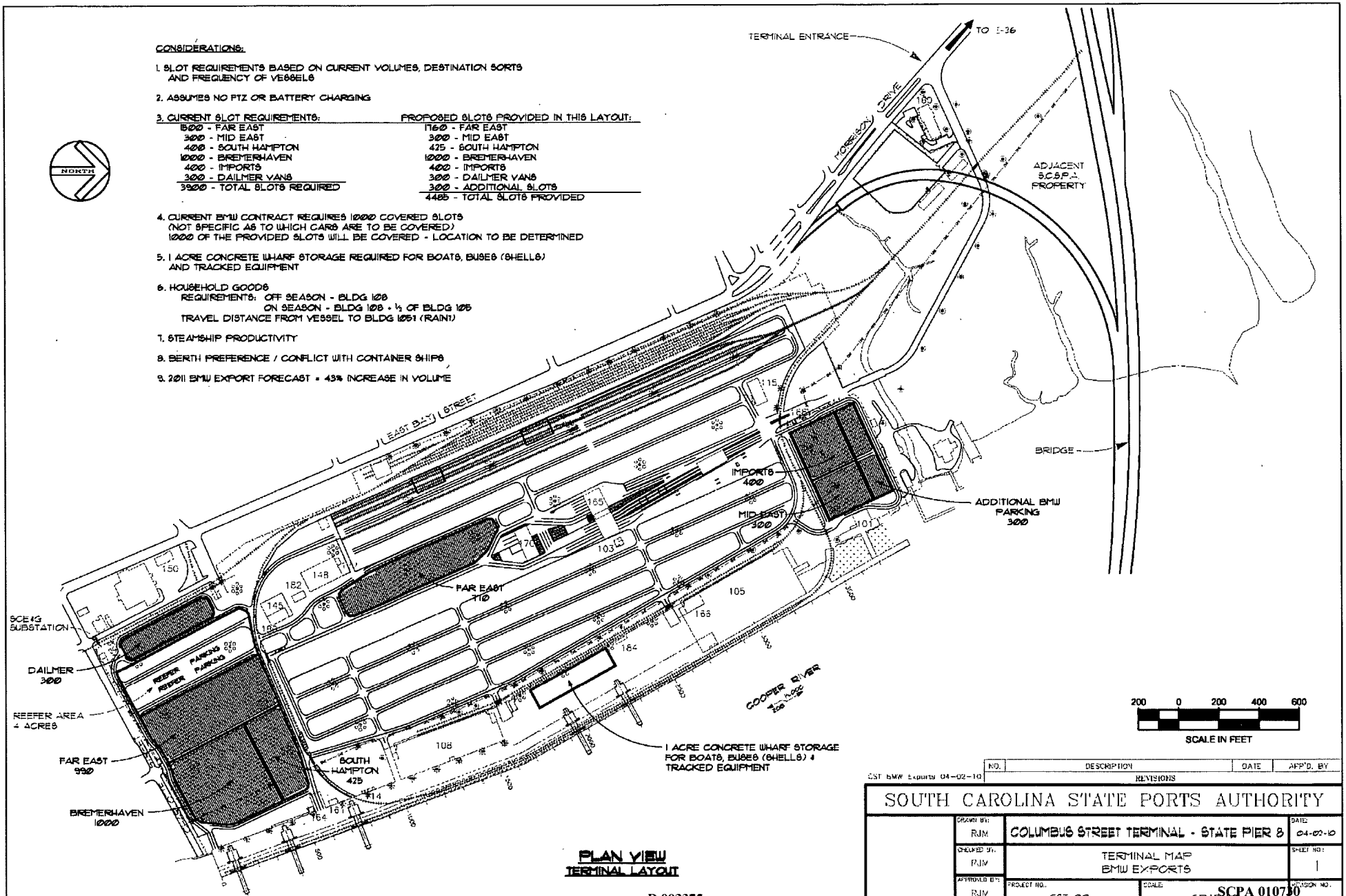
5. 1 ACRE CONCRETE WHARF STORAGE REQUIRED FOR BOATS, BUSES (SHELLS) AND TRACKED EQUIPMENT

6. HOUSEHOLD GOODS
   REQUIREMENTS: OFF SEASON - BLDG 108
   ON SEASON - BLDG 108 + ½ OF BLDG 105
   TRAVEL DISTANCE FROM VESSEL TO BLDG 1051 (RAIN!)

7. STEAMSHIP PRODUCTIVITY

8. BERTH PREFERENCE / CONFLICT WITH CONTAINER SHIPS

9. 2011 BMW EXPORT FORECAST = 43% INCREASE IN VOLUME



PLAN VIEW
TERMINAL LAYOUT

R.003375

NO.	DESCRIPTION	DATE	APP'D. BY
	REVISIONS		

CST BMW Exports 04-02-10

SOUTH CAROLINA STATE PORTS AUTHORITY

DRAWN BY: RJM	COLUMBUS STREET TERMINAL - STATE PIER 8		DATE: 04-02-10
CHECKED BY: RJM	TERMINAL MAP BMW EXPORTS		SHEET NO: 1
APPROVED BY: RJM	PROJECT NO.: CST-00	SCALE: GRAPHIC	REVISION NO.: -

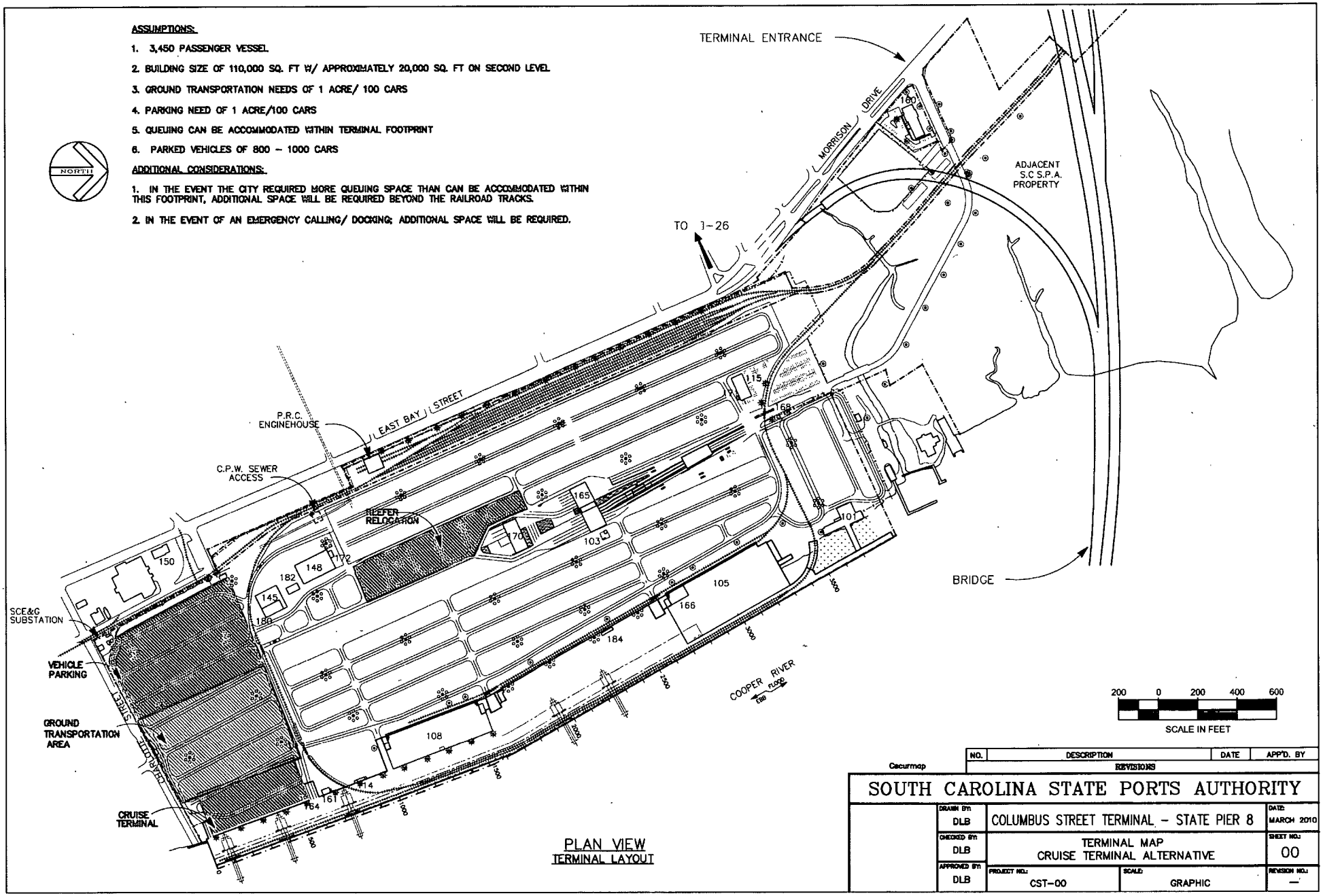
SCPA 010730

ASSUMPTIONS:

1. 3,450 PASSENGER VESSEL
2. BUILDING SIZE OF 110,000 SQ. FT W/ APPROXIMATELY 20,000 SQ. FT ON SECOND LEVEL
3. GROUND TRANSPORTATION NEEDS OF 1 ACRE/ 100 CARS
4. PARKING NEED OF 1 ACRE/100 CARS
5. QUEUING CAN BE ACCOMMODATED WITHIN TERMINAL FOOTPRINT
6. PARKED VEHICLES OF 800 – 1000 CARS

ADDITIONAL CONSIDERATIONS:

1. IN THE EVENT THE CITY REQUIRED MORE QUEUING SPACE THAN CAN BE ACCOMMODATED WITHIN THIS FOOTPRINT, ADDITIONAL SPACE WILL BE REQUIRED BEYOND THE RAILROAD TRACKS.
2. IN THE EVENT OF AN EMERGENCY CALLING/ DOCKING; ADDITIONAL SPACE WILL BE REQUIRED.



PLAN VIEW
TERMINAL LAYOUT

200 0 200 400 600
SCALE IN FEET

Cecurmap

NO.	DESCRIPTION	DATE	APP'D. BY
	REVISIONS		

SOUTH CAROLINA STATE PORTS AUTHORITY

DRAWN BY: DLB	COLUMBUS STREET TERMINAL – STATE PIER 8	DATE: MARCH 2010
CHECKED BY: DLB	TERMINAL MAP CRUISE TERMINAL ALTERNATIVE	SHEET NO.: 00
APPROVED BY: DLB	PROJECT NO.: CST-00 / SCALE: GRAPHIC	REVISION NO.: —

R.003376

SCPA 010731

Union Pier
Cruise Terminal Cost Estimate

Cruise Terminal Renovation (Building 322)	**$29,068,665.00**
Ground Transporation Area	
Site Prep - 318 (North) Building Demo	$465,500.00
Site Prep - 330 Building Demo	$114,930.00
Site Prep - Fill	$170,000.00
Traffic Islands - Landscaping	$35,210.00
Ground Transportation: Finished Surface	$800,000.00
	$1,585,640.00
Parking & Services	
Site Prep - 343 Bldg. Demo	$3,200.00
Parking Fields	$108,500.00
Security Fencing	$64,500.00
Public Access to Waterfront: Railing, Lighting, Signage	$178,500.00
Concord Street	$340,000.00
	$694,700.00
Deck Seismic Retrofit	
Building 322	**$6,480,000.00**
Total	**$37,829,005.00**

Columbus Street Terminal
Cruise Terminal Cost Estimate

Cruise Terminal Building Essentials	**$29,068,665.00**	
Ground Transporation Area		
Reefer Demo	$700,000.00	
Traffic Islands - Landscaping	$35,210.00	
Ground Transportation: Finished Surface	$800,000.00	
	$1,535,210.00	
Parking & Services		
Parking Fields	$108,500.00	
Security Fencing	$64,500.00	
	$173,000.00	
Cruise Building Structure (110,000 SQ. FT)		
$85/ SQ. FT - $120/ SQ. FT		
	$40,126,875.00	**$43,976,875.00**
Differential:	**$2,297,870.00**	**$6,147,870.00**

Comparison of Cruise at Union Pier Terminal versus Columbus Street Terminal April 5, 2010

Following is a discussion of locating Cruise in Building #322 at UPT as Master Planned or alternatively at the south end of Columbus Street Terminal.

Capital Cost Comparison

From a high level the cost of constructing a cruise facility would be comparable at either location. The advantage of a readily usable building at UPT (Building #322) is at least partially offset by its need for seismic upgrade. The major capital cost driver is likely the cost to relocate BMW from UPT to CST.

- Bermello Ajamil & Partners estimated the cost to upgrade Building #322 from $30 to $45 million. They have had discussions with US Customs regarding their requirements and are well aware of cruise line needs. Also, due to their participation in the UPT Master Plan process they are more familiar with the site and anticipated city requirements.

  CH2M-Hill made a cursory inspection of the facility and provided an estimate of $16 to $30 million for a "bare bones" upgrade of #322 using a design/build format.

  The Bermello Ajamil estimate is certainly backed by more planning and discussion, but is probably is on the higher side. Engineering has prepared a comparative estimate for the two locations. At this point we would recommend a budget of $38 million for the Building #322 location and $42 million for CST. Reasons would be:
  - The SCSPA would not build a "bare bones" facility, nor would it be acceptable.
  - Seismic and wind load requirements will add to construction costs at either location.
  - Bermello Ajamil seems to have more recent dealings with CBP and seems to be estimating a greater space requirement than CH2.
  - Cost at either location will include upgrade of parking and appropriate fencing and curbing to effect good traffic flow and control.
  - Cruise layout at UPT covers 27 acres. The proposed layout at CST is about 19 acres. There is a strong possibility some additional space may be required at CST. If so, this would be a significant impact.
  - Cruise at CST will require the terminal to be divided into two security areas. One would be for conventional cargo operations. The other would be for cruise (general public) access. These costs have not been considered.
- Capital cost to relocate ro-ro (BMW) to CST involves the following components:
  - Addition of rail unloading facilities – estimated at $3 million.
  - Addition of covered storage – estimated at $3 million.
  - Miscellaneous paving – estimate $1 million.

Space Requirement Impact

Cruise Impact to CST

- If cruise is to be located at CST the decision must be made whether to construct the building on the existing wharf or behind it.
  - Construction on either of the existing wharves would require Section 404 consideration. The CST construction would be much more significant and likely

require an EIS. The impacts of a retrofit of #322 possibly would result in a Finding of No Significant Impact (FONSI).
    - Seismic requirements would govern construction on either of the existing wharves.
    - Construction behind the existing CST (outside the Critical Area) wharf would require about two acres of space.
- Relocation of Cruise to CST will require relocation of existing reefers.
- Relocation of Cruise to CST would require a separation of security areas.
- The potential cruise impact on CST is shown on the attached drawing. It should be noted very little space is allocated to vehicle circulation and staging. The UPT Master Plan allocated about 27 acres to Cruise. This CST layout only allocates about 19 acres. Very likely final layouts will require additional space.

Ro-ro Impact to CST

- The ro-ro storage impact on CST is shown on the attached CST drawing. One should note this layout assumes the existing reefers are not relocated.
- Ro-ro will also require the dedication of the RTG row nearest the rail yard to unloading track and facilities.
- A track to accommodate intermodal containers will partially impact the second RTG row. It is believed the intermodal track could be located under an RTG to improve operation and to minimize loss of container space.
- Further refinement of rail layout is needed.

Westinghouse

It is anticipated the potential Westinghouse business can be located on the upper end of the two RTG runs already impacted by ro-ro and intermodal containers. Westinghouse improvements were estimated at $1.5 million. At the level of current estimates the $1.5 million is included in the ro-ro capital costs. Further refinement of the Westinghouse layout is needed.

Business Location Comparison

While capital and operating costs certainly must be considered, business considerations are more important.

- Locating Cruise at CST:
    - Moves cruise away from the Market area, a major attraction to cruise customers.
    - Requires a $30+ million investment in a facility that will be less centrally located for other events or alternate uses.
    - Leaves cargo operations significantly impacting the UPT footprint, hindering/delaying redevelopment.
    - Leaves rail, truck, and cargo operations in the downtown area.
    - Mixes cruise and cargo operations at CST. Security interface will be more difficult.
- Locating ro-ro at CST:
    - Keeps CST an all cargo terminal.
    - Ro-ro can more easily be relocated and the area returned to other cargo operations.
    - Ro-ro could be expanded at CST. It is constrained at UPT.
    - Reduces rail switching from the yard to unloading tracks and across public intersections and removes truck traffic from downtown.

- Opens UPT for redevelopment in keeping with the UPT Master Plan and recently established community expectations.
- Consolidates cargo into one less terminal. Cruise operations will not be a daily activity, thus the terminal will not need daily staffing.

Conclusions

At the current level of investigation capital costs are very soft. Both Cruise and ro-ro can be relocated to CST. Both have similar impacts to existing operations. While it appears ro-ro would have a greater space impact, there are more unanswered layout questions concerning Cruise. At this point, capital costs are considered similar. The primary cost driver in either case is the cost of the Cruise facility.

Engineering's recommendation is to proceed on the basis of Cruise at UPT (Building #322) and relocating ro-ro to CST. This arrangement is certainly possible and is in keeping with the Union Pier Master Plan and public expectations. More detailed layouts and designs should be made for both projects to develop better estimates of cost and space impacts.

To that end we recommend developing a Request for Proposal for a design firm to work with us on the Cruise terminal project at UPT. The CBP requirements and architectural requirements are beyond the capability of our Engineering staff. We recommend a design/bid/build process. Due to the requirement to relocate ro-ro, any potential time saving of a design/build process would be lost.

Our Engineering staff will design the ro-ro relocation to CST. We will need to work with the SCPR in the development of appropriate rail layouts. We will work with Operations on the layout of ro-ro storage and the Westinghouse requirements. While most of the relocation work will be outside the area that will be raised and paved, the projects will need to be coordinated. This will provide good opportunity to do that.

Attachments:
CruiseAlternativesCostEstimate.pdf
CST-BMW Exports (02-04-10).pdf
Cs_Cruise Alternative.pdf

Capital Planning

Options for Cruise & BMW

Scenario 1 - Engineering Estimate

April 2010

(In Thousands)

	Option 1 a) BMW @ UPT b) Cruise @ CST	Option 2 a) BMW @ CST b) Cruise @ UPT
Capital Cost		
BMW	$0	$5,500
Cruise	42,000	38,000
Total Capital	**$42,000**	**$43,500**
Net Cash Flows		
BMW (20-Year NPV)	$69,331	$69,331
Cruise (20-Year NPV)	46,619	46,619
UPT Redevelopment	30,000	48,000
Total Projected Net Cash Flows	**$145,951**	**$163,951**
Opportunity Costs (20-Year Net Cash Flows)		
Container @ CST	$49,781 *	$74,099 **
Total Opportunity Cost	**$49,781**	**$74,099**
	$54,169	**$46,352**

*Cruise at CST assumes the elimination of the E-Yard; however, the Engineer's report states that it may require additional space that was not contemplated in this analysis.

**There is some space that is currently used for Breakbulk Operations at CST that will be occupied by BMW. The opportunity cost for this space was not contemplated in this analysis.

Capital Planning

Options for Cruise & BMW

Scenario 2 - Financial Affordabiltiy - Construction Cost Differential

April 2010

(In Thousands)

	Option 1 a) BMW @ UPT b) Cruise @ CST	Option 2 a) BMW @ CST b) Cruise @ UPT	Option 3 a) BMW @ CST (1st 5 Years) b) BMW @ VT (After Year 5) c) Cruise @ UPT
Capital Cost			
BMW	$0	$5,500	$45,500
Cruise	29,000	25,000	25,000
Total Capital	**$29,000**	**$30,500**	**$70,500**
Net Cash Flows			
BMW (20-Year NPV)	$69,331	$69,331	$69,331
Cruise (20-Year NPV)	46,619	46,619	46,619
UPT Redevelopment	30,000	48,000	48,000
Total Projected Net Cash Flows	**$145,951**	**$163,951**	**$163,951**
Opportunity Costs (20-Year Net Cash Flows)			
Container @ CST	$49,781 *	$74,099 **	$3,841
Business @ VT	0	0	0
Total Opportunity Cost	**$49,781**	**$74,099**	**$3,841**
	$67,169	**$59,352**	**$89,610**

*Cruise at CST assumes the elimination of the E-Yard; however, the Engineer's report states that it may require additional space that was not contemplated in this analysis.

**There is some space that is currently used for Breakbulk Operations at CST that will be occupied by BMW. The opportunity cost for this space was not contemplated in this analysis.

Capital Planning

Options for Cruise & BMW

Scenario 3 - Financial Affordabiltiy - Equal Construction Costs

April 2010

(In Thousands)

	Option 1 a) BMW @ UPT b) Cruise @ CST	Option 2 a) BMW @ CST b) Cruise @ UPT
Capital Cost		
BMW	$0	$5,500
Cruise	25,000	25,000
Total Capital	**$25,000**	**$30,500**
Net Cash Flows		
BMW (20-Year NPV)	$69,331	$69,331
Cruise (20-Year NPV)	46,619	46,619
UPT Redevelopment	30,000	48,000
Total Projected Net Cash Flows	**$145,951**	**$163,951**
Opportunity Costs (20-Year Net Cash Flows)		
Container @ CST	$49,781 *	$74,099 **
Total Opportunity Cost	**$49,781**	**$74,099**
	$71,169	**$59,352**

*Cruise at CST assumes the elimination of the E-Yard; however, the Engineer's report states that it may require additional space that was not contemplated in this analysis.

**There is some space that is currently used for Breakbulk Operations at CST that will be occupied by BMW. The opportunity cost for this space was not contemplated in this analysis.

Capital Planning

Options for Cruise & BMW

April 2010

(In Thousands)

	Option 1 a) BMW @ UPT b) Cruise @ CST	Option 2 a) BMW @ CST b) Cruise @ UPT
Capital Cost		
BMW	$0	$5,500
Cruise	29,000	25,000
Total Capital	**$29,000**	**$30,500**
Net Cash Flows		
BMW (20-Year NPV)	$72,865	$72,865
Cruise (20-Year NPV)	82,661	82,661
UPT Redevelopment	25,000	35,000
Total Projected Net Cash Flows	**$180,526**	**$190,526**
Opportunity Costs (20-Year Net Cash Flows)		
Container @ CST	$74,502 *	$108,568 **
Total Opportunity Cost	**$74,502**	**$108,568**
	$77,025	**$51,458**

*Cruise at CST assumes the elimination of the E-Yard; however, the Engineer's report states that it may require additional space that was not contemplated in this analysis.

**There is some space that is currently used for Breakbulk Operations at CST that will be occupied by BMW. The opportunity cost for this space was not contemplated in this analysis.

Outline of Authority's Decision Making Process for Redeveloping Portions of Union Pier & Constructing a Modern Cruise Terminal

2010 Decision Making Process

Cruise Focus

1) The Authority initially ran financial scenarios contemplating the long-term viability of continuing the cruise industry in Charleston.
    a. The original Passenger Terminal, built in 1973, has served more than 700,000 passengers & over 1,000 vessels throughout the years.
    b. As a result of the age of the current facility, changes in the industry, and operational inefficiencies; financial scenarios were run contemplating the financial return on the investment required to modernize and/or construct a new cruise facility.
    c. The financial case was made that it is both a viable and a contributing business segment for the Port even given low to moderate growth assumptions.
        i. Given that Charleston is & will continue to be a small niche market, no scenarios contemplated more than 95-100 dockings per year and final financial scenarios contemplated 44 – 95 dockings per year.
        ii. The present value of the return over 30 years ranged between $3.6 million - $88.2 million with both the low and high ranges remaining conservative.

Decision Making Process: Cruise at UPT v. CST

1) Financial Considerations:
    a. Original Engineering Cost Estimate (4/2/2010) for Construction of Passenger Terminal (Note: Other costs were brought into the financial analysis – this was PT Build-out only)
        i. CST - $44 Million
        ii. UPT - $38 Million

    b. Four scenarios were reviewed:
        i. BMW at UPT/Cruise at CST
        ii. BMW at CST/Cruise at UPT
        iii. BMW at CST/BMW moves to VT (After 5 Years)/Cruise at UPT
        iv. BMW at UPT/BMW moves to VT (After 5 Years)/Cruise at CST
        v. "c." was the best financial option. Capital costs, net cash flows, & opportunity costs were analyzed.

2) Other Driving Business Reasons:
    a. BMW was quickly outgrowing UPT, thus UPT was not a long-term, viable option for BMW.

b. CST is a more natural fit for cargo & UPT is a more natural fit for Passengers.

Justification & Financial Analysis for Converting Warehouse 322 into a Passenger Terminal & Redeveloping Portions of UPT

1) Over the past 20 years, the Authority has contemplated selling portions of its Union Pier property & other parcels of real estate located in the southern peninsula of Charleston to fund expansion and development of cargo terminals.
   a. This move would redirect over 160 cargo ships per year away from the southern end of the peninsula to Columbus Street Terminal.

2) Although cargo operations can be moved to other terminals, downtown Charleston is a natural fit for continuing the Authority's cruise operations.
   a. As mentioned above, modernization & updates are required for the current Passenger Terminal to streamline operations, improve space utilization, effectively respond to Customs requirements, and lower operating costs.

3) Several areas within UPT were analyzed for cruise operations and it was decided that converting warehouse 322 on the north end of Union Pier would produce the most overall value, provide the best reduction in traffic, satisfy the requirements of Customs and Border Protection, meet the needs of cruise customers, and provide a more secure and efficient operation.
   a. While the entire parcel of Union Pier is valuable, the land on the southern end of the Union Pier property currently carries a higher value and should create more cash flow for the Authority to invest in other operations.
   b. By moving the Passenger Terminal to the North End, there should be a significant reduction in traffic as a result of on-terminal parking & less penetration of vehicles into the city of Charleston.
      i. The design on the North End has near-terminal parking that will contribute to significant reductions in shuttles, City of Charleston police & Authority police during Embark/Debark calls, thereby making the cruise business segment more profitable, efficient, safe, customer friendly, and city friendly.
      ii. The closing of Concord/Pritchard/Washington streets on Embark/Debark calls will no longer be required.
      iii. The redevelopment of Union Pier & maintaining cruise operations on the North End will open up Concord Street all of the way to the Aquarium on non-Embark/Debark days & allow for better traffic flow in the city. Currently, this portion of Concord Street is located on Union Pier Terminal & is closed.

4) UPT/PT/MO = 74 Acres –
   a. Over-water Decking to Be Demolished – approx. 10 Acres
      i. Most aesthetically pleasing from a city planning perspective
         1. Opp. Cost of $5-$7 million

b. North End - 27 Acres (43%) – Cruise Facility
c. South End - 36 Acres (57%)– Private & Public Development
   i.

Private Development	16.2
Civic/Garage	2.9
Streets	8.6
Open Space	8.3
	36.0

5) Net value of southern end after infrastructure improvements are made jointly by Authority & City of Charleston = $48 - $58 Million
   a. $1.3 - $1.6 Million per Gross (Public & Private) Acre in Value ($3.0 - $3.6 million per Private Development Acre).
   b. Note: Infrastructure improvements are estimated to be $43 million with $13 - $23 million covered by the City of Charleston using Tax Increment Financing.

Current Situation & Conclusion

As of April 2011, the situation is as follows:

1) BMW has moved to Columbus Street Terminal for cargo operations. In addition, heavy lift and other cargo operations continue to grow at Columbus Street Terminal.
   a. The Authority embarked on a $20 million paving & rail improvement project at Columbus Street to better accommodate BMW and heavy lift operations.
   b. Approximately half of Columbus Street is being used for BMW & other Roll-On/Roll-Off cargo. BMW's exports are projected to grow by 20% in FY2011 and an additional 20% in FY2012.
   c. Heavy lift cargo and warehouse cargo customers currently comprise the other half of the terminal. Westinghouse is planned to occupy a portion of the terminal within the upcoming year. In addition, the Authority is in negotiations with the niche customer that has both breakbulk and containerized cargo.
   d. Given the investment that was recently made at Columbus Street as well as the growth in cargo operations, it does not make logistical or business sense to move cruise operations to Columbus Street Terminal.
      i. The entire area where BMW cargo currently operates was repaved & the majority of the rail improvements that were completed at Columbus Street Terminal were accomplished specifically for BMW vehicles.
      ii. In order for cruise operations to work at Columbus Street, BMW would have to move back to Union Pier Terminal or some other unidentified location. Given BMW's projected growth, this could

mean parking vehicles in warehouses across the street from the terminal. This had to be done in the 2007/2008 timeframe and created operational and traffic inefficiencies.

2) The Cruise Business Segment is projected to contribute $4.5 Million in cash flow in FY2011. This is over 400% growth from FY2010.
    a. Once the new terminal comes online, an operational savings of approximately $800,000/year should be realized.
    b. Assuming the current number of dockings and passengers, cruise is projected to realize cash flow of approximately $200K/annually per acre once the new terminal is functional.

Given the direction of cargo and cruise growth in the past year, the Authority believes that the decisions made in 2010 were the right decisions from a business perspective for the Port. In addition, the Authority has diligently and openly worked with the community to devise a plan that is the best – not only for the Port – but for Charleston and its surrounding areas.

From:	Bellamy, Derrick
Sent time:	Tuesday, March 30, 2010 5:11:01 PM
To:	Bryant, Joe
Cc:	Kemp, Steve; Mitchell, Bob; Bowers, Randy
Subject:	RE: CST - Cruise Alternative
Attachments:	Cscurmap_Cruise Terminalb.pdf

Joe,

As stated earlier today, I spoke w/ Israel yesterday and revised the concept area for the Cruise Terminal Alternative at Columbus Street.

Based on the report for dual embarkation and disembarkation for a 3,450 passenger (pax) vessel:

- CBP Requirements are approximately 28,889 sq. ft w/ support areas
- A total building size would need to be on the order of 130,000 sq. ft.; 110,000 sq. ft being the min. w/ the balance made up in the second floor

Assumptions based on conversation w/ Israel

- Parking 800 cars (3750 pax X 75% driving = 2587.5 pax / 4 pax/cars = 647 cars => use 800)
- Using 1 acre/ 100 car for ground transportation area (GTA) and parking each=> 16 acres for parking and ground transportation

The attached drawing assumes a building footprint of 110,000 sq. ft; 7.66 Acres for GTA; 7.89 Acres for parking. Note this alternative requires the refrigerated cargo to be moved for parking.

It is my understanding that the "rule of thumb" numbers provided are conservative; therefore, we would be able to make this area work with the given assumptions above. The concern again is queuing of cars. It is my opinion that we would have sufficient space to queue enough cars to the satisfaction of the City within the given footprint.

Derrick L. Bellamy, P.E.
South Carolina State **Ports Authority**

From: Bryant, Joe
Sent: Monday, March 29, 2010 1:20 PM
To: McLean, Bill; Hughes, Peter; Lehman, Peter
Cc: Kemp, Steve; Bellamy, Derrick; Mitchell, Bob; Bowers, Randy
Subject: FW: CST - Cruise Alternative

In trying to compare Cruise at CST versus #322 at UPT we first have to look at the footprint of the operation. One drawing shows what we believe will be the required Cruise footprint. The other one is the BMW footprint.

The Cruise footprint is based on our best guess from the Cooper Robertson work at UPT.

The BMW footprint will also take up at least one RTG run adjacent to the rail yard. SCPR says that is not enough. Steve Kemp was going to meet with McWhorter to determine the minimum needed for ro-ro and project cargo. SCPR's proposed layout takes out 2 RTG runs. For BMW we are just trying to replicate what we can currently do at UPT.

We need concurrence that these footprints represent what each operation would reasonably require. Keep in mind, Cruise and BMW put a terrific strain on UPT and will not work in the long run. We need the lowest cost solution. The footprints are important at this point for Finance to calculate the change in business mix and for Engineering to estimate the capital cost to make the changes.

Joe

From: Bellamy, Derrick
Sent: Monday, March 29, 2010 11:36 AM
To: Bryant, Joe
Subject: CST - Cruise Alternative

Joe,

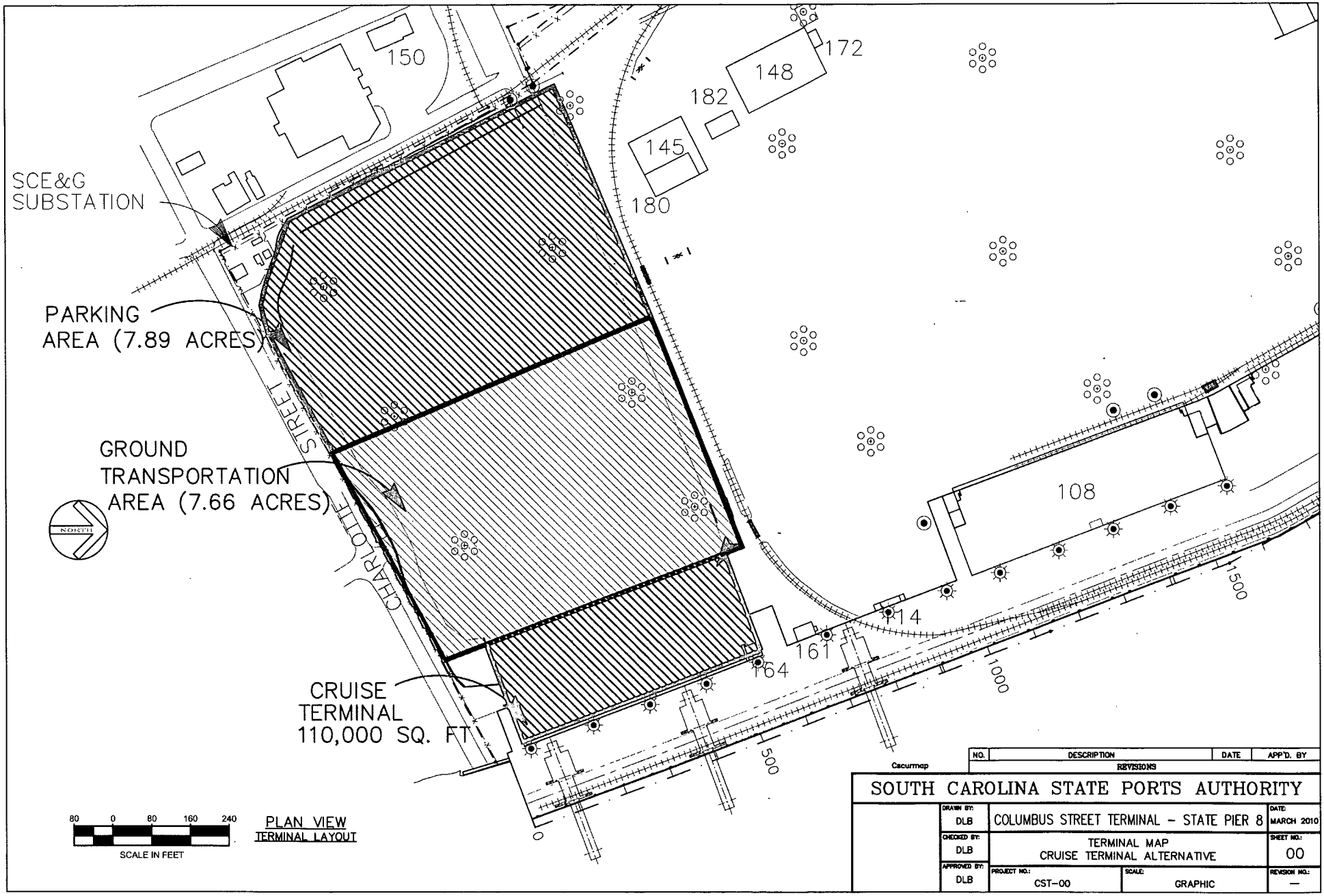
Attached is a concept drawing for the Cruise Terminal at the Columbus Street Terminal. Based on the documents provided by CRP, it was not apparent what size terminal was actually required. They essentially used the entire footprint of building 322. Therefore I placed the terminal building footprint between the existing ramps (distance of 520 ft long) for a footprint of 52,000 sq. ft. The ground transportation area has a footprint of 65,000 sq. ft.

I made an effort to plan a ground transportation area, parking & queuing space. The more I got into the layout, the more I realized that several decisions would have to be made in order to "make it work." Decisions would include:

- Given the defined area what's the best use to facilitate parking POV; queuing individuals; stores (shown on previous layouts);
- Are there any CBT requirements for this location that would be different from the UPT?
- Do you split the bus/taxi traffic from the individual planning to park? If so who uses the Charlotte St. entrance and who uses the Chapel St. entrance.
- The attached drawing shows queuing (two lanes snaking back at forth) near Chapel St. Will this be enough for the City?
- Do individual drop their luggage off then park and walk or park and get picked up. This decision will dictate the row layout.

It is my hope that we can use the drawing as a starting point for discussion.

Derrick L. Bellamy, P.E.
South Carolina State **Ports Authority**



NO.	DESCRIPTION	DATE	APP'D. BY
	REVISIONS		

Cscurmap

SOUTH CAROLINA STATE PORTS AUTHORITY

DRAWN BY: DLB	COLUMBUS STREET TERMINAL – STATE PIER 8	DATE: MARCH 2010
CHECKED BY: DLB	TERMINAL MAP CRUISE TERMINAL ALTERNATIVE	SHEET NO.: 00
APPROVED BY: DLB	PROJECT NO.: CST–00 / SCALE: GRAPHIC	REVISION NO.: –

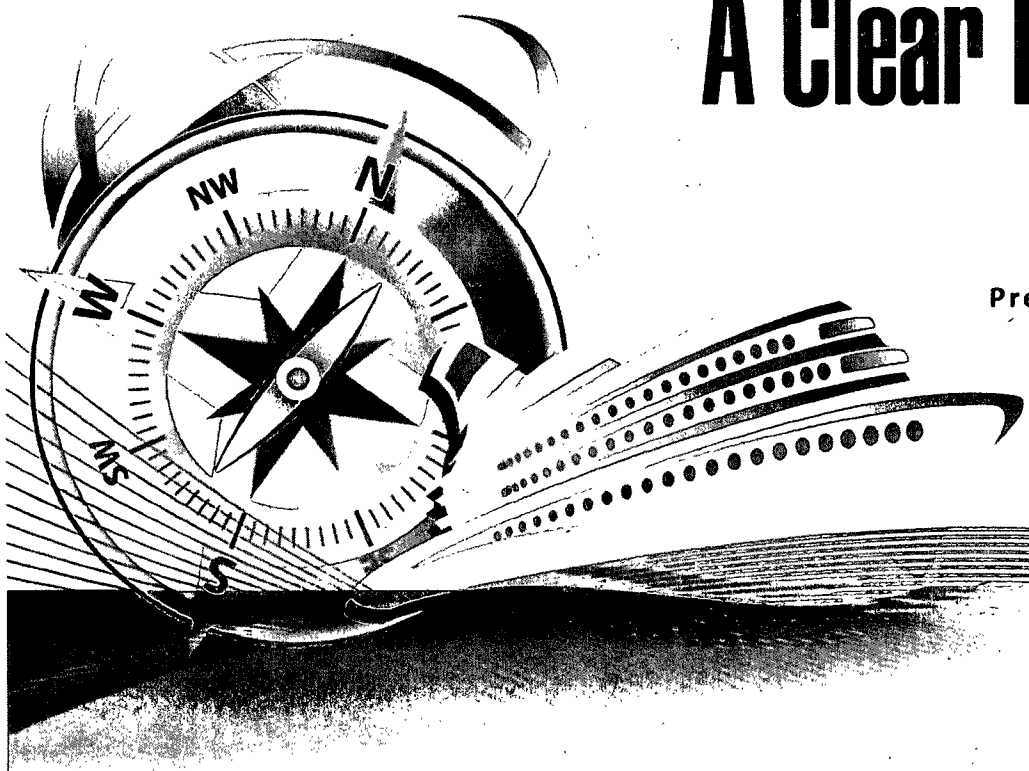
R003391

SCPA 010716

Exhibit 26

The Cruise Industry in Charleston:

A Clear Perspective



Prepared for

Historic Charleston Foundation

Prepared by

Miley & Associates INC

Columbia, SC

March 2012

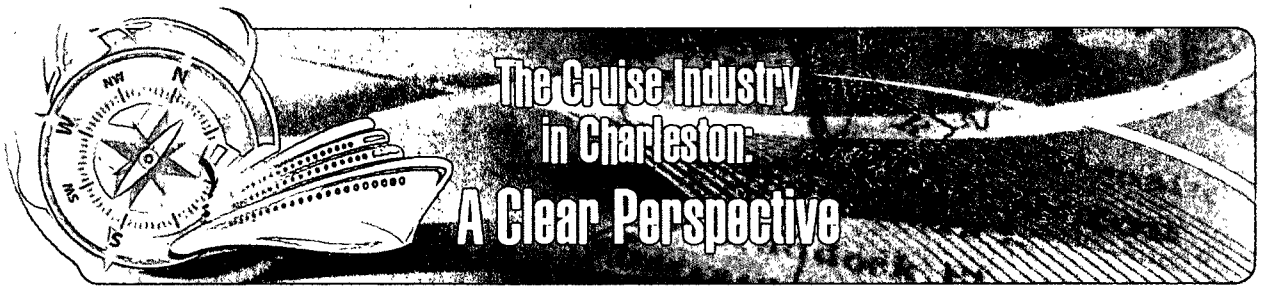


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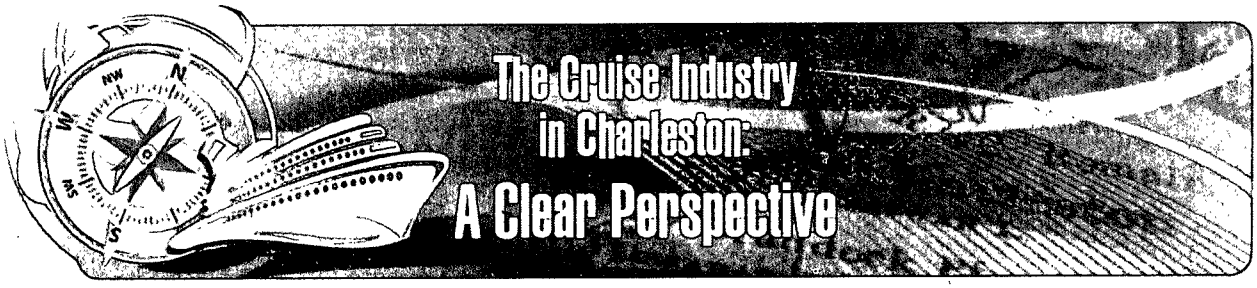
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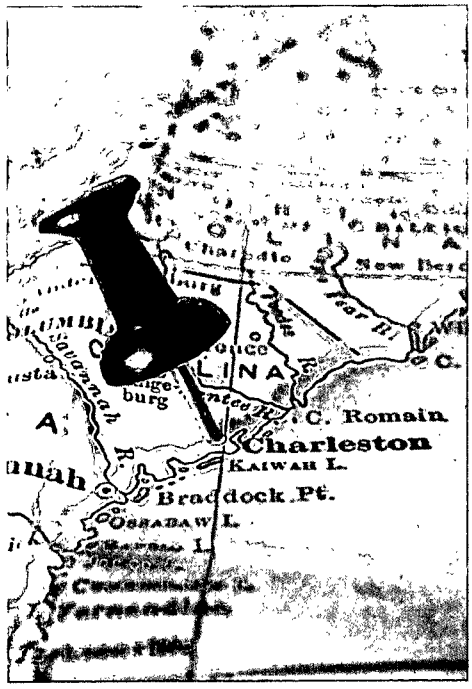
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Introduction

In the fall of 2011, Historic Charleston Foundation (HCF) commissioned Miley & Associates, Inc. (M&A) to conduct an impartial analysis of the impact of the cruise industry on the City of Charleston. HCF directed M&A to provide an assessment of the positive and negative, short-term and long-term impacts that the cruise industry has, or may have, on Charleston's economy and quality of life as they relate to the historical, architectural and cultural character of the city. Funding for this report was made possible in part through a contribution from the National Trust for Historic Preservation.

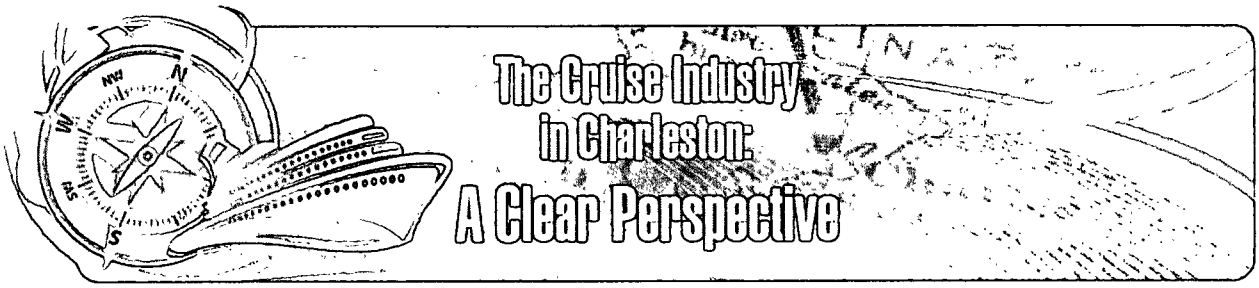


This is the first comprehensive study of how the cruise industry affects businesses, government, residents, and tourism in the Charleston region. It covers many facets of the cruise industry in detail, including the industry's economic impacts on the community, and their sophisticated business and operating model. The report confirms the complexity of the cruise industry and how it generates profits, as well as how its focus on meeting customer needs and profit goals can be a concern for communities that are either home ports or ports of call. Charleston is both.

This report is intended to provide analysis and perspective on the cruise industry's impacts on the City so that community leaders can establish policies to address the cruise industry's presence in the historic district. The goal of the report is to increase the Charleston stakeholders' understanding of the relationship a community can expect to have with the cruise industry. However, it should be noted that while other groups and studies have focused on the benefits to the Charleston region from the cruise industry, this study also considers the cost to the City of Charleston from the cruise industry. This report provides Historic Charleston Foundation with findings related to the cruise industry, economic impacts, opportunity costs and quality of life issues which are an inherent part of accepting the cruise industry into Charleston's cultural fabric. Included are examples, case studies, analysis of third party data, expert interviews and observations of solutions both deployed and avoided by other similar communities.[1]

However, as we point out several times in this report, the truth about the industry's impacts – good or bad – on the City of Charleston can only be determined with a comprehensive analysis based on extensive, real data collected from Charleston's residents and businesses.

Currently, the Gibbes Museum of Art is featuring "The Art of Alfred Hutty: Woodstock to Charleston", showcasing landscapes and the human condition paintings based on life in Charleston. Hutty and his fellow artists formed the founda-



Introduction
(continued)

tion of what is referred to as the Charleston Renaissance (1920 – 1945). This time period began a movement that captured the imagination of tourists. From those humble beginnings, tourism in Charleston has slowly grown over the years to produce what it is now, a renowned destination for travelers around the world who appreciate culture, artistry, and a history supported by a community that appreciates old world charm and values (for a brief overview of the demographic profile of Charleston, see Appendix 3). Tourism is a critically important component of the Charleston area economy, and historic preservation plays a major role in its success as an international destination. Based on the latest data from the Charleston Area Convention and Visitors Bureau, there were more than 4.2 million visitors to Charleston in 2010 spending more than $3 billion.

Central to the issue of cruise ships in Charleston is the volume of the cruise industry (number and size of cruise ships) and the proposed development of the Union Pier Passenger Terminal to be built by the South Carolina State Ports Authority (SPA). The SPA has proposed renovating an older building on SPA property at a cost of $35 million. The SPA's proposed new terminal is supported by many in the Charleston area. SPA and its supporters have focused attention on the assertion that the cruise industry and the new passenger terminal provide (and will provide) a tremendous boost to the City's economy. The SPA has commissioned at least two studies supporting these economic impacts, and two of the more recent ones are discussed in this report.[2]

Concerns about the cruise industry are multi-pronged. Some think that the cruise industry is hurting the historic character and charm of Charleston that has made the city one of the most attractive places to visit in the country. Others believe that it hasn't hurt the city yet, but could hurt the city if the volume of the industry is allowed to grow unchecked. This issue is frequently referred to as "killing the goose that lays the golden egg." Charleston has a well-known legacy of thoughtful and comprehensive tourism regulation that has protected the character and livability of the city thus far, and many in the community would like to see the cruise industry regulated in the same manner.



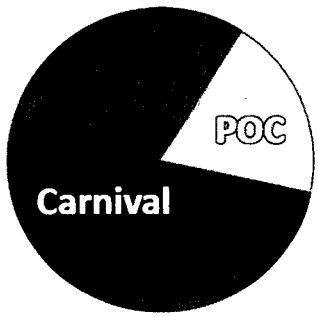
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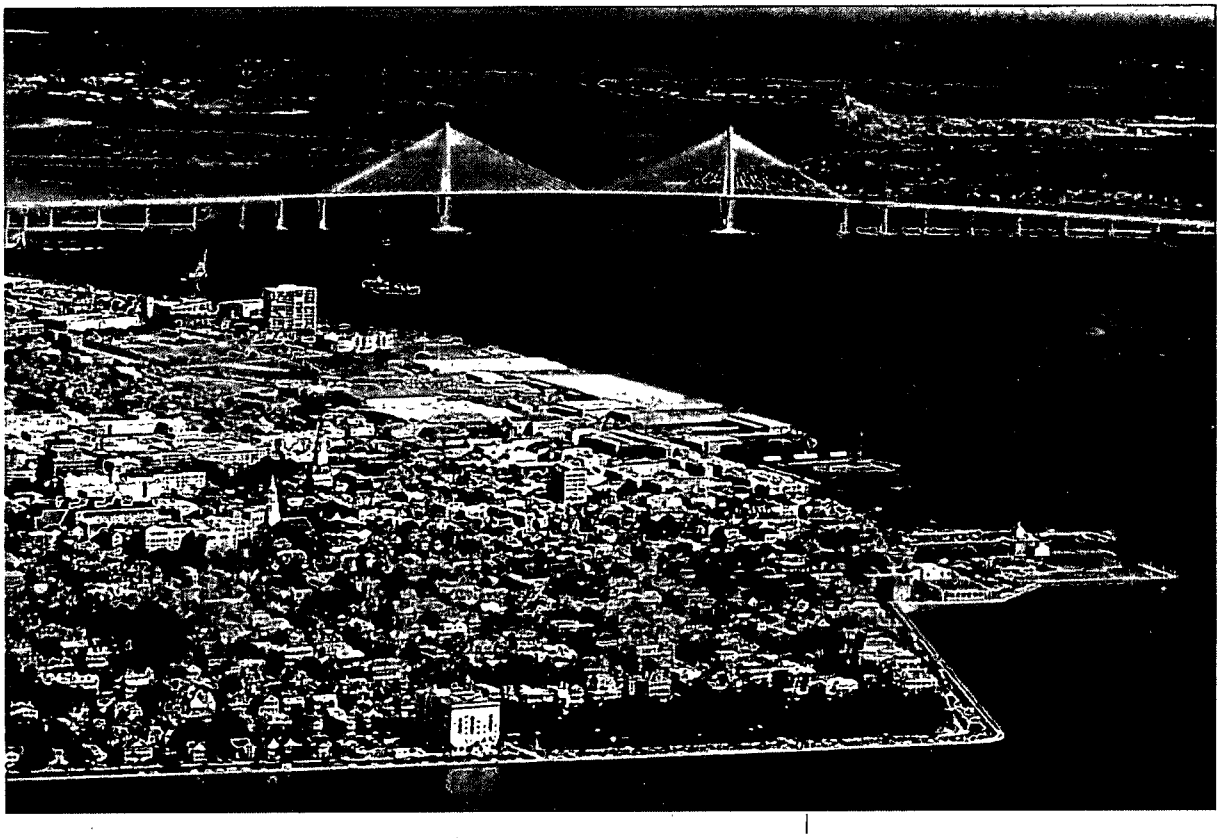
In addition, some believe that the new terminal is in the wrong place and creates additional traffic congestion in an area of the city that is already congested. They think that there are other options for its location and that, given its location in the middle of the historic district; Union Pier is not the optimal choice.

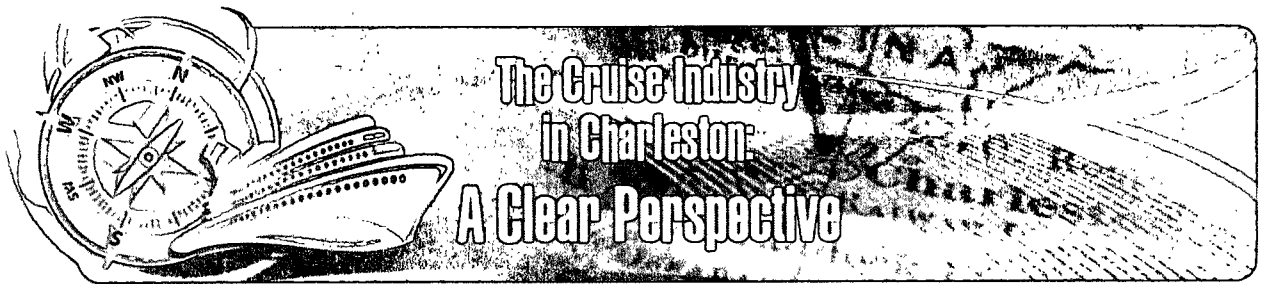
It is critically important to acknowledge that all stakeholders involved in the cruise discussion have different perspectives on the benefits and costs of the cruise industry in Charleston.

TABLE 1 Carnival-POC Passenger Comparison

- ■ 78% of cruise passengers are Carnival
- □ 22% of cruise passengers are Port of Call







Introduction
(continued)

While not exhaustive, the following list highlights the primary groups of stakeholders in the cruise industry's future in Charleston:

- The City of Charleston government
- The taxpayers in the City of Charleston
- Historic preservationists
- The City residents who live and work near the Union Pier
- The businesses that sell and serve the cruise passengers
- Longshoremen
- Other visitors to Charleston who are impacted by the traffic congestion
- The SPA and its employees
- The Carnival Cruise Line
- The other cruise operators that call on Charleston
- The residents and businesses located in surrounding areas such as Mt. Pleasant, North Charleston, Summerville, and the rest of Charleston County outside the peninsula
- The hotel industry on and off the peninsula
- The Charleston Area Convention and Visitors Bureau
- The local governments of the surrounding areas such as Mt. Pleasant, North Charleston, Charleston, Berkeley and Dorchester County governments, and Summerville
- Chambers of Commerce
- Companies and users of other services such as container shipping at the Charleston port
- Environmentalists concerned with water and air pollution

Within each group of stakeholders there may not be complete consensus. For example, some in the hotel industry see the cruise passenger business as a positive – filling empty rooms in the off-season. However, some see the cruise industry passengers as potentially displacing other visitors.

To date, no such cost benefit analysis has been conducted. The analysis and discussion that has occurred has completely ignored the fact that whatever benefits may accrue to one or more groups or to certain jurisdictions may not be shared with all the groups, *and* that some of the groups that may bear some or all of the costs may not receive any of the benefits that might be generated.

This non-alignment of benefits and costs can be seen in the relatively minor economic impacts to the City of Charleston from the industry. For example, it is estimated in this report that the SPA will collect as much as $9 million in parking and head tax fees in a typical year from the cruise industry. However, none of these revenues goes to the City of Charleston, yet all of the services to meet the needs of the passengers once they are off the ship fall on the City of Charleston or other local governments. The SPA released a study purporting to show that the cruise industry has made a large impact on local hotel occupancy. However, it is estimated that the vast majority of these impacts is on hotels outside the City of Charleston.

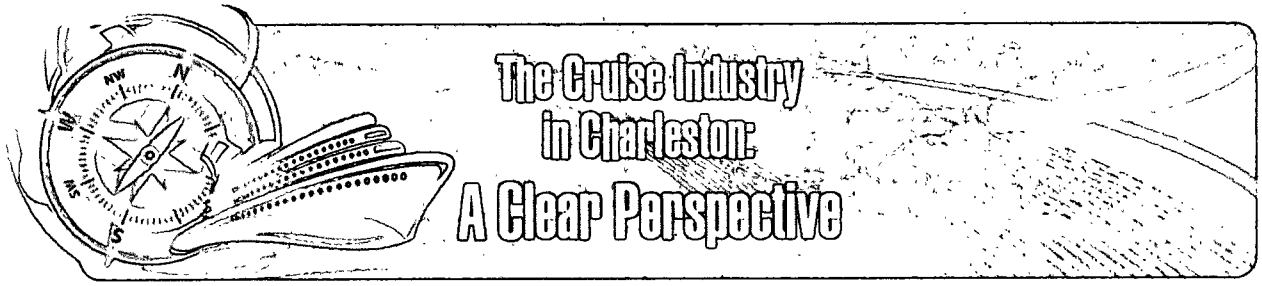
There are many reasons to support the cruise industry. For one, the cruise business generates revenues and profits for the agency. The cruise business helps diversify the SPA's operations and may help offset declines in revenue over the last few years.

Introduction
(continued)

The SPA is a well-respected, well-run port operator and has served the Charleston area, the state of South Carolina, the many exporters and importers in the region exceptionally well for many years. As in other cruise ports, the SPA is one of the largest and most vocal supporters of the cruise industry in Charleston. This report should not be interpreted as a negative report on the SPA or the cruise industry.

The purpose of this report is to help clarify the key issues that concern the City of Charleston and its residents. This report focuses on the most visible reasons that the SPA and others support the cruise industry --- the claims by the SPA and others that the cruise industry generates major positive impacts on the Charleston economy. In addition, this report addresses the issue of whether the cruise industry could grow so large that it could harm the overall tourism industry in the city. And finally, this report provides recommendations for the City of Charleston and its leaders to consider in future cruise industry negotiations.





2. Economic Impact of the Cruise Industry

2.1 Economic Impact of the Cruise Industry: An Overview of Existing Research

Ocean economics has been a part of Charleston history from the City's beginning. The Port of Charleston was and is one of the key drivers of the region's success. The economics of the Port for most of the region's history has centered on general cargo, containers, and break- bulk goods. As markets have changed, the Port has needed to adapt, most recently with large manufacturers such as BMW®, new and larger ships soon expected to pass through the expanded Panama Canal, and cruise ships.

Although ships have been calling on Charleston's port since the 17th century, the cruise industry is relatively new to the Charleston region. It is clear that any vessel that can hold upwards of 4,100[3] passengers would generate a fair amount of excitement in terms of the potential economic impact (dollars spent locally) those visitors might be expected to bring to a local economy. However, estimating the impacts have proven more difficult than some reports may imply.

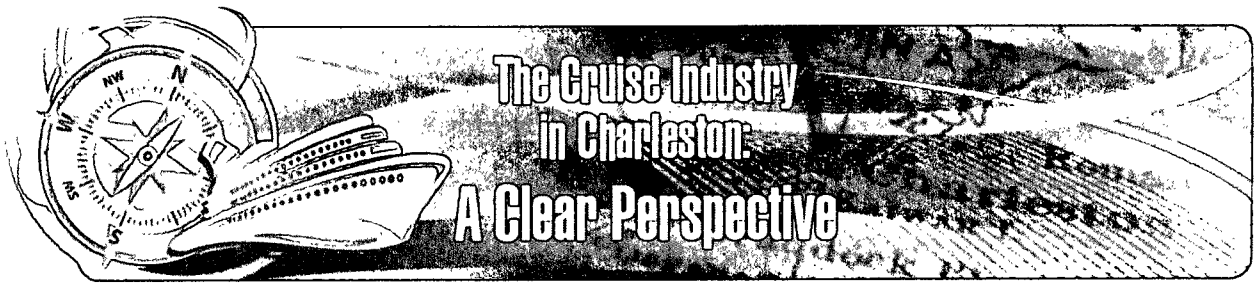
The following section provides an overview of the various approaches and results of economic impact studies of the cruise industry in an attempt to help the Charleston community better understand the difficulty in estimating the economic impacts of the industry. We reviewed more than 100 sources, which included research documents, scholarly articles, books, presentations, and government and industry reports related to the economic impact of the cruise industry on different geographies around the globe. We narrowed that volume of literature to 15 published economic impact reports that we believe represent the current state of the industry and its economic effects on local communities. These reports, while focused on economic impacts, also provide valuable insight into the opportunity costs inherent in the cruise industry.[4]

We found the impacts vary considerably. This is explained by a number of variables including community involvement, negotiating skills of the local community, the community's dependence on the tourism industry, whether a community is the origination point or a port of call, location of country, and customer preferences. Complicating the comparison analysis is the variety of impacts, project scopes, and methods used.

> *"The Port of Charleston was and is one of the key drivers of the region's success. The economics of the Port for most of the region's history has centered on general cargo, containers, and break- bulk goods. As markets have changed, the Port has needed to adapt..."*

Impact Method and Variances

A number of methodologies were used to calculate economic impact. Of the reports reviewed, one study applied IMPLAN (Minnesota IMPLAN Group, 2004), four studies referenced RIMS II (U.S. Department of Commerce, 1997), and one took a computable general equilibrium (CGE) approach, while the balance of reports used no economic model to calculate impacts



2. Economic Impact of the Cruise Industry
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and instead relied on tax receipts or other types of revenue estimates.

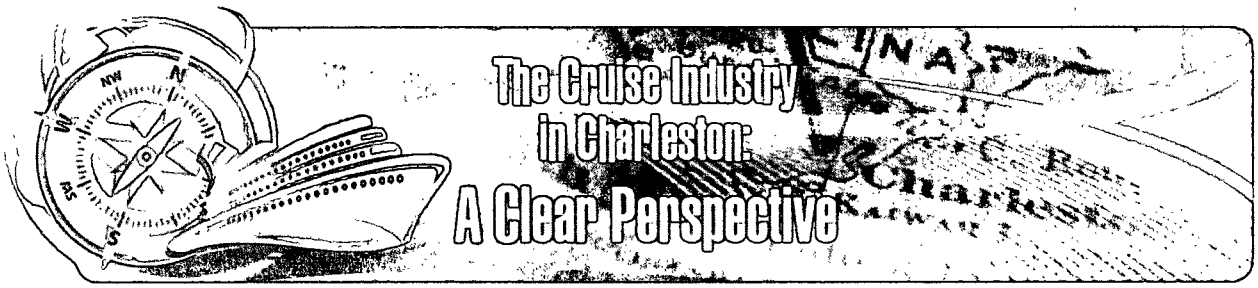
The economic benefits received by ports and their associated communities are only a small fraction of the income[5] derived by the cruise industry for the use of ports and the amenities supported by the local communities (Klien, 2009). Therefore, passenger spending recorded in these studies is peripheral (secondary) spending by cruise customers. An example from a Belize report states: "Although stay over tourists (non-cruise) comprise only a fraction of the total visitors to Belize, they contributed 82.5% of the total tourism revenue in 2005." (Center on Ecotourism and Sustainable Development (CESD), 2006).



In the studies analyzed, daily passenger spending ranged from $32 per passenger in the Key West study (Thomas J. Murray & Associates, Inc., 2005) to $180 per passenger in the Seattle study (John C. Martin Associates, LLC, 2004). See Table 1. The Charleston study (Crotts & Hefner, 2010) estimated $66 per passenger per day. The average of all the studies analyzed was $61.[6] Analysis of the impacts is grouped in four general categories: method, cruise spending, origination versus port of call estimates, and employment. We also included a brief analysis of tax since it can be either a direct revenue source or a secondary source derived in part from passenger spending.

Impact: Method

The range of methodologies utilized for the various studies that were analyzed created the significant variance in cruise spending numbers from study to study. Of the 15 studies evaluated, seven studies – about half – did not survey cruise passengers or crew customer spending. Of the eight that did, only two studies reported statistically significant spending data.[7] Both the Belize and Costa Rica (Center on Ecotourism and Sustainable Development (CESD), 2007) reports completed a statistical sampling analysis on intercept surveys to ensure that data collected was statistically accurate. That ensured one group of visitors was not inadvertently left out or disproportionally represented in the study. The Costa Rica study notes, "Both the statistical sampling as well as the methodology used in surveys with crew and passengers make it possible to derive a close approximation of the average expenditures of visitors in Costa Rican



2. Economic Impact of the Cruise Industry
(continued)

TABLE 2 Impact Assumptions

Impact/Study	Charleston	Costa Rico	Belize	Mexico	Key West	North America	Halifax	Caribbean	Canada	Seattle	Victoria	Portland, ME	Caribbean	Juneau	Anchorage
Year	2010	2007	2006	2005	2004	2004	2004	2004	2003	2003	2003	2002	2001	2000	1999
Study Cruise Visitors	111,240	-	-	240,800	884,735	-	170,000	-	-	345,000	250,000	205,374	-	595,959	274,290
Spending/Passenger ($)	$ 66 31	$ 74 84	$ 44 00	$ 101 00	$ 32 10	$ 95 50	-	-	$ 55 71	$ 180 00	$ 88 00	$ 117 00	$ 103 83	$ 125 00	$ 100 00
Customer Survey	Yes	Yes	Yes	No	Yes	No	No	No	No	Yes	Yes	No	No	Yes	Yes
Jobs #	407	1:10	1:10	--	955	315,830	-	-	-	1072	-	327	-	750	2040
Community Donations ($)	$ 50	-	-	$ 750	-	-	-	-	-	-	-	-	-	-	$ 364
Model Results Reported	IMPLAN	-	-	-	RIMS II	RIMS II	-	CGE	-	RIMS II	-	-	-	-	RIMS II
Average Crew Spending	$ 70 23	$ 39 80	-	$ 64 00	$ 65 80	$ 38 91	-	-	-	$ 120 00	-	$ 38 00	$ 72 06	$ 20 00	-
Origination Data	Yes	-	Yes	No	No	No	No	No	No	No	No	No	No	No	No
Port of Call Data	Yes	-	Yes	No	Yes	No	No	No	No	No	No	No	No	No	No
Statistical Significance	No	Yes	Yes	-	No	-	-	-	-	-	No	-	-	No	No

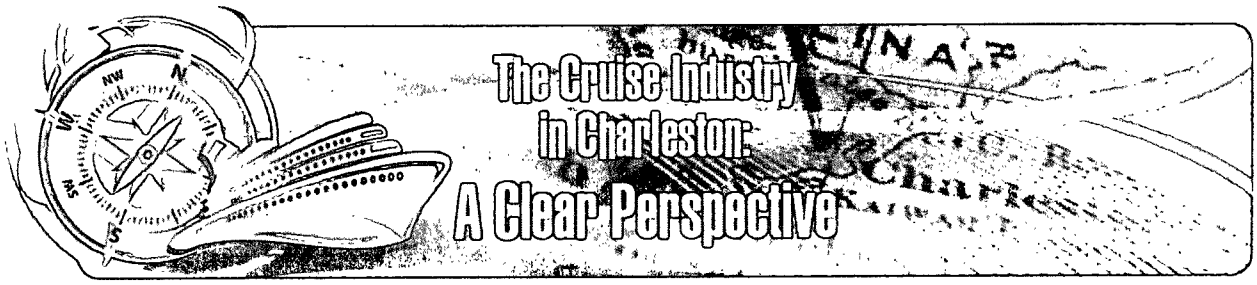
ports, which in turn allows for a calculation of cash flow per category of visitor expenditure."

Two of the reports completed by industry representatives provide a range of economic spending impacts. The North American study completed by Business Research & Economic Advisors (BREA), lists a range of passenger spending, depending on location. Daily spending ranges from $29 to $231 (Business Research & Economic Advisors, 2004). A second report completed by PricewaterhouseCoopers of the Caribbean, does not report passenger spending other than in aggregated form. It is not clear in the report what dollars were included in final spending totals. (PricewaterhouseCoopers, 2001)

Impact: Visitor Spending

For studies that used a survey, either statistically tested or not, spending is limited to what is commonly purchased on shore. These items include retail goods, lodging, meals, tours, and miscellaneous expenditures. Those not using a survey measured spending using, in some cases, cruise industry-derived data. Two examples of this are reports created by the McDowell Group. They state: "Spending estimates for cruise passengers and crew are based largely on the McDowell Group's study of Cruise Industry Impacts on Local Governments in Southeast Alaska (1997), along with 1999 gross sales data, sales tax data, cruise line reports of on-board tour sales, and cruise traffic data for each community. In addition, the McDowell Group recently conducted proprietary research that assisted in making these estimates." (McDowell Group, 2000). It appears from these remarks that sales on board the ship were also included in the customer spending data. Therefore, these figures would include monies that return to the cruise line rather to the local economy.

This method does not give an accurate accounting of what dollars are, in fact, spent locally. From a cruise perspective, the industry has a captive audience to sell to. Spending on a ship is substantial and can includes bar sales, casino gambling, retail sales in ship-board stores, shore excursions, spa services, photography, art auctions, bingo, extra-tariff restaurants, phone and internet services, and food and drink not covered in the main meal package (Klein, 2003). Including these data in visitor spending overstates the actual impact into the local community. This is an important revenue source



2. Economic Impact of the Cruise Industry
(continued)

for the cruise lines as ships become larger and more vertically integrated. Future ships will include underwater restaurants, cabins, and conference rooms, all for an extra price.[8] But these dollars are not part of a local economic impact.

Other accounting inconsistencies are demonstrated in a Seattle impact study (John C. Martin Associates, LLC, 2004). This study has the highest passenger spending because it includes the total cost of the airline ticket as part of local expenditures. At a minimum, half of the ticket needs to be excluded, since those monies are typically allocated to the departure city.

Impact: Origination vs. Port of Call

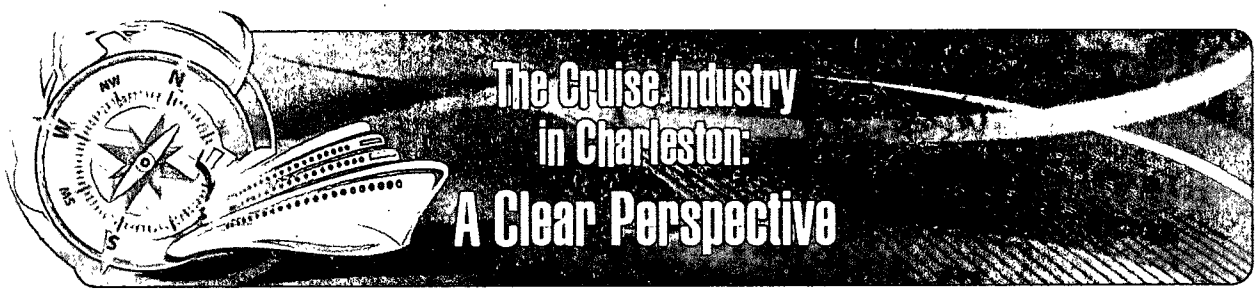
Cruise passenger spending is significantly affected by the location and timing of the cruise and whether the cruise port is a home (origination) port or port of call. Origination refers to the location where the cruise begins and ends. Port of call is a stop on the cruise itinerary. Two studies addressed this issue specifically. The Charleston study estimated port of call visitor spending at $43 while origination visitor spending was $66. (Crotts & Hefner, 2010). A Maine study estimated just the opposite, with port of call passengers spending $117 locally, and average home port spending $28 to $99 locally. (City of Portland Department of Ports & Transportation, 2002). Note the significant variation between the two studies, and the large variance in the Maine study data.

"If the market consists of customers who can drive less than a half day from home to the origination point, board, then disembark at the end of the cruise and drive home without having to stay overnight in a hotel, then local spending will be greatly reduced."

The Key West study may give us clues to why this is. It notes spending is greatly dependent on timing of the cruise. "... the fact that it is the first port of call, and passengers are saving money for later port calls where there is more extensive duty-free shopping, more attractive tours, etc. One observation can be made from the schedules noted above; that is, Key West is an early-morning port of call typically, and perhaps passengers just embarking on a cruise ship vacation do not desire early morning activities having spent their first night of the cruise on board a luxury passenger vessel." (Thomas J. Murray & Associates, Inc., 2005) Other factors affecting spending include departure and arrival times, time of year, and mode of transportation to the cruise vessel and cruise package. Spending is likely affected by the type of cruise passenger being targeted in the local market. If the market consists of customers who can drive less than a half day from home to the origination point, board, then disembark at the end of the cruise and drive home without having to stay overnight in a hotel, then local spending will be greatly reduced.

Impact: Employment

IInterestingly, only five of the 15 reports provide specific, detailed employment analysis. Part of the reason for this is that many of the reports did not use an economic impact tool, such as IMPLAN, to assist in creating a detailed calcula-

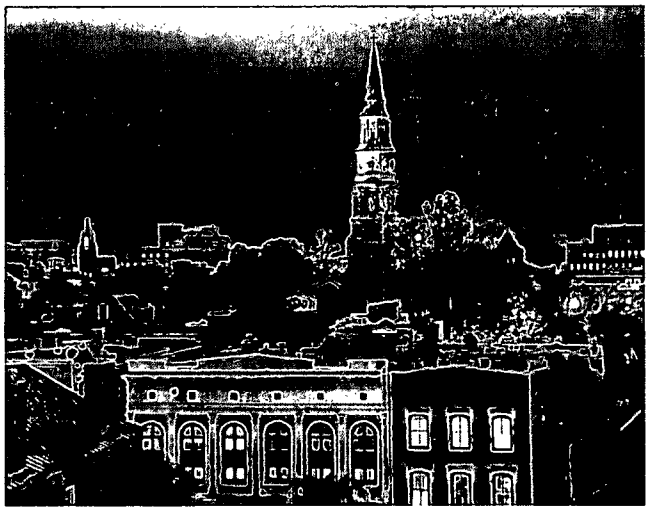


2. Economic Impact of the Cruise Industry
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tion. Another reason is that many of the reports are related to Caribbean countries, where some economic data required to make the calculation may not be available. However, many of the studies do provide aggregated estimated employment, but are not clear as to the scope, geography or time frame of that employment. Many also evaluate employment impacts from a social science perspective. The Belize reports stated, "In terms of employment, in 2004, it was estimated that only 10 percent of jobs in the tourism industry were a result of cruise tourism, while 90% were in the stay over tourism sector.

Unfortunately, employment gains made from tourism spending are offset by a number of study observations that indicate increased stress on the workforce because of part-time low-wage work. A report by the European Union evaluating the Caribbean states, "The majority of jobs are low-level with low wages but higher than wages in other sectors such as agriculture. Among Caribbean countries the perception of tourism varies – in mature destinations it tends to be negative." (Sustainability Impact Assessment (SIA) of the EU-ACP Economic Partnership Agreements, 2007)

In the Charleston study, employment is calculated based on dollars spent. As we have noted, there is significant variation in the calculation of spending. Of the 407 direct, indirect, and induced jobs, approximately 30 percent of the employment is cruise ship employment and not related to the local economy. Another 35 percent are retail-related positions – likely either part-time, seasonal or both – as a result of the nature of cruise industry. The balance of positions is either professional services or wholesale and trade. IMPLAN calculations indicate the wage rate is close to or at minimum wage.

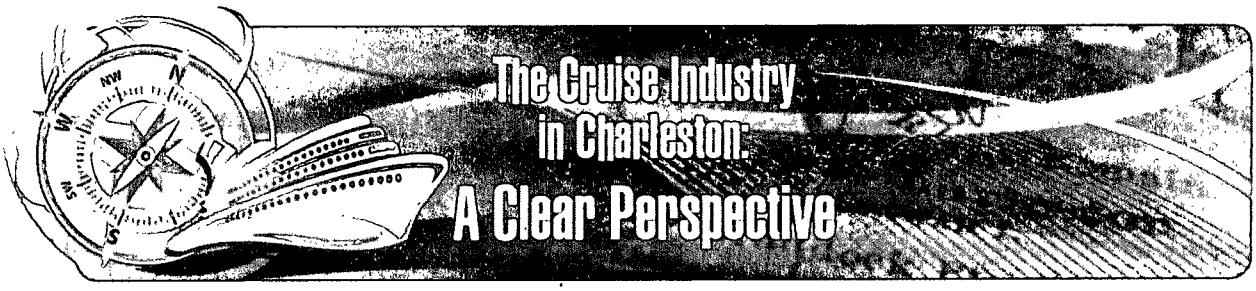


The exceptions to low-paying jobs are union jobs needed at the dock. At first glance this would appear to be a significant impact. However, it only takes a few hours of work to dock a boat, including tying up both bow and stern. This likely is incorporated into the daily work of current union workers. Other potential union work is loading and unloading the ships. The union contracts were not available[10] to us for this research – either number of workers or rate of pay. Other third party data suggests this work is mainly handled by cruise staff, again limiting the economic impact to the local community.

Temporary and low-wage jobs are the main employer in the cruise industry. Unfortunately, there are very few high-paying jobs and few or no growth opportunities for employment based on cruise passenger spending. In more than one report this is one of the key policy concerns.

Impact Tax: Industry and Visitor Spending (Secondary)

Industry-imposed tax is a primary source of income when applied as a head tax, docking



2. Economic Impact of the Cruise Industry
(continued)

fees, etc., and is an overall part of the economic impact. Some reports addressed tax as an economic impact and others did not. The industry's US flagships, the cruise company's' primary assets, generate significantly more tax than non-US ships. US flagships, like hotels, "contribute to the community or participate in ways that most foreign-flagships do not. Hotels regularly engage in community activities and charities, and must undergo environmental impact studies and pay infrastructure impact mitigation fees. Foreign-flagships do none of these." (Maui Mayor's Cruise Ship Task Force, 2005).

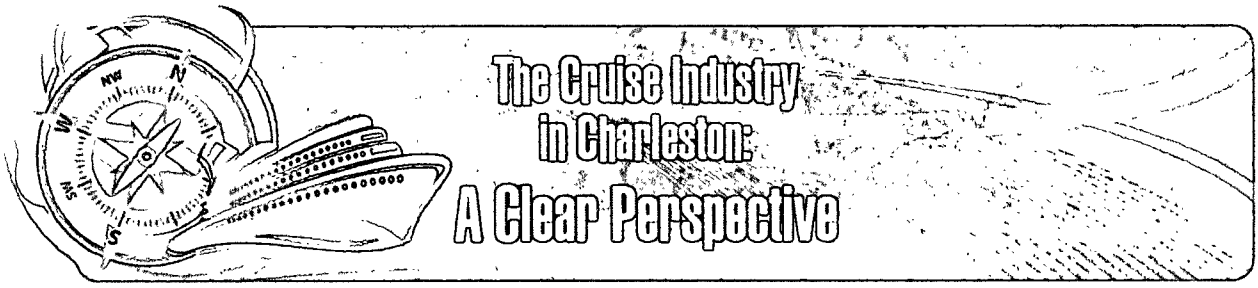
Comparing cruise ship impacts with land-based operations may give a community a false sense of security, since it is like comparing apples to oranges. Cruise passenger spending is "shallow," providing in most cases only secondary tax revenue sources, not primary. As the Maui Mayor's task force writes, "Cruise lines make their major infrastructural investments in assets that are mobile, i.e. ships, whereas the major infrastructural investments made by hotel operations are land based tourist accommodations and amenities, i.e. largely immobile assets. This gives cruise line businesses the appearance of being more easily transferred to other locales than the land-based accommodation businesses.[11] Hotels continue to generate jobs and revenue for the County and the State even if they are sold or converted for time-share or condominium uses."

The secondary source of tax income is generated from local spending by cruise tourists. Tax, however, varies greatly, depending on state and country of origin. Tax collected, or not collected, by local government affects the final community economic impact. Some communities have found the tax collected from cruise spending to be a real life-saver as other industries contract, such as natural resource extraction and fishing. In southeast Alaska, "Tourism also contributed to the tax base of municipalities through sales taxes, bed taxes, and docking fees. In 2000, Haines Borough voters approved a bed tax and a sales tax on commercial tours, which they hoped would generate revenue to offset losses in other industries." (USDA, 2005)

Unfortunately, the result of this tax was that the cruise industry left. "This tax was repealed by voters in 2003 in an effort to entice cruise ships back to the community," the USDA study said although tax remains an economic revenue source, the power of some communities to levy a tax may be limited, depending on the community's overall dependence on cruise tourism.

Summary – Overview of Impact Studies

There is significant interest around the country in the economic impacts of the cruise industry as evidenced by the number of studies we encountered. For some communities and countries focused on tourism, the cruise industry is a vital part of the economy. For others it is less so. All of the reports we analyzed suggested some kind of positive economic impact to the community. What they did not agree upon was the level of that impact, who most benefited from the industry, related opportunity costs and potential damage to a way of life resulting in the continued challenge of trying to balance the tourism industry to the benefit of all.



2. Economic Impact of the Cruise Industry
(continued)

2.2 Analysis of Crotts and Hefner (C &H) February 2010 report "An estimate of the economic contributions of the SC State Ports Authority's 2010 cruise ship activity to the region's economy"

Introduction of Crotts and Hefner Review

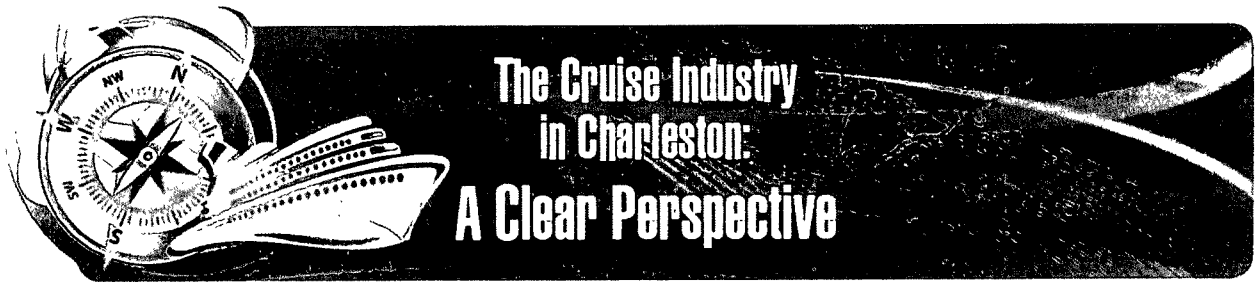
A major concern of this research is to provide a better understanding of the economic impact of the cruise industry on the city of Charleston, the tri county area and the state of South Carolina. In order to reach a consensus about its value and impact it is extremely important for all parties to accept the estimates utilized when discussing the industry. The de facto data regarding the economic benefits of the cruise industry is the February 2010 report ***"An estimate of the economic contributions of the SC State Ports Authority's 2010 cruise ship activity to the region's economy"*** prepared by John Crotts and Frank Hefner, two professors in the School of Business at the College of Charleston. As noted by the title of the report, the data are ***ESTIMATES*** – not actual documented numbers. In fact, the report does not identify a single new employee who has been hired as a result of cruise ships visiting Charleston. Since the overall tourism business had declined dramatically in 2008 it is highly likely that firms already had capacity to accommodate new business without any new hires.

"Since the overall tourism business had declined dramatically in 2008 it is highly likely that firms already had capacity to accommodate new business without any new hires. This is especially the case given that cruise ships were in port only about 69 days in 2010."

This is especially the case given that cruise ships were in port only about 69 days in 2010.

It is important to understand the nature of economic impact studies and the Crotts and Hefner study in particular. By conducting interviews with passengers on two port of call visits and one origination cruise in November 2009 the authors developed the spending patterns that were inputs for an analytical model IMPLAN (Impact Analysis for Planning)This model was used to generate estimates of direct and indirect impacts in terms of dollars and employment. In other words, using interviews with passengers for only three ships in one late fall month the authors extrapolated values for all the other 16 port of call ships and 53 Carnival Fantasy cruises throughout the year. The estimated expenditures are listed in Table 1. For example the first row of the table indicates that 11,303 port of call visitors spent an average of $11.64 on tours while 76,334 Carnival Fantasy passengers only spent $2.45. The data in Table 1 are based on interviews and are representative of expenditures in other studies. The figures in Tables 2 and 3 are the estimates of the number of **NEW** employees who would be hired to accommodate the increased spending generated by the visiting passengers. For example, the authors estimate that new expenditures on tours (scenic) of about $318,000 spread out on 69 days would result in the tour companies hiring 117 new full employees at a salary of $48,880. Basically, they are saying that $318,000 in new spending will result in $5,758,013 in salaries for new workers – not existing labor.

We find this conclusion by Crotts and Hefner to be an overestimate.



2. Economic Impact of the Cruise Industry
(continued)

TABLE 3 Breakdown of spending patterns used by Crotts and Hefner

Spending	POC	Passengers	Per Person	Origination	Passengers	Per Person
Tours	$131,531	11303	$11.64	$187,283.00	76334	$2.45
Retail	$207,112	11303	$18.32	$1,736,165.00	76334	$22.74
Food	$53,005	11303	$4.69	$415,059.00	76334	$5.44
Eating & Bev	$38,772	11303	$3.43	$118,637.00	76334	$1.55
Hotel	$0	11303	$0.00	$1,143,945.00	76334	$14.99
Auto	$0	11303	$0.00	$253,085.00	76334	$3.32
Taxis/ bus	$5,889	11303	$0.52	$101,234.00	76334	$1.33
Other	$52,514	11303	$4.65	$96,172.00	76334	$1.26

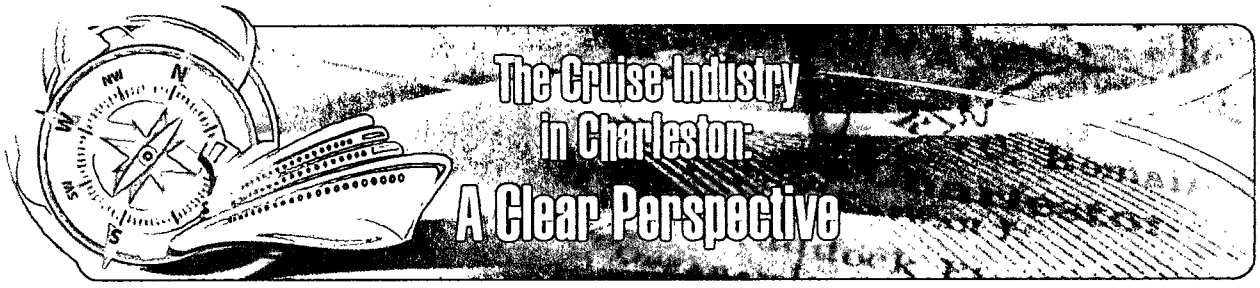
TABLE 4 Distribution of Employment used by Crotts and Hefner

Distribution on Employment for 2010 Cruise Ship Impact Top Ten Sectors

Description	Employment	Labor Income	Output
Scenic and sightseeing transportation and support activities for transportation	117.8	$5,758,032	$8,106,397
Retail Stores - General merchandise	66.0	$1,809,645	$4,070,791
Wholesale trade businesses	39.8	$2,718,610	$7,231,954
Food services and drinking places	33.0	$630,225	$1,814,988
Retail Stores - Food and beverage	18.6	$564,210	$1,334,351
Real estate establishments	14.1	$259,537	$1,557,289
Hotels and motels, including casino hotels	12.2	$395,980	$1,162,344
Employment services	6.4	$171,915	$239,047
Retail Stores - Miscellaneous	5.8	$112,497	$217,004
Offices of physicians, dentists, and other health practitioners	4.8	$359,130	$594,588
Total of full-time jobs in the tri-counties across 440 economic sectors	407	$16,193,200	$37,024,340

Total State and Local Tax Impact (Tri County)

$3,483,113



2. Economic Impact of the Cruise Industry
(continued)

The economic impact estimates from this analysis have been widely cited and assumed to accurately represent the economic impact. For example the estimates were cited in the concurrent resolution by the South Carolina Senate and House (S 0968) in June, 2011. The joint resolution states:

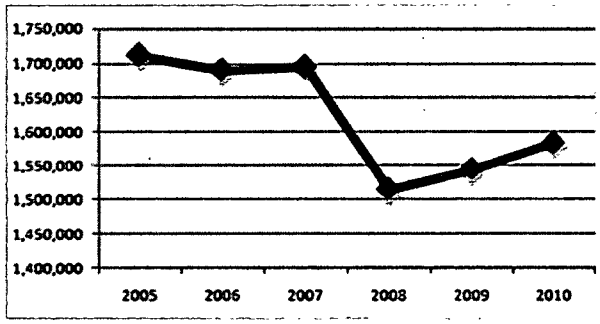
> 'Whereas, the cruise business generated $37 million for South Carolina's economy in 2010 and projected to generate 407 jobs in the Tri –county region, paying a total of $16,193,200 in labor income ;and Whereas, a 2010 survey of more than 1,500 embarking passengers showed that nearly one-third of Charleston's cruise passengers are South Carolina residents, more than one –third stayed more than one night in one of more than fifty different hotels across the area, one half ate in one of more than one hundred different restaurants and nearly forty percent shopping in resident –oriented retail stores, locally owned shops and tourist-oriented stores throughout the area;
>
> Whereas, South Carolina's cruise passengers are predominately couples traveling without children and these families have a median annual household income of between $100,000 and $149,999;
>
> Whereas, when a cruise ship embarks from Charleston, more than two hundred local residents are working directly in support of the operation including check in agents, parking attendants, longshoremen, and stevedores, security personnel and others;

It was not within the scope of our study to conduct another survey that could have validated the estimates. Furthermore, it is fair to assume that the authors would have preferred to have conducted the set of interviews with a more rigorous research design than the three ships they selected. Such a design would have assured the sample was stratified by season, hours in port, type of ship for the Port of Call visits (i.e. luxury or gaming), and day of the week. For such an important study it is unfortunate that more funds and time were not provided. Nevertheless, the authors used the data they collected and input these numbers into the model.

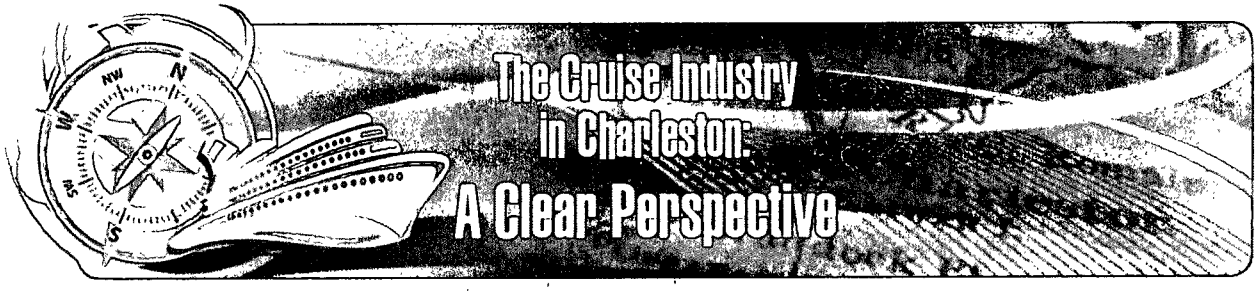
TABLE 5 Estimated salaries generated from Crotts and Hefner data

Sector	Emp	Labor Income	Salary
Scenic	117.8	$5,758,031	$48,880
Retail - general	66	$1,809,645	$27,419
Wholesale	39.8	$2,718,610	$68,307
Food	33	$630,225	$19,098
Retail - Food & Bev	18.6	$564,210	$30,334
Real Estate	14.1	$259,537	$18,407
Hotel	12.2	$395,980	$32,457
Employment Serv	6.4	$171,915	$26,862
Retail Stores -Mis	5.8	$112,497	$19,396
Health	4.8	$359,130	$74,819
Total	**407**	**$16,193,200**	**$39,787**

TABLE 6 Charleston Attraction Attendance



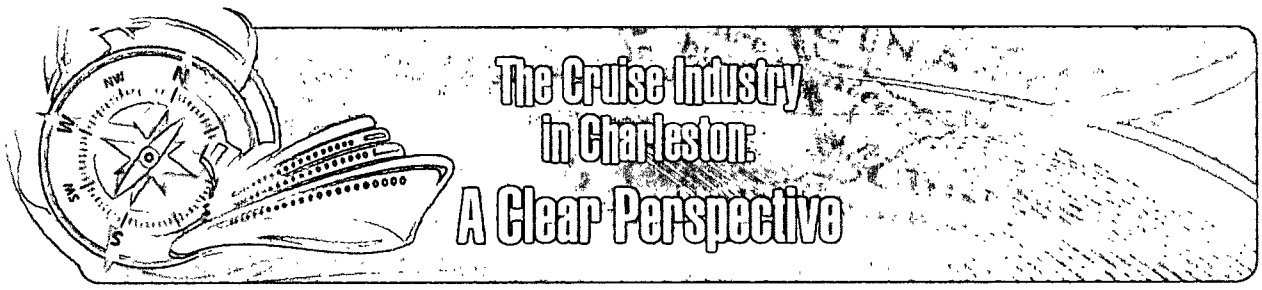
3% increase from 2009 to 2010



2. Economic Impact of the Cruise Industry
(continued)

The conclusions cited by the General Assembly raise several concerns such as:

- On the day of departure for the Carnival Fantasy there are probably 200 people working in support of the ship. Since there are only about 70 departures a year that equates to 14 weeks of work – these are part time jobs with no benefits.
- Most of these 200 part time jobs are likely to be hourly workers many earning a minimum wage.
- It is hard to justify that these 200 part time jobs on the 70 days of departure could be scaled to 407 full time jobs with a salary of $39,786- or the $16,193,200 in labor income cited in the resolution.
- The estimate that a third of the passengers are from South Carolina suggests that their expenditures have no net economic benefit to the state. (Eating in a restaurant in Charleston rather than Columbia has no benefit). In fact, these South Carolina families are a net loss of tourist dollars for the State. (They are spending their money on the ship or in the Bahamas.)
- Port of call visits must employ far fewer workers because there is no luggage handling, ticket sales or parking.
- Many of the hotels that cater to the cruise passengers are in North Charleston and Mount Pleasant.
- We don't know whether the off ship excursions are contracted on the port of call ship. If a carriage ride is contracted with the cruise line a large proportion of the reported expenditure never reaches the local provider.



2. Economic Impact of the Cruise Industry
(continued)

Overview of Method

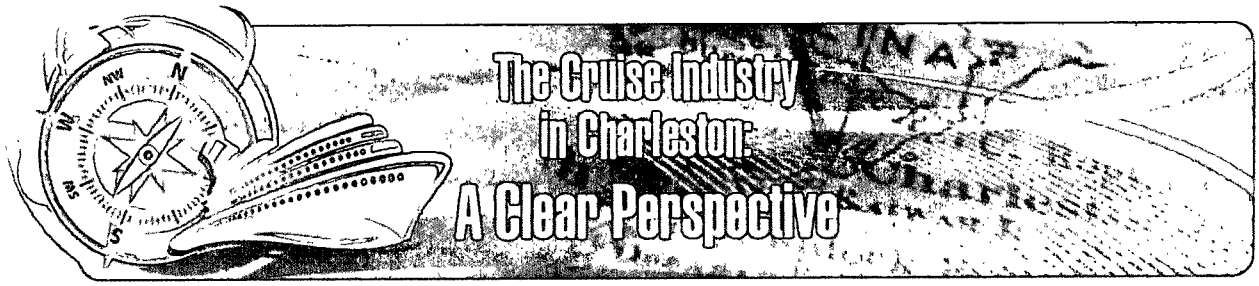
As noted above, it reasonable to assume that the authors were greatly constrained by the resources and the deadlines required by the South Carolina State Ports Authority. Consequently, it is unfortunate that a more extensive set of interviews was not available or that any in-depth case studies were available. As a result, the authors were forced to use a limited set of interviews obtained from three ships and to assume that these results were similar for all the other ships during the year. Of necessity, this forced a bias to the sample. For example, ships in November were in port over the Thanksgiving holiday then they were likely to be more families and people who are willing to pay a higher price for a holiday cruise. Data from its own website indicates that fares on the Carnival Fantasy vary significantly throughout the year – with some off season fares as low as $200 for a five day trip.

Another important factor for the port of call cruises is the time in port. In some cases, the ship is in port for only eight to twelve hours and the time passengers have to leave the ship is only a portion of the time the ship is docked. This limited time only allows for a brief tour of the southern part of the peninsula and some shopping at the Market. Many of the port of call passengers don't have time for a dinner meal – and they have already paid for their meals on the ship. Our analysis indicates that a variety of ships use Charleston as a port of call throughout the year. Obviously the sample responses could vary considerably based on the specific ships and the length of stay.

The authors also made some assumptions about the direct and indirect impact of the industry. It would have been useful to conduct an interview with companies providing the services and to validate that, indeed, they are hiring new employees to meet the demand. For example, in Table 2, they estimated that the cruise industry has generated 39.8 new full time employees in the wholesale sector each earning $68,000 for a net new payroll of $2,718,610. We suggest that this may be a substantial overestimate of the employment impacts. For example, cruise tourist spending in Charleston is spread out over an entire year, and over many industries, across numerous competitors. The result is that employment impact is not directly proportional to spending. An example demonstrates this effect. The average hotel has an employee at the front desk whether it is 50 percent or 100 percent full. Even if the tourism dollar doubles from a POC visit for this vendor, the employment would most likely stay the same. The technical reason is "economies of scale". In more common terms it is due to the well-developed Charleston tourism economy.

"The authors also made some assumptions about the direct and indirect impact of the industry. It would have been useful to conduct an interview with companies providing the services and to validate that, indeed, they are hiring new employees to meet the demand."

Carnival Corporation is a huge, vertically integrated business. It must arrange for supplies to be there on the day of departure. Research from other ports suggests that Carnival and



other cruise companies purchase a small portion of their supplies from local vendors. With the assistance of its sponsor, the SPA, it would have been easy to validate their estimates or to report on some firms benefiting from the business. It would have been interesting to learn how the employees are occupied when the ship is not in port. ***We strongly recommend that such a follow up study regarding the supply chain be conducted.***

Issues that would justify a more extensive study

It is important for all stakeholders to reach some level of consensus about the economic impact of the cruise industry on the Charleston economy. Since the people living on the peninsula bear the brunt of the negative impacts (costs) they deserve to understand the positive factors (benefits). Consequently it is important to reach a consensus about the validity of the numbers. The following section addresses some specific questions regarding the Crotts and Hefner study that is the current de facto estimate of these benefits.

Does the study adequately address the costs associated with the cruise industry?

- The report does not factor at all the costs associated with the cruise industry in its analysis.
- It also does not describe how the economic impact will be distributed throughout Berkeley, Charleston, and Dorchester Counties. There is no discussion of the statistical techniques. The report simply says:

"The study area is the Tri-county local economy consisting of Berkeley, Charleston, and Dorchester Counties. Through various statistical techniques, IMPLAN localizes the impacts of spending to the study area."

Does the study accurately align benefits (and costs) along geographical and governmental jurisdictional boundaries, i.e., are the benefits and cost borne by the same groups/populations/government jurisdictions?

- The report only discusses benefits which are estimated to be $8,159,071 per year ($5,552,496 by passengers and $2,606,575 by crew members).
- It does not discuss how the benefits would be distributed. It can be assumed that most of the jobs are located in the shops and restaurants within a walking distance of the terminal. This includes average purchases of $70 by crew members at local grocery stores, pharmacies and other shops.
- The C & H report suggests that the crew members do not make expenditures on food and beverages. The port of call visitors are estimated to spend $43 per visit versus $66 for passengers originating in Charleston.
- C & H estimate that the average originating passenger will spend about $15 on hotel rooms. This level of spending on hotel rooms appears low and is inconsistent with regional room

2. Economic Impact of the Cruise Industry
(continued)

rates and is an additional reason to question the results of the study. It is not clear about where the hotel jobs might be located. However, all of the hotel stays are generated by passengers on the Carnival Fantasy and most of them arrive by automobile via I-26. Therefore, it is likely that many of the hotel stays will be at the numerous inexpensive hotels situated near the interchanges north of the City – not in the historic district. (See map of hotels offering free park and/or shuttle service).

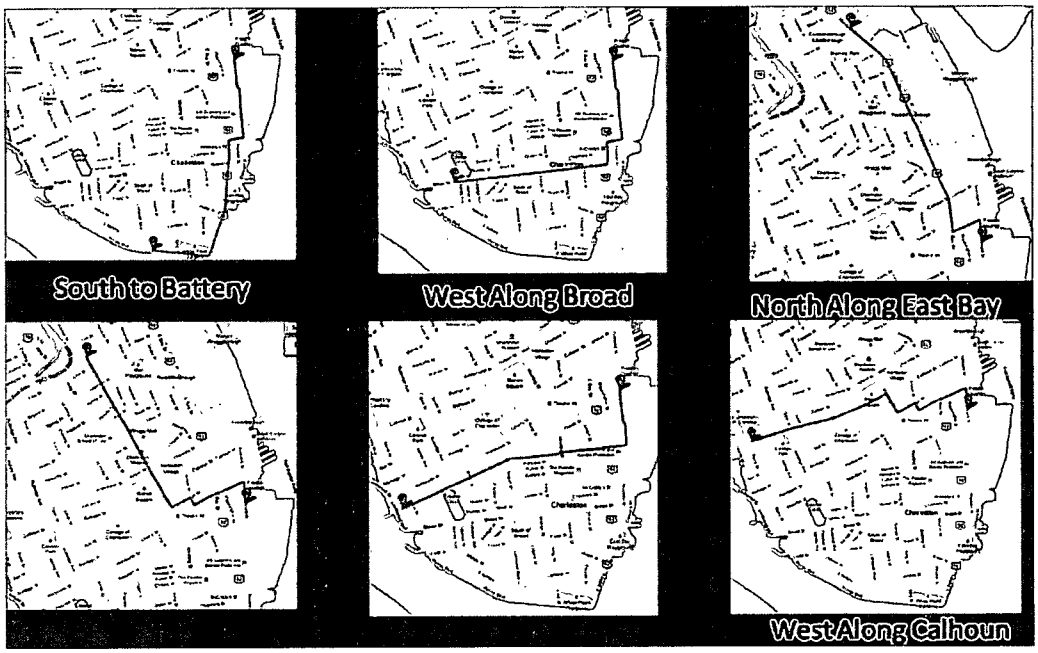
- Recent reports also indicate that there are no benefits to local farmers and it is very unlikely that the 2004 estimates for purchase of supplies by the cruise ships are still valid. They specifically estimated these figures to be $70 per port of call passenger and $137 for the Carnival Fantasy passengers.

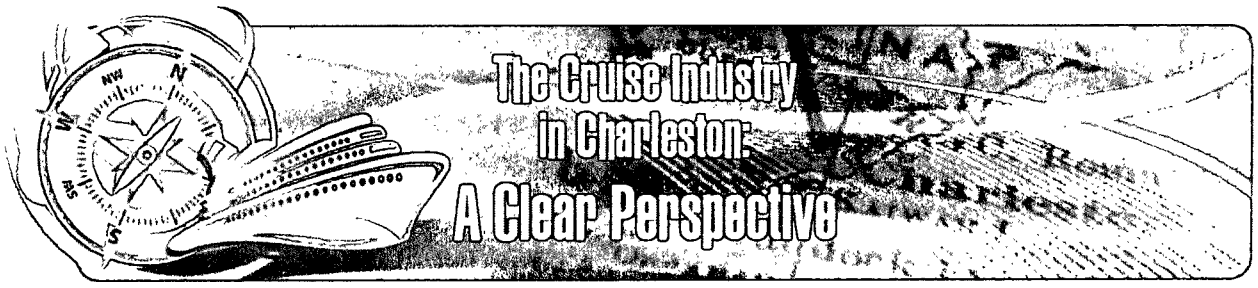
- Evidence from Alaska and elsewhere detailed in this report suggest that over time Carnival will establish vertical supply chains in which the supplies are provisioned though their established networks.

The C&H impacts in perspective with the rest of the Charleston economy and the entire tourism industry in the region.

- The cruise industry is very different from other forms of tourism in Charleston. The differences relate to the nature of Port of Call (POC) visitors and the much

FIGURE 1 Walking Distances





2. Economic Impact of the Cruise Industry
(continued)

larger number of passengers who travel to Charleston to embark one of the 70 Carnival Fantasy cruises.

- Based on an analysis of the 2011 and 2012 POC visits, the 21 ships in 2011 and the 14 scheduled in 2012 are timed to provide just a few hours in the city which thereby limits the passengers' ability to spend money and indicates that there is no impact on restaurants for dinner. The ships may be in port for an extended stay but the passengers have a smaller window of time to leave the ship.

- Only three ships in 2011 spent the night in Charleston and none are scheduled for an overnight stay in 2012. The average time in port in 2012 is scheduled to be just under 10 hours – See **Figure 1**. This is the entire time the ship is docked and the passengers have a smaller window of time to leave the ship.

- Some of these ships are rather small therefore the number of visitors is modest. These visitors have no impact on parking or hotels.

- Crew members from these ships may purchase items from local grocery stores and pharmacies, but these low wages employees are unlikely to spend much money in bars and restaurants.

- The origination passengers on the Carnival Fantasy are what are often considered "The consummate shopper – look for best cruise value; have taken an average of five cruises; know the cruise lines and ships; have an average age of 55 years".[12]

- For these passengers Charleston represents a port for embarking and disembarking on a five day, relatively low-cost (less than $100 / day) cruise for entertainment.

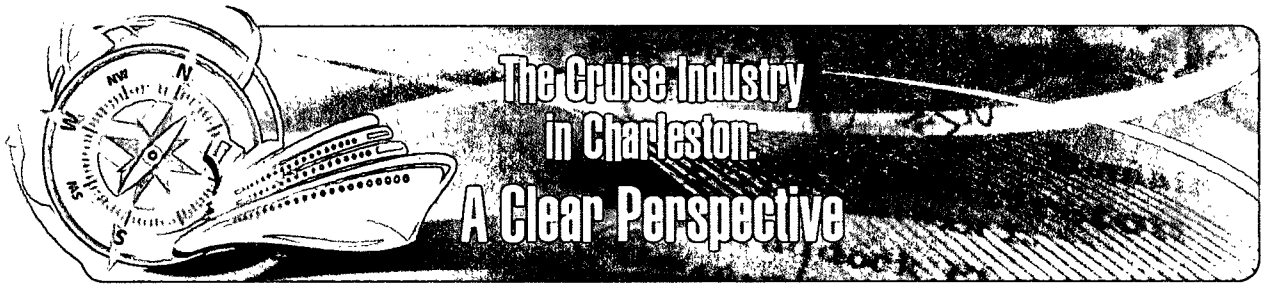
- Many of them are repeat customers and may have little interest in Charleston – just cruises.

- The Carnival Fantasy leaves at 4:00 PM and returns at 8:00 AM. The 4:00 PM departure allows for passengers to drive for approximately six hours during the day of departure. The 8:00 AM arrival allows for passengers to leave immediately for their journey home. They have most likely woken up very early that day to pack, be processed through security, and be ready to depart the ship. In addition, for those that have parked on SPA property, they must move their cars from the cruise lots to allow for the arrival of new passengers.

- Given this schedule and the low fare nature of these cruises it is possible many of these passengers have no impact on the Charleston economy.

- The 4:00 PM (non –rush hour) departure time allows for considerable leeway in terms of arrival time. The 8:00 AM arrival time would suggest that considerable outbound highway traffic on I-26 would occur after 9:00 AM.

- Without a detailed passenger survey it is not possible to accurately estimate the size of their expenditures, however,



2. Economic Impact of the Cruise Industry
(continued)

the $66 per person figure proposed by C & H is a reasonable guess. It should be noted that this figure is much less than the traditional tourist who spends a night in a hotel and enjoys a dinner in a local restaurant in the historic district.

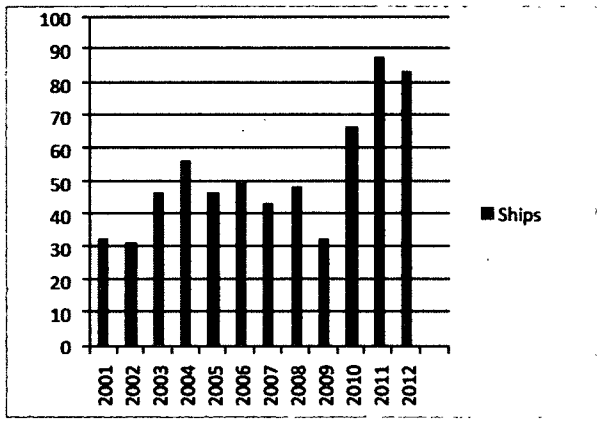
- The C&H study includes a graph of cruise ship visits that shows 67 ships in 2010 – the number of total ships increased to 88 in 2011, but is scheduled to decline in 2012 to 84 with only 14 port of call visits.

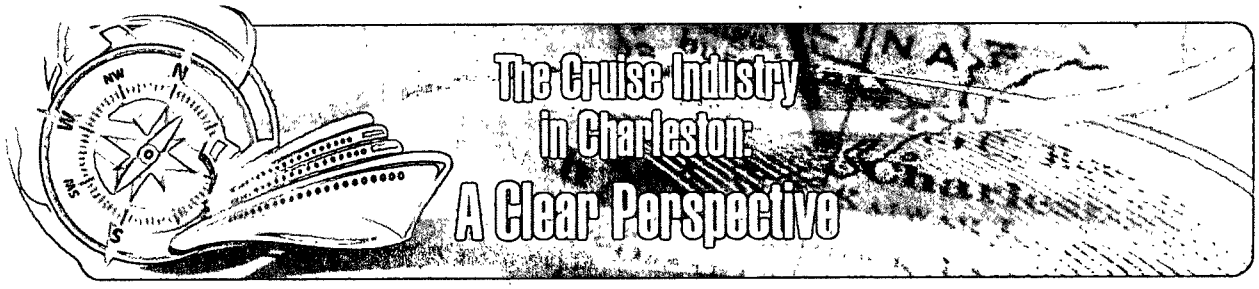
- The decline could be an indication that 2011 was a peak and the proposed limit of 104 cruise visits a year may never be an issue.

- There is no reason to assume that another line would also use Charleston as a home port. Carnival is part of a huge multinational conglomerate and would not compete with itself.

- Carnival has a record of abandoning cities such as Mobile and Norfolk after they have built new terminal facilities.

TABLE 7 Charleston Cruise Ships





2. Economic Impact of the Cruise Industry
(continued)

Compare the C&H projections and assumptions to actual data for the Charleston area (if more detailed, current data are available).

The C & H report included the following table:

TABLE 8 2010 Passenger Data

2010 estimated			
PASSENGERS	PORT-OF-CALL	Origination	Total
Number vessels	16	53	69
Passengers	17,000	94,240	111,240
% who visited Charleston	66.49%	100%	
% local residents	0%	19.0% (Calculated from 2004 estimates)	
Sub Total Passengers	11,303	76,334	105,543
Average per person local expenditure	$43.42	$66.31	
Total Direct (Passengers)	$490,789	$5,061,707	$5,552,496

- The scope of this project did not allow for the generation of any new survey data therefore our analysis is based on a thorough review of numerous studies of the cruise ship industry and interviews with experts in the industry.[13]
- As noted, the C&H report only deals with the estimation of economic benefits. It is based on a November survey of an unknown number of passengers and crew from only two port of call ships and one origination cruise.
- Using this data and a 2004 report on cruise ship expenditures, the authors made several assumptions to interpolate a number of economic impacts on employment and expenditures within traditional impact analysis. This is a very limited sample of ships and includes only those that arrived in November.
- The authors also rely heavily on the estimates of local spending by cruise ship companies from an undocumented 2004 study.
- We have no knowledge of who conducted this study, how it was conducted, whether it pertained to Charleston, or, most importantly, whether the data are valid for 2011.
- Based on a limited sample of responses from a few passengers and crew members and an undocumented estimate of cruise ship expenditures, the authors made the following basic assumptions that deserve further research.

2. Economic Impact of the Cruise Industry
(continued)

1. "66.49% will leave the ship" –

   This is probably a reasonable estimate for port of call visitors.

2. 100% of the origination passengers will "Visit Charleston"

   Given the times of departure and arrival, the logistics of parking and the desire to return home it is doubtful that Carnival passengers "leave the ship" to spend money in the City While they may sleep in a hotel or dine in a restaurant the night before departure they are unlikely to visit the market and other areas after they arrive. Figure 3 was taken at the market on January 31, 2012 at 10:30 AM in the market after the Fantasy had arrived two hours earlier. There was no evidence of added shopping by arriving passengers.

3. According to the C&H study: "Currently 16 port-of-calls and 53 origination cruises have been booked at the SCSPA for 2010. Based upon the survey results, C&H estimate that of the passengers on ships that will make Charleston a port-or-call, 66.5% will leave the ship and visit the City which will amount to 11,303 additional tourists. Of these visitors, one-half will debark on escorted motor coach tours from the ship to tour the region's attractions while the other one-half will visit the city independently."

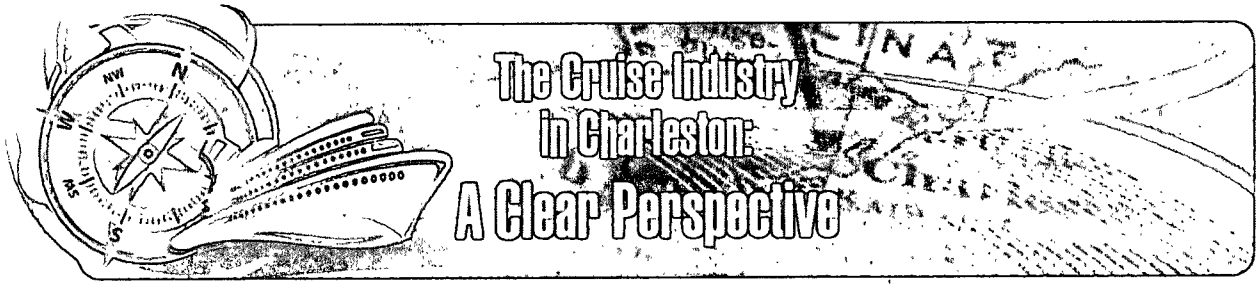
   Crotts and Hefner estimate that in 2010 an additional 11,303 additional tourists were added by the 16 port of calls. They estimate that 50% of these (5,651) will take a motor coach tour. A February 12, 2012 press release from the South Carolina Ports Authority Public Relations Manager, "Charleston Welcomes First Cruise Port-of-Call of 2012," provides a specific account of the activities by passengers from the first port of call in 2012. The release states:

   "The 1,944 passengers on board the Oceana are visiting Charleston prior to making the trans-Atlantic crossing to Ponto Delgado, located in the Azores off the coast of Portugal. While in Charleston today, 35 percent of the passengers are

FIGURE 2 M&A, Inc., photo taken on January 31 2012, at 10:30 AM



"...it is doubtful that Carnival passengers "leave the ship" to spend money in the City While they may sleep in a hotel or dine in a restaurant the night before departure they are unlikely to visit the market and other areas after they arrive."



participating in organized excursions to Lowcountry plantations and museums along with tours of the city."

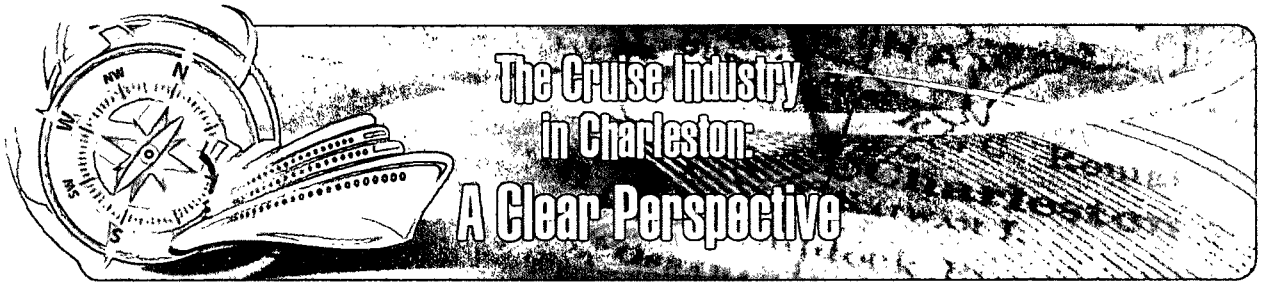
This means that 680 passengers are participating in a pre-arranged tour. While some of these excursions will involve a motor coach tour to a plantation many of these will be carriage rides, walking tours, etc. It is important to put these numbers into perspective. In 2012, 14 port of call visits are scheduled for Charleston. At full capacity there will a potential of 17,794 passengers. Using the 35% participation rate there will be a potential of about 6,229 of these visitors participating in a variety of organized on-shore tours. All of these visits will occur on just 14 days. Three of the 14 visits will be by the Regent Seven Seas Navigator with a maximum capacity of 490 passengers. These visits will generate a total of about 171 additional tours on each of those three days.

This analysis suggests that port of call visits have a positive impact on tourism related activities in Charleston. However, these impacts will be confined to only 14 days in 2012 and are spread among a number of competing activities. Given the limited number of days and the range of firms involved, it is difficult to believe that the tour companies would have hired 117 new full time employees at a salary of $48,880 each, as Crotts and Hefner have estimated. It is much more likely that tourist oriented firms had existing capacity to absorb the increase in business on the port of call days.

"This analysis suggests that port of call visits have a positive impact on tourism related activities in Charleston. However, these impacts will be confined to only 14 days in 2012 and are spread among a number of competing activities. Given the limited number of days and the range of firms involved, it is difficult to believe that the tour companies would have hired 117 new full time employees at a salary of $48,880 each, as Crotts and Hefner have estimated."

4. "407 jobs paying a total of $16,193,200 in labor income. These jobs will average $39,786 in annual wage earnings" –

   - *We question both the 407 total new jobs and the estimate of $40,000 per year salary.*
   - *Using the table included in the C&H report we calculated the salaries for the different occupations. Some figures such as the 39.8 employees in the wholesale sector earning $68,000 seem very unrealistic.*
   - *Furthermore, many of these questionable numbers are based on the assumption that the Carnival line is purchasing goods from a local supplier.*



2. Economic Impact of the Cruise Industry
(continued)

TABLE 9 2010 Estimated Passengers

	PORT-OF-CALL	Origination	Total
Number vessels	16	53	69
Passengers	17,000	94,240	111,240
% who visited Charleston	66.49%	100%	
% local residents	0%	19.0% (Calculated from 2004 estimates)	
Sub Total Passengers	11,303	76,334	105,543
Average per person local expenditure	$43.42	$66.31	
Total Direct (Passengers)	$490,789	$5,061,707	$5,552,496

Estimates of the spending per passenger

The numbers of $43.42 for port of call and $66.31 for originating passengers seem reasonable but are based on a limited sample.

"Both groups of survey respondents were predominately couples (73.5%) traveling without children (86.4%) with median annual household income between $100,000-$124,999. 44.3% were first time visitors to Charleston" –

We question that the demographics of the two groups are similar. Since we don't have any information about the two POC cruise ships surveyed, we cannot determine the similarities or differences between the Carnival cruise market and the POC visitors. We don't know whether the demographics are different in other seasons. For example, are there more children during the summer?

5. "How likely will you visit Charleston again within the next five (5) years," approximately four in five (79%) indicated they would likely do so. Similarly when asked "How likely will you recommend to your friends and relatives to visit Charleston," a high 90.4% indicated they would likely to do so."

While a large percentage of the POC visitors are likely to obtain a positive view of Charleston, it does not directly translate to additional visits and it can't be determined whether the visit was a deciding factor. The image of Charleston is reinforced by many other forms of publicity.

6. The C&H study estimates that 100% of the non-local Carnival passengers will spend $66.31 per person in Charleston (see **Table 6**).

We doubt that each of the non-local passengers will be in Charleston long enough to spend $66. We believe that many of the Carnival customers drive to Charleston in time for the 4:00 PM departure drive home as soon as they debark at 8:00 AM. Therefore, the $5,061,707 figure for total direct expenditures seems inflated.

2. Economic Impact of the Cruise Industry
(continued)

Summary – Review of Crotts & Hefner study



We conclude that the economic impacts estimated in the Crotts & Hefner study are substantially overstated. We draw this conclusion from the analysis in this section of the report -- the highlights are as follows:

- C&H base their analysis on interviews with passengers for only three ships in one late fall month and then the authors extrapolated these values for all the other 16 port of call ships and 53 Carnival Fantasy cruises throughout the year.

- Using this data and a 2004 report on cruise ship expenditures, the authors made several assumptions to interpolate a number of economic impacts on employment and expenditures within traditional impact analysis. This is a very limited sample of ships and includes only those that arrived in November.

- The authors also rely heavily on the estimates of local spending by cruise ship companies from an undocumented 2004 study.

- Together with the analysis of the supply chain model utilized by the cruise industry, the C&H estimates of local spending by the cruise industry are overstated.

If the City really wants to know the impacts of the industry, the City will need to generate detailed, direct survey data from vendors and visitors over an extended time period.

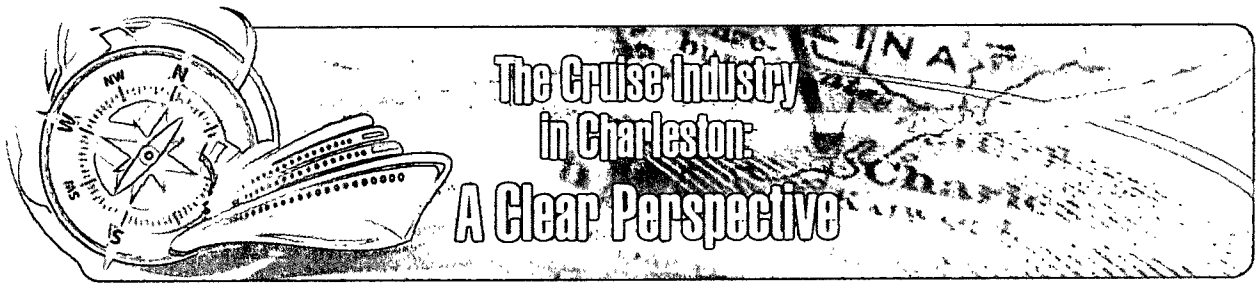
2. Economic Impact of the Cruise Industry
(continued)



2.3 The Cruise Industry in relation to overall Charleston Tourism

While a great deal has been made of the projected $37 million impact of the cruise industry on Charleston, this level of spending—even if it could be verified–is relatively minor in the overall tourism industry in Charleston. Dr. Bing Pan estimates that the total number of tourists in Charleston was over 4.2 million in 2010.[14] The 150,000 or so cruise passengers represent about 3% of the total visitors. Dr. Pan also estimates that these 4.2 million visitors spent $3.03 billion in the area. That level of spending helps put the estimated $37 million spent by the cruise industry in better perspective. Based on Crotts and Hefner's estimates, the cruise industry represents about 1.2% of the tourism industry in the Charleston area.

Dr. Pan estimates that the average visitor spends $718 per visit. The average expenditure estimated by Crotts and Hefner was $66 per person for an embarking passenger. Based on our analysis, this estimate overstates the level of spending. However, even at this level, the spending by the cruise passenger is roughly 1/10th the level of spending by the average visitor to Charleston according to Dr. Bing Pan's estimated levels of spending.



2.4 Cruise Industry: A Global Supply Chain Model

The vice president of supply chain at any global cruise line starts the day thinking about the 10,000 to 20,000 meals – depending on the size of the ship – to be served at each one of the company's ships that day.[15] To put this in perspective, it is like coordinating 50 meals at every full-service restaurant in Charleston County each day.[16] This would be overwhelming to most businesses, but it's just another day in the cruise business.[17]

"The vice president of supply chain at any global cruise line starts the day thinking about the 10,000 to 20,000 meals – depending on the size of the ship – to be served at each one of the company's ships that day. To put this in perspective, it is like coordinating 50 meals at every full-service restaurant in Charleston County each day. This would be overwhelming to most businesses, but it's just another day in the cruise business."

Each ship is typically considered a profit center and it requires a significant amount of logistical planning, teamwork, and information and forecasting technology to supply it through the day (let alone the entire cruise) until it arrives at its next port of call. The cruise industry's sophisticated supply chain is capable of delivering a variety of goods and services to all corners of the world in an efficient, cost-effective manner.

Charleston is the home port to a Carnival Cruise Lines ship. How does the Charleston port fit into the logistical supply chain of the cruise line? Very little is published about supply chain logistics of the cruise industry. One reason for this is that the logistics process is a critical part of the cruise business model and profit-making process. Therefore, to know the proprietary details of a company's supply chain is to know how the company makes a profit and how it competes. However, we are able to glean from third-party sources the basics of cruise line supply chain management, and how the Charleston port fits into this process. Our analysis looks at strategy, supply chain logistics, and competition among ports of these very sophisticated and well-managed organizations.

Cruise: International Strategy of Vertical Integration

To understand the needs of the cruise industry supply chain we need to understand the basic structure of the cruise industry. The industry follows what is characterized as Maritime Law or Transnational Law. In other words, the ship makes its own law, since it is not ruled by any governmental body, until a vessel sails into "state" waters. This allows the industry to vertically integrate, enabling companies to create small profit centers. These profit centers carry over onto land-based operations in the form of tours, hotels, restaurants, and shopping centers. The industry is largely foreign-owned and pays little or no U.S. tax. (Klein R. A., 2003) Because they are primarily foreign ships, one of the few

2. Economic Impact of the Cruise Industry
(continued)

laws they do need to follow is called Cabotage Laws,[18] which reserve to U.S.-flag vessels the right to move passengers and cargo between U.S. ports.

The cruise industry hires J1 Visa[19] workers to work both on the ships and at their land-based facilities at below minimum wage rate for the cruise season. The implication is that direct, indirect, and induced impacts to the local community are significantly impacted downward, with profits flowing to the cruise lines based on ownership interests. It is best to consider the cruise lines like little cities, which supply themselves with all the goods and services they need to meet their customers' needs. To meet those needs, the industry focuses on controlling as many inputs as possible to ensure a favorable outcome both for customers and profit-making.

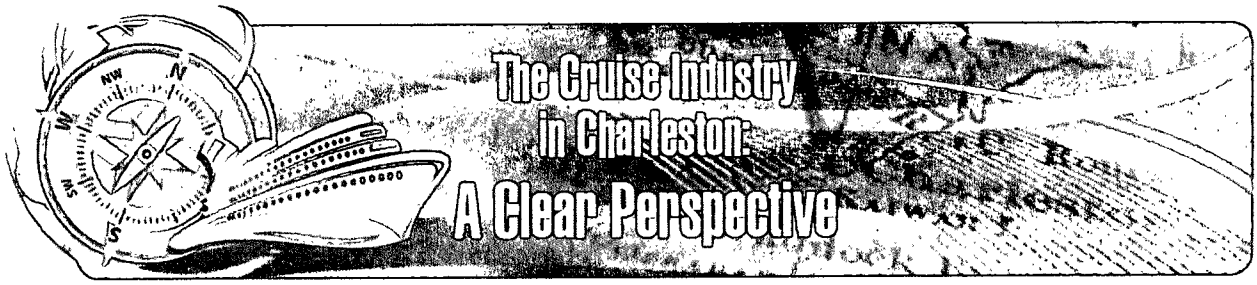
Cruise lines are typically thought of as a form of deep-sea passenger transportation to or from foreign ports,[20] but a significant portion of cruise revenue is made on shore-side excursions, and cruise lines actually own many such operations. Klein states that Holland American Line reported its per capita income increased by 73 percent due to shore excursions operations. As a result of vertical integration, the cruise industry is constantly shaving profits from local tour- and service-providing vendors, which can create a problem for the local economies that the ships visit. This integration process has spilled over into strategic partners such as travel agents, who will decrease commissions on cruise packages, especially as the industry brings more bookings in-house (Funk, 2011). This is a result of cruise lines' focus on four areas: (a) a greater variety of cruise ships, (b) a variety of potential itineraries, (c) choices regarding cruise durations, and (d) a plethora of activities onboard the vessel and in the areas visited as well (Vaggelas & Lagoudis, 2010). The design of the supply chain must meet the needs of each of these focus areas in a variety of geographies (Travel Talk-Middle East, 2011).



Supply Chain: Vertical Integration

The industry term "terminalisation" was coined to describe the way cruise lines integrate the vessel with the shore-based operations. They come together and become the focal point of the supply chain. The Vaggelas report states that land-based operations, sometimes islands owned or managed by the cruise line, provide value-added items such as duty-free shops, entertainment, accommodations, and restaurants (Dowling, 2006). Many of these are touted as tourist villages (Center on Ecotourism and Sustainable Development (CESD), 2006).

Even land-based tours are integrated into the cruise industry as these shore excursions are often sold by the cruise ship or travel agencies. They are convenient for passengers, 50 to 80 percent of whom buy an excursion in each port, and provide solid revenue to the cruise line. This again underscores the inconsistencies and variations in the data on local economic impacts



2. Economic Impact of the Cruise Industry

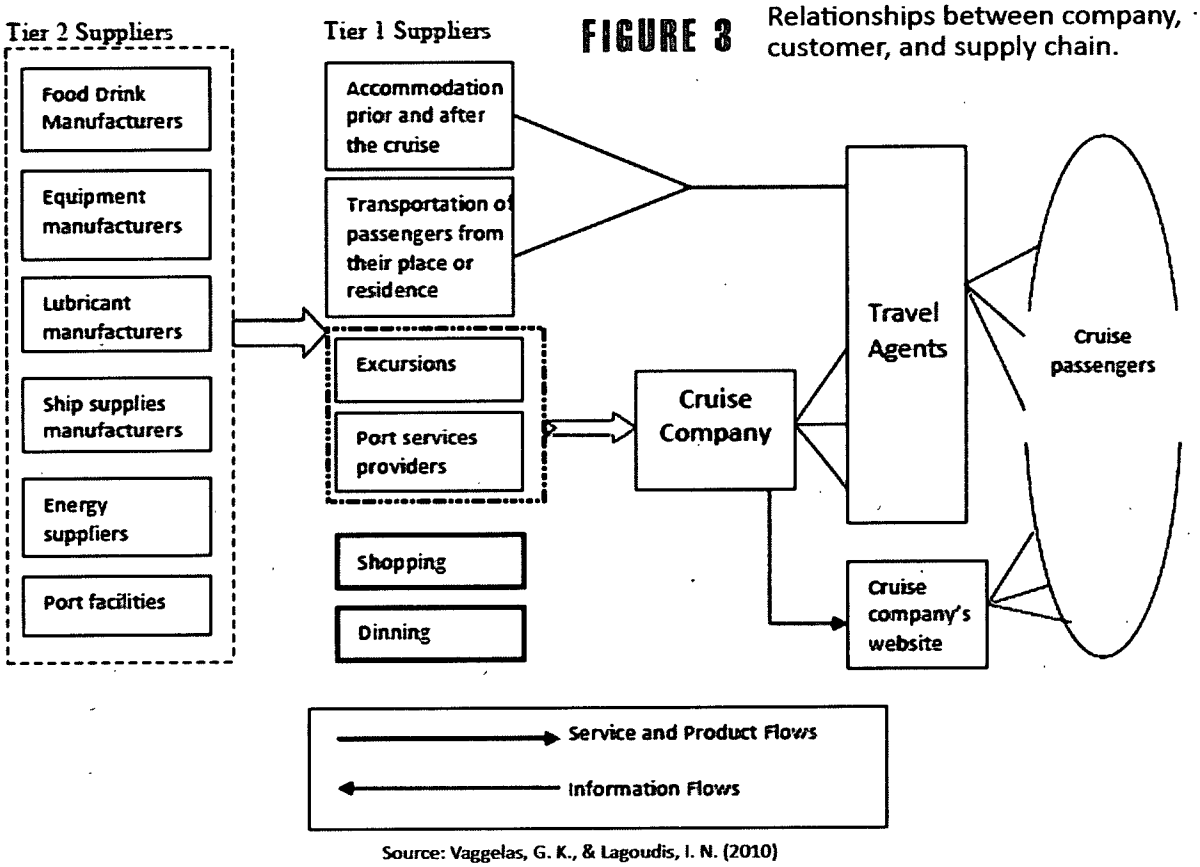
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from the cruise industry. It also demonstrates that if the City really wants to know the impacts of the industry, the City will need to generate detailed data collection in the City.

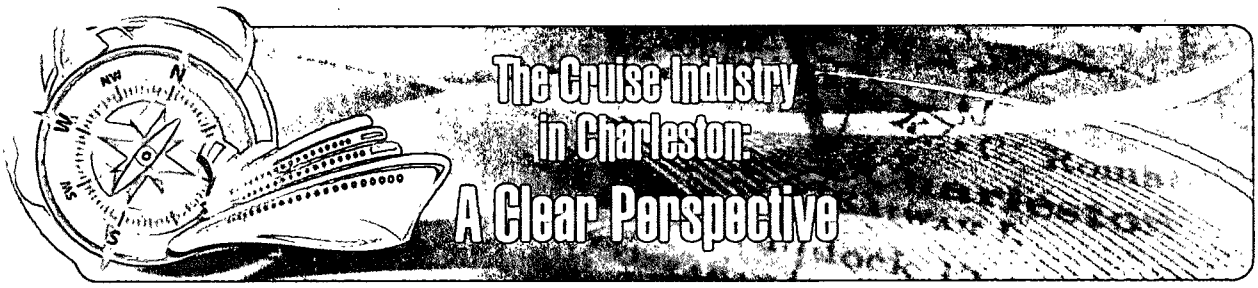
As little as one-half to one-third of the shore excursion price is paid to the person providing the excursion. It would appear that these may be small vendors, but in many cases they are large providers hired by the industry. "North American-based cruise lines generally use one of three companies to run their shore excursion programme: International Voyager Media, On-Board Media or the PPI Group. The concessionaires arrange the excursions, hire port lecturers and handle shore excursion sales" (Klein R. A., Turning Water into Money: The Economics of the Cruise Industry, 2006).

The supply chain thus incorporates more than just suppliers – it also provides services to customers. The supply chain is simple yet complex since it requires the company to coordinate both supplies and passengers, which need to arrive at a predetermined point at the same time. Below is a schematic redrawn by Vaggelas, which shows the relationships between company, customer, and supply chain.

FIGURE 3 Relationships between company, customer, and supply chain.



Source: Vaggelas, G. K., & Lagoudis, I. N. (2010)



2. Economic Impact of the Cruise Industry
(continued)

Note in this schematic the Tier 2 suppliers are actually manufacturers. This is not a misprint. Based on the quantities needed, typically suppliers are large, integrated manufacturing operations with global reach. Tier 1 suppliers actually interface with the customer. These suppliers therefore are strategic in nature.

Vaggelas has further broken down the above diagram, describing how the supply chain impacts service delivery and profit. The two basic criteria are risk and profit maximization:

TABLE 10 Profit Impact vs Supply Risk Factors

Profit Impact	Supply Risk: Low	Supply Risk: High
High	Leverage items 3 *Ship's Electronic Equipment (3)* 3 *Machinery Equipment (6)* 3 *Hotel Consumables (4)* 3 *Ship repairs (6)* 3 *Lubricants (3)* 3 *Internet and Information Technologies (1)*	Strategic items 3 *Coach Services (1)* 3 *Tourist Agencies (1)* 3 *Insurance Services (1)* 3 *Classification Societies (1)*
Low	Non-critical items 3 *Cabin Stores (4)* 3 *Food Beverage (6)* 3 *Fuel Supplies (3)* 3 *Tools (4)*	Bottleneck items 3 *Pilot Services (7)* 3 *Towage Services (7)* 3 *Port Services (?)* 3 *Financial Services (3)*

Source: Vaggelas, G. K., & Lagoudis, I. N. (2010)

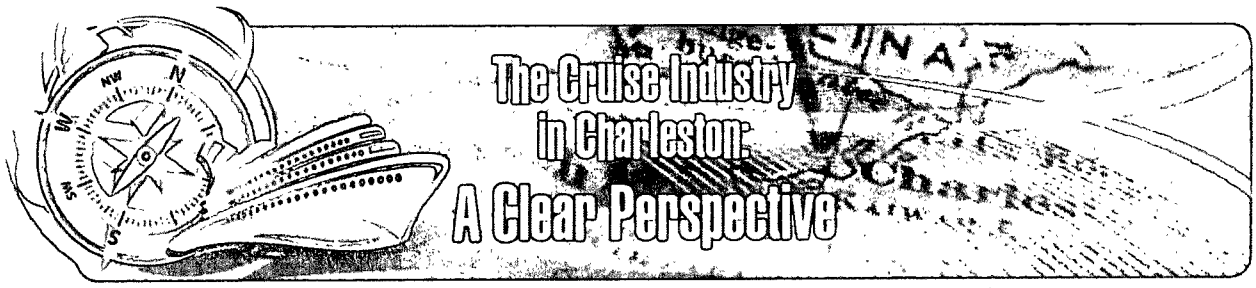
The company focuses on long-term relationships with suppliers that provide high-risk and high-profit impact. With low-risk and low-profit impact, the industry focuses on cost.

Charleston, being a home port but a relatively small player – especially with Miami a few hours away – may compete in a few areas, such as ship repair services (leverage items) or tourist agencies (strategic).[21] It is unlikely that Charleston as a home port is able to compete effectively with low-profit (non-critical) margin items such as and food or beverage, with the exception of fresh food (milk, for example). The industry looks for opportunities to reduce costs through economy of scale purchases. Low risk/ low profit items fit this scenario.

One reason for this is the sheer volume of supplies needed. These items are typically sourced from regional players who are able to mass large quantities of supplies and move them to any location on a moment's notice, if necessary. Agility® Logistics is an example of a company that deals with the types of problems major logistics partners are required to solve.[22]

Finally, cruise lines' logistics include looking for ways to grow by leveraging geography and economies of scale. One way to accomplish both of these goals is through mergers and acquisitions. Klein explains, "As just seen, reducing costs is as effective a means of improving the economic bottom line as is generating income. This has been a key force driving consolidation in the industry. There are clear benefits from economies of scale. Both Carnival and Royal Caribbean projected savings of US$100 million a year from the synergies achieved by their merger with P&O Princess. Carnival's experience indicates that actual savings are exceeding expectations. There are a number of other ways that the industry has been effective in turning water into money." The industry continues to aggressively use all available management tools to minimize costs and maximize profits.

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2. Economic Impact of the Cruise Industry
(continued)

Logistics, Competition, and Ports

A business model that revolves around meeting the needs of the customer through superior service and logistical support provides the cruise industry with unique business flexibility. Like airlines, cruise lines are constantly evaluating their customers' likes and dislikes and making adjustments to accommodate those needs. The cruise industry is uniquely positioned, however, to exploit the ability to move freely and not invest directly in land-based operations as other modes of transportation (trains, coach buses, and airplanes) do. This ability to move and take their "city" and supply chain with them is what fuels port-to-port competition.

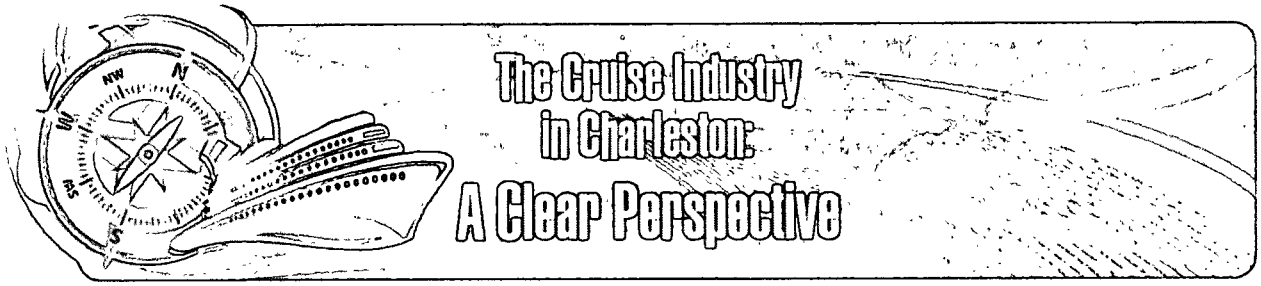
Competition among ports

The competition among ports to lure the cruise industry is well documented. Ports spend millions of dollars building facilities for cruise ships, and then compete for more cruise ships by lowering port use fees. That benefits an industry with a high level of flexibility (Klein R., 2005). Klein goes on to point out that there are substantial risks in making these public investments, since the cruise line can (and does on a regular basis) choose one port over another as a result of a better offer, lower offer, or no-fee offer. Notwithstanding, in the background that offer is only accepted if it can be coupled with a better overall supply chain value that increases profit potential.

The Charleston port has already been caught in the web of one-upmanship, even though numerous examples demonstrate this mistake by others – most notably and recently in Mobile, AL--resulting in a passenger terminal now sitting empty. The press release announcement from Carnival is worth a closer look because it focuses on the fact that the supply chain (cost) is telling Carnival Cruise Lines to leave.

> *"Unfortunately, we have not been able to achieve favorable financial results with this program. Although we have consistently filled the ship, it has been at lower relative pricing to the rest of our fleet. We have made every effort to drive higher demand and pricing through our sales and marketing initiatives and the deployment of a newer class of ship in 2009. However, we have not been successful in achieving a sustainable level of acceptable pricing.*
>
> *Additionally, the itineraries from Mobile require much higher relative fuel costs to operate and those fuel costs will become even more unfavorable with the implementation of the new ECA requirements starting in 2012."* [23]

"The competition among ports to lure the cruise industry is well documented. Ports spend millions of dollars building facilities for cruise ships, and then compete for more cruise ships by lowering port use fees. That benefits an industry with a high level of flexibility (Klein R., 2005)."



2. Economic Impact of the Cruise Industry
(continued)

Note that the ships are full, but that the sum total of the supply chain (in this case they use fuel as the excuse) does not add up to an acceptable return on investment. Result: the ships have left Mobile completely. It is easy to point to this as a single case, but the scenario has happened time and again and could happen in Charleston at some point.[24] This is not to say that the cruise industry in particular hires bad or unethical managers. It does not. On the contrary, as an industry cruise lines are beholden to a business model that allows the corporation to be successful by leveraging maritime laws, tax advantages, supply chain, market position, and port-to-port competition to its advantage (TravelAge West, 2010).

"Unlike Boeing, MUSC, Blackbaud, Bosch, or even the Port of Charleston itself, the cruise industry takes its investment--the supply chain (including passengers, goods and services, infrastructure employment, and all other aspects of their business)--with it every time a cruise ship departs the port. Due to the volatile nature of the industry and its ability to transfer operations relatively easily, the cruise business does not invest in the ports for the long term."

The natural reaction is to point out that Charleston is different, and it is by many objective measures. The latest positive news is that Charleston has the third best hotel in America![25] However, the city doesn't determine the success of the cruise industry. It's how well the supply chain (people and supplies) of the cruise industry fits both the Charleston location and industry profit expectations. The bottom line is that as soon as the cruise line supply chain identifies a better alternative, the cruise operator has an obligation to take advantage of it. The result looks like Mobile, San Diego, Vancouver, Norfolk, Nanaimo and other ports where cruise lines have suddenly left. It appears that it is best for the community to steer clear of cruise port competition and instead capitalize on its characteristics – attributes that are difficult to duplicate, guiding the cruise lines supply chain to the community's front port door and ensuring that the industry benefits the local economy as much as possible.

Rethinking Supply Chain Tourism

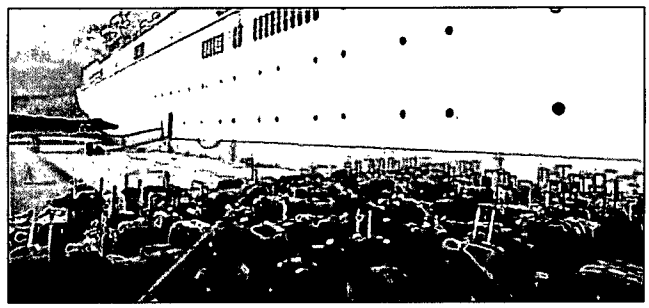
Each community needs to decide on the level of cruise tourism it wants to support. The cruise industry operates a business model that incorporates a supply chain focused on maximizing cruise industry profit by leveraging supply chain flexibility to place the "profit center" in the highest return on investment geography while maximizing tax advantages, foreign labor, and competition among ports armed with public dollars.

The business model the Charleston region is now forced to address is quite different from past economic development projects and requires a different approach for the local community to prosper. Unlike Boeing, MUSC, Blackbaud, Bosch, or even the Port of Charleston itself, the cruise industry takes its investment--the supply chain (including passengers, goods and services, infrastructure employment, and all other aspects of their business)--with it every time a cruise ship departs the port. Due to the volatile nature of the industry and its ability to transfer operations relatively easily, the cruise business does not invest in the ports for the long term.

2. Economic Impact of the Cruise Industry
(continued)

2.5 Potential Revenues Generated by the Cruise Industry for the SPA

The SPA receives revenues from the cruise industry for services it provides. Based on information from the SPA, it is estimated here that the SPA receives about $10 million a year in fees and revenues from the cruise industry.



The SPA provided the following information when asked about the various fees they charge:[26]

Attached below is a summary of the types of SCSPA fees associated with a cruise vessel call in Charleston, some of which are specific to cruise ships and some of which apply to all vessels. As they may be under contract, this is not exactly what they pay, but I would say that it is illustrative and indicative.

PORT OF CHARLESTON TARIFF

Passenger fees:
Passenger Fee - $20.00 - per person
- *port of call (1 way fee)*
- *embark (1 way fee)*
- *debark (1 way fee)*

Passenger Fee – minimum - per call – if vessel does not load/unload passengers -- $1055.00

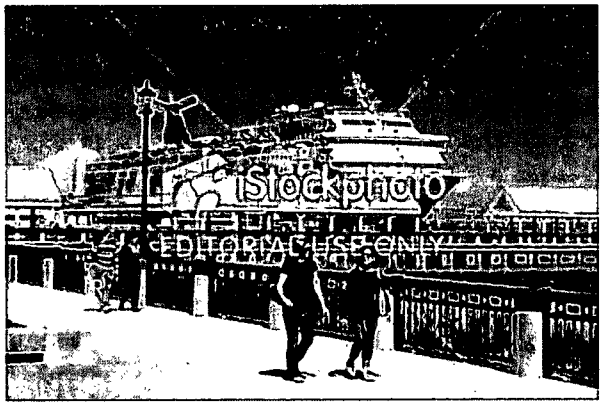
Vehicle storage fees are used for embarkation vessels:
Vehicle storage fees – vehicles up to 20 feet in length - $15.00 per day
Vehicle storage fees – oversized vehicles (RV's, campers) - $35.00 per day
Vehicle storage fees – valid handicap permit and ID – complimentary
Fee is multiplied by number of days of cruise – i.e., 5-day cruise = $75.00 fee per vehicle/standard size

General vessel related charges, some of which apply to cruise ships:
Fresh water supplies - per net ton - $5.85
Fresh water supplies – minimum fee - per call - $185.00
Berth/dockage fees - per linear foot of ship – per 24-hour period or fractional day - $9.15
Security Fee/Ship - per linear foot of ship – per call - $2.90
Security Fee/Passenger - per person – per call - $5.00
Harbor Master Fee - per vessel call - $127.00

2. Economic Impact of the Cruise Industry
(continued)

TABLE 11 Typical Cruise Ship Fees

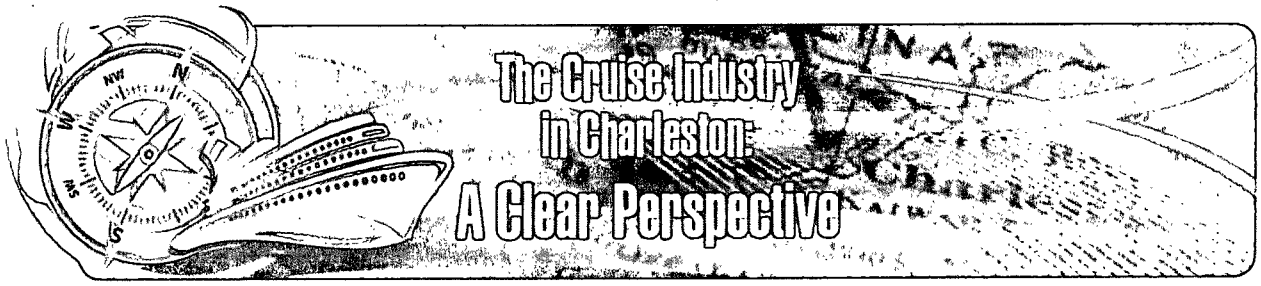
Typical Carnival Cruise Ship		
Passenger Fees	$	80,000
Parking Fees	$	37,500
Fresh Water	$	185
Berth Docking	$	9,150
Security	$	2,900
Security Passenger	$	10,000
Harbor Master	$	127
Fees Per Ship	$	139,862
Annual Fees	$	9,790,340
Typical POC Cruise Ship		
Passenger Fees	$	20,000
Parking Fees	$	18,750
Fresh Water	$	185
Berth Docking	$	9,150
Security	$	2,900
Security Passenger	$	5,000
Harbor Master	$	127
Fees Per Ship	$	56,112
Annual Fees	$	785,568
Carnival Ships	$	9,790,340
POC Ships	$	785,568
Total Annual SPA Fees	$	10,575,908



Based on this schedule of fees and the estimated volume of cruise ships in 2012, it is estimated that the SPA receives approximately $10.5 million in fees (See **Table 8**).

This estimate is based on the following assumptions:

1. 14 POC Ships with an average of 1,000 passengers = 14,000 passengers
2. 70 Carnival Ships with an average of 2,000 passengers = 140,000 passengers
3. Average stay for POC ships = 1 day
4. Average length of Carnival ships = 5 days
5. Average length of ship = 1,000 ft.
6. Average number of parked cars for 5 days = 500 cars



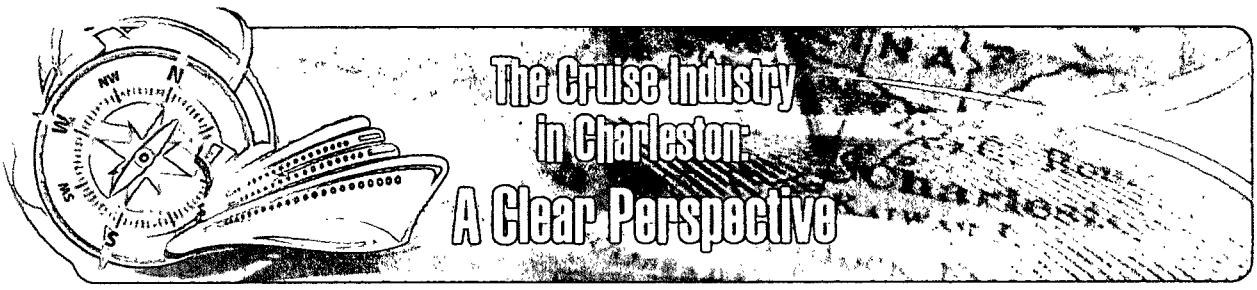
2.6 What are the risks presented by the cruise industry for Charleston?

While there has been a great deal of attention paid to the potential positive economic impacts of the cruise industry on the City, there has been little discussion about the costs and risks associated with it. There are many costs associated with serving the visitors and passengers on cruise ships as there are with any visitors to the City. Estimating the costs of these services is beyond the scope of this analysis. However, it is strongly recommended that the City undertake such an analysis. This is especially important given that the City receives no revenues directly from the cruise ships or the SPA but is responsible for providing City services to the visitor.

The issue of balance is becoming more and more important. The capacity of the City to maintain its historic character and charm is a matter of balance between many competing stakeholders. One indicator of this balance is the number of visitors per year relative to the number of residents in the City. Based on population data from the US Census and visitor data from the Charleston Area Convention and Visitors Bureau, the number of visitors to residents has increased in recent years. In 2000, it is estimated that the ratio was 26:1 (2.5 million visitors to 96,650 residents). In 2010, it is estimated that this ratio has increased to 35:1 (4.2 million visitors to 120,083 residents), which reflects an increase of 35%. While the ratio of a perfect balance is not known, the Charleston area should monitor this balance carefully to avoid the possibility of reaching an unhealthy balance.

Perhaps the greatest risk of the cruise industry is that it becomes a negative influence on the historic "charm" of Charleston. As stated earlier, the average visitor staying in Charleston spends a longer time and more money than the typical cruise ship visitor or passenger. The major concern is that if the cruise business becomes too large it could choke off and displace other visitors to Charleston. If the reputation/perception of Charleston is damaged in the national and international tourism market (even if the reality is different), the overall tourism industry in Charleston could suffer. It is unclear what the level of cruise activity would need to be to reach that "tipping" point. However, it is clear that the reputation of Charleston today in the industry is as high as it has ever been. Recent ratings by Conde Nast and other national and international tourism experts cite Charleston as one of the best places to visit in the country. The qualities and infrastructure that have produced this wonderful place did not happen by accident or overnight. Charleston has developed an extensive system of ordinances and regulations in the historic district that serve to protect the character and livability of the downtown area. However, the City's reputation could be harmed by the perception that is has been overrun by the cruise industry.

"The issue of balance is becoming more and more important. The capacity of the City to maintain its historic character and charm is a matter of balance between many competing stakeholders."



2. Economic Impact of the Cruise Industry
(continued)

Charleston was recently placed on The National Trust for Historic Preservation on its 2011 endangered "watch list."[27] As the trust stated:

> "In the case of Charleston, expanding cruise ship tourism could jeopardize the historic character of the city, historic downtown Charleston and its surrounding neighborhoods. The Watch Status designation is accompanied by an offer from the National Trust to assist with finding a balanced solution that benefits the community and its rich cultural heritage."

The Trust added that:

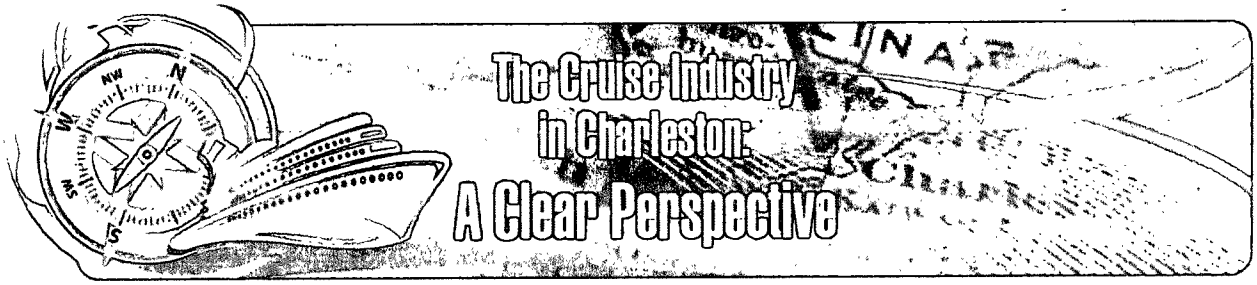
> "While there are many proposals at play in the Charleston cruise tourism issue, including relocation of the cruise docking pier, the National Trust believes that defining enforceable limits on the size, number and frequency of cruise ships visiting the downtown piers is central to a positive resolution."

There is also the risk of the cruise lines leaving Charleston as quickly as they have come. Mobile, Alabama; San Diego, California; and Norfolk, Virginia are three recent cases of communities that spent millions of dollars to lure the cruise industry and built expensive new terminals – only to see the cruise companies leave their ports – leaving the communities holding the bag (and the bill) for the new multi-million dollar facilities.[28] There is certainly no reason to expect Carnival to do that in Charleston, but it did happen to two of Charleston's southern neighbors and there is no guarantee that it will not happen to Charleston.

Historic Charleston Foundation Mission:

"To preserve and protect the historical, architectural and cultural character of Charleston and its historic environs, and to educate the public about Charleston's history and the benefits that are derived from preservation."

Historic Charleston Foundation



3. Summary and Recommendations

This is the first comprehensive study of how the cruise industry affects businesses, government, residents, and tourism in the Charleston region. It covers many facets of the cruise industry in detail, including the industry's economic impacts on the community, and their sophisticated business and operating model. The report confirms the complexity of the cruise industry and how it generates profits, as well as how its focus on meeting customer needs and profit goals can be a concern for communities that are either home ports or ports of call. Charleston is both.

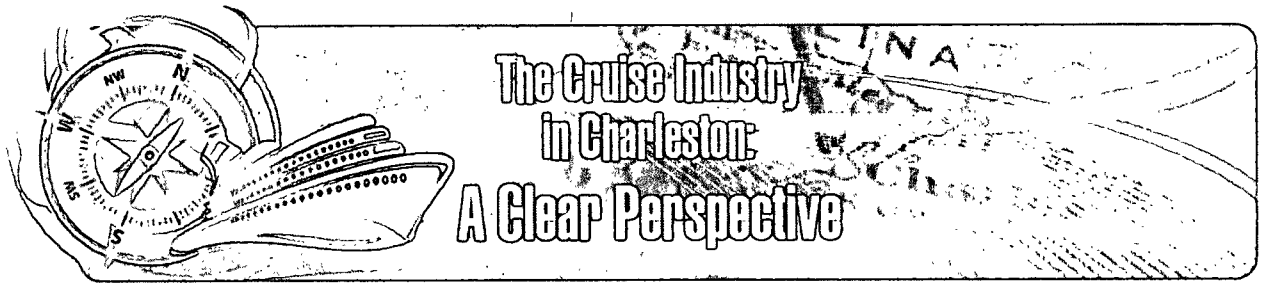
This independent assessment reviewed more than 100 documents, focusing on a representative sample of literature about the cruise industry, how it operates and who it affects locally, nationally, and internationally. The goal of the report is to increase the Charleston stakeholders' understanding of the relationship a community can expect to have with the cruise industry.

The report begins with a detailed economic analysis and evaluation of the cruise industry's economic impact as recorded in a variety of cities, both national and international. This analysis includes sources from industry; industry experts; private consultants; universities; and local, state, and federal reports on the impacts of the cruise industry. It focuses on method of analyses, customer spending, and employment.

We found a variety of methods that analysts used to calculate economic impacts. Estimates vary so widely that they create doubts as to the accuracy of reported cruise impacts (if, in fact, there are significant impacts at all) relative to the local-stay overnight tourism most communities depend upon. This wide variation also creates confusion for those interested in understanding the potential positive and negative impacts of the industry. After sorting through the variety of methods, some which clearly guess at spending, we focus on a concise presentation of spending impacts, allowing the reader to better understand the complex relationship between cruise customers and related community impacts. In this spending mix, the money seems to flow mostly to the cruise lines rather than to the businesses in the area. The bottom line is that the industry actually competes with the local community for the tourist dollar rather than stimulating the local economy.

"Employment based on cruise tourist spending is an important issue, especially during a down economy or an economy that depends on the cruise industry. Our research indicates that employment is largely controlled by the industry, and that related land-based jobs (other than cruise industry employment) may actually be hard to find, and in some cases may negatively affect the local employment mix."

Employment based on cruise tourist spending is an important issue, especially during a down economy or an economy that depends on the cruise industry. Our research indicates that employment is largely controlled by the industry, and that related land-based jobs (other than cruise industry employment) may actually be hard to find, and in some cases may negatively affect the local employment mix.



3. Summary and Recommendations
(continued)

The report blends what is learned about cruise economic impacts with a focused and detailed analysis of a study Crotts and Hefner completed, which ties the cruise industry to economic gains in the Charleston region. Our analysis of this study provides significantly more information about how the cruise tourist dollars flow into a community, and to what extent. It evaluates method, geography, and spending calculations. It also identifies gaps in the study, resulting in a new picture of cruise customer spending. Unfortunately, our analysis of the Crotts study was unable to identify even one new full-time job outside the industry, contradicting even the most basic analysis.

We include discussions and analysis of sampling bias, insufficient data, and confusion about whether the impact monies flow to the cruise line or into the community. Our report does not develop its own economic impact analysis, as that is a separate process and requires primary data collection. Instead, it identifies clear issues with current research that creates reasonable doubt as to the role that economic benefits from the cruise industry play within the Charleston economy.

Within the research scope of this study, we dissect industry patterns, allowing us to analyze impact from a different perspective: by observing the industry's goals and interactions with its suppliers. We would like to believe that the cruise industry has the best interests of its partner communities in mind, and it might. But the business model is designed to maximize profits through extensive use of vertical integration and supply chain management, which typically come into conflict with a community's desire to capture tourism dollars, maintain its core tourist attractions, and provide services to locals who are vested in the region.

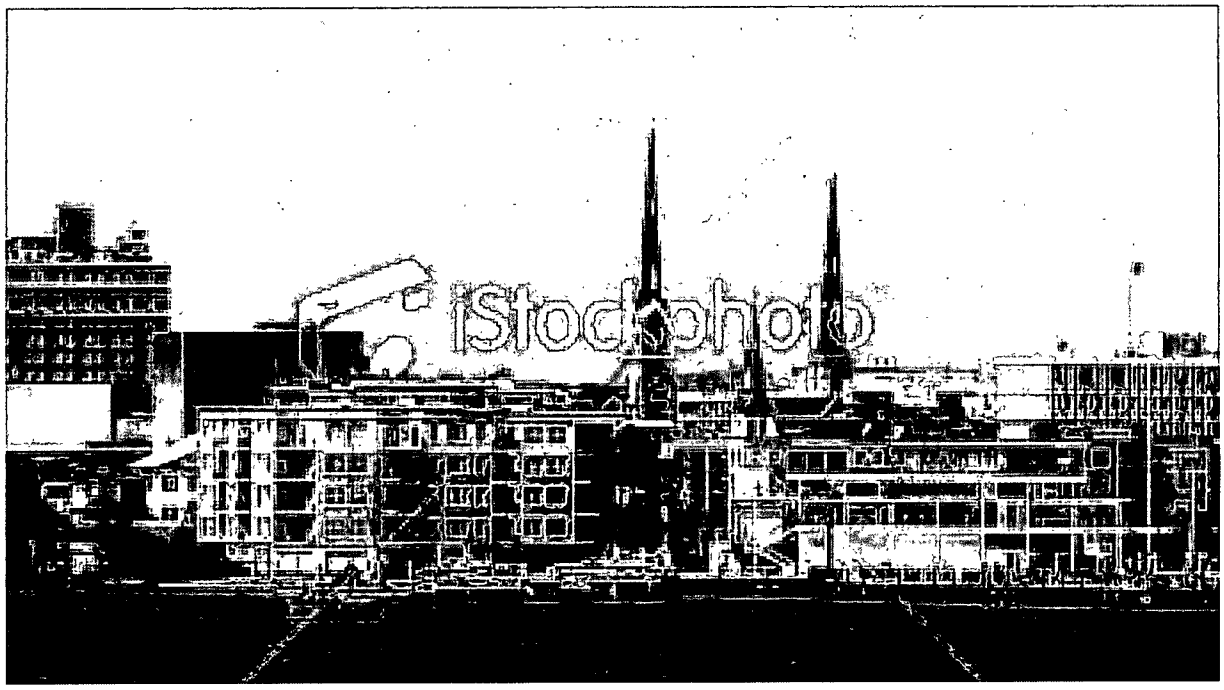
"The report confirms the complexity of the cruise industry and how it generates profits, as well as how its focus on meeting customer needs and profit goals can be a concern for communities that are either home ports or ports of call. Charleston is both."

Vertical integration also generates unique vendor relationships, which form the foundation of the cruise industry's supply chain. We uncover how the industry is able to provide large volumes of supplies to support the tens of thousands of customers it interacts with each day. The supply chain is reviewed in detail, including the national and international nature of its suppliers, the depth and flexibility of its vendors, and the efficiency of a system required to bring suppliers and customers together to form a cruise. From this process we infer that little is left over for suppliers in the local community, further reducing the benefits to local businesses.

Finally, the report covers competition among ports for cruise business. It is clear that some ports gain from the cruise industry. However, it is also clear that these gains are in many cases reduced, and in some cases eliminated, by competition among communities (sometimes using public funds to attract the cruise industry).

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8. Summary and Recommendations
(continued)

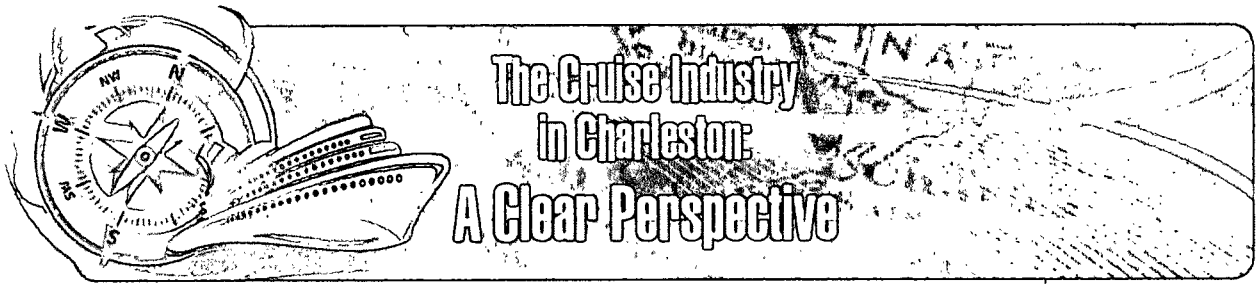


Based on this analysis, it is recommended that Historic Charleston Foundation undertake the necessary actions that are consistent with its mission to encourage the City to consider the following recommendations:

1. The City should create a separate citizens monitoring board/commission to oversee and provide advice to the City Council on issues related to the cruise industry. This monitoring board should be comprised of individuals representing the wide variety of stakeholders identified in this report.

   It is of utmost importance that the City, the SPA, and other stakeholders cooperate in a transparent, unified manner. All stakeholders need to work together. As a major stakeholder in the process, the City should become more involved with the negotiations with the cruise industry and the SPA.This study has clearly demonstrated the issue of non-alignment of costs and benefits associated with the cruise industry. Whatever positive economic impacts are generated by the cruise industry in Charleston, the vast majority are not felt by the downtown residents.

   There are a large number of stakeholders affected by the City's actions related to the cruise industry, and all of their voices need to be heard and incorporated in the City's actions. Since many of the downtown residents, neighborhood organizations, and preservation organizations feel the pressure from the cruise industry; they need to be given more oversight and monitoring so that they can feel like true stakeholders in the decisions being made by the City and SPA.



8. Summary and Recommendations
(continued)

2. To protect the "goose that lays the golden eggs," the City should ensure that the cruise industry is managed and controlled like virtually all other attractions and activities governed by the City to the best of its ability.

   Perhaps the importance of managing the City's cruise tourism relative to other demands is best stated by Tim Keane, the Director of the Department of Planning, Preservation and Sustainability for the City of Charleston: "Charleston is a special place unlike anywhere in the United States and with the spring comes a tremendous amount of visitors. These visitors are very important to the city's economic growth, but are secondary to the residents of downtown Charleston". [29]

   Every aspect of tourism is carefully regulated by the City already and has ensured its success in presenting an authentic, high quality historic environment. Perception is everything and all the negative press, such as being placed on the Watch List by the National Trust and The World Monuments Fund can erode the City's top position as an international destination.[11]

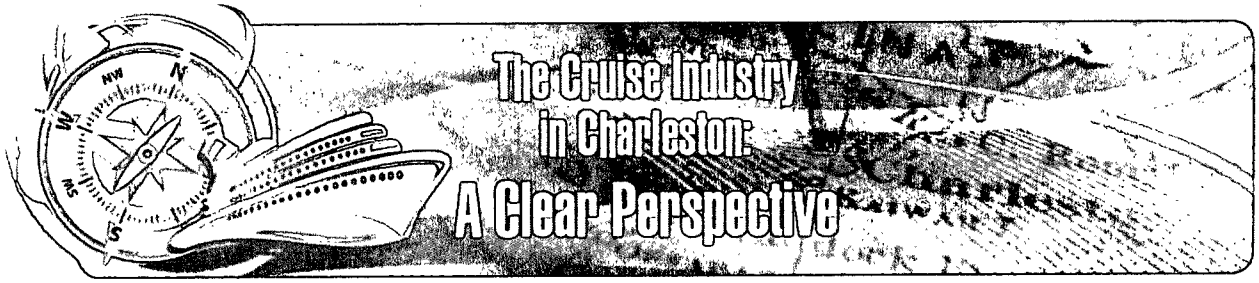
"The City should negotiate with the SPA and cruise industry to impose a reasonable passenger fee to help offset costs that the City may incur serving the cruise industry. These funds could be used in the event of additional costs incurred by the City related to the cruise industry."

3. The City should undertake an extensive service level study to determine the resources it allocates to managing the costs of the cruise industry.

   The City is responsible for providing various services to its residents and visitors. To date, no detailed analysis has been done to determine what, if any, services are required by the cruise visitors. However, much discussion has been made of the "benefits" of the cruise visitors. It is recommended that for the City to be comprehensive in overseeing the industry, it should consider both the costs and benefits of the industry. Therefore, these costs should be evaluated by the City.

4. The City should negotiate with the SPA and cruise industry to impose a reasonable passenger fee to help offset costs that the City may incur serving the cruise industry. These funds could be used in the event of additional costs incurred by the City related to the cruise industry. In addition, the City could use some of these funds to create an "Infrastructure Fund" to offset the cost of infrastructure improvements that will be required for the redevelopment of the southern portion of Union Pier and the special initiatives presented in the Union Pier Concept Plan. Such improvements could benefit the cruise industry as well as other sectors of the local economy.

   As stated earlier, there is a distinct non-alignment of benefits and costs associated with the cruise industry and the City of Charleston. A source of revenue to help the City pay for any costs associated with the industry would ensure that the residents of Charleston are not burdened with costs they do not generate.



Other uses of these funds could help offset costs for additional waterfront development planned by the City and the SPA. *The South Carolina State Ports Authority Concept Plan for Union Pier Waterfront*, September 2010, prepared by Cooper, Robertson & Partners, outlines several special initiatives that generated much excitement throughout the community.

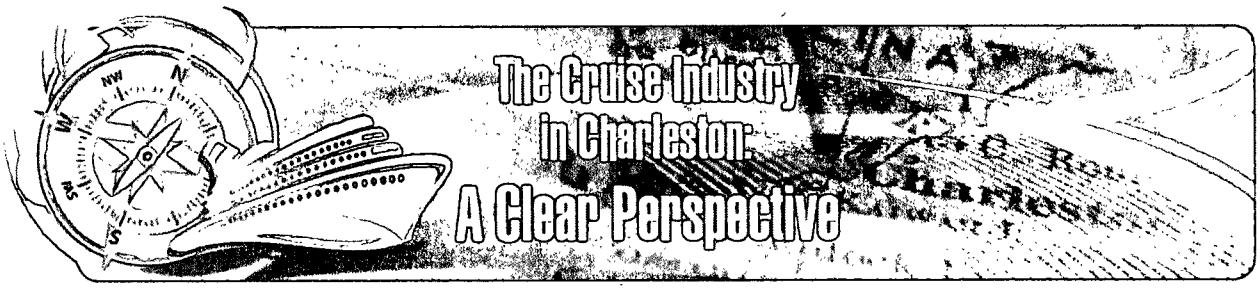
The four special initiatives of the Concept Plan are:

- Restoration of the historic public landing in front of the Customs House
- Restoration of the natural shoreline
- Restoration of Bennett's Rice Mill and creation of Rice Mill Park
- Creation of a pavilion for the history of the waterfront in a new Union Pier Park

All four of these special initiatives would have far-reaching positive impacts for the redevelopment of Union Pier for the city and its residents. It would be logical for the SPA to help fund some of the infrastructure improvements for this significant waterfront parcel to ensure that the private redevelopment is of the highest quality. This would be another way that local residents and businesses could perceive a more significant positive impact from cruise operations in Charleston.

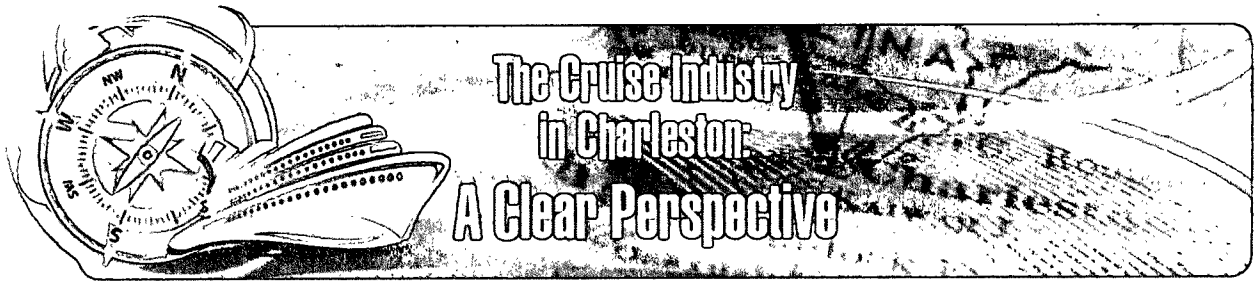
5. The stakeholders should sponsor a new economic impact study conducted by an impartial organization with real-time data. This study should obtain information that is representative of the entire spectrum of passengers throughout the year. It should also include an in-depth analysis of firms that may have hired new employees to meet the additional demand from visits by the cruise ships. Of particular interest would be a thorough understanding of the supply chain network.

   This recommendation is justified only if the City and the stakeholders really want to know exactly who benefits and how much they benefit from the cruise industry. While small sample surveys and speculative studies have been relied upon in the past to quantify the industry's impacts, the truth about the industry's impacts – good or bad – on the City of Charleston can only be determined with a comprehensive analysis based on extensive, real data collected from Charleston's residents, businesses and cruise passengers.



Endnotes

1. Experts included staff at the Charleston Area Convention and Visitors Bureau, Joseph W. Geldhof, Esquire, Juneau, Alaska, Ross A. Klein, Ph. D and others.
2. Crotts and Hefner, February 2010 report "An estimate of the economic contributions of the SC State Ports Authority's 2010 cruise ship activity to the region's economy", and The Impact of Cruise Ship Embarkations and Debarkations on Hotel Demand in Metro Charleston's Major Hotel Markets, January 1, 2009 - October 1, 2011, John C. Crotts Consulting, November 2011
3. Royal Caribbean to roll out new generation cruise ships." Travel Talk-Middle East 1 Apr. 2011. General OneFile. Web. 19 Sep. 2011.
4. The criteria used to narrow the number of reports reviewed included size of sample included in the report, completeness of the report, author of study, and whether the report addressed jobs creation, spending, geography and included only those studies that included a discussion of the research method used. Many reports were only partial analyses, were not sourced, and/or only covered one aspect of the industry.
5. CITY & FINANCE: Carnival makes a $1.3bn profit." Travel Trade Gazette UK & Ireland 24 Sept. 2010: 18. General OneFile. Web. 19 Sep. 2011
6. Dollars are not adjusted for inflation
7. "statistically significant" unlikely to have occurred by chance
8. "CARNIVAL CRUISE REPORT: Blue sea thinking or the future?" Travel Trade Gazette UK & Ireland 1 Apr. 2011: 6. General OneFile. Web. 19 Sep. 2011.
9. IMPLAN employee compensation is: wage and salary payments as well as benefits, including: health and life insurance, retirement payments and any other non-cash compensation.
10. See survey to South Carolina Ports Authority
11. http://articles.latimes.com/2011/jan/14/business/la-fi-1014-mexico-cruise-ships-20110114
12. Cruise Ship Tourism, Edited by, Ross K. Dowling, Edith Cowan University, School of Marketing, Tourism and Leisure, Australia, 2006
13. Experts included staff at the Charleston Area Convention and Visitors Bureau, Joseph W. Geldhof, Esquire, Juneau, Alaska, Ross A. Klein, Ph. D and others.
14. 2020 Economic Impact of Tourism on the Charleston Economy, Bing Pan, Ph.D., School of Business, College of Charleston, April 12, 2011, http://prezi.com/eit7xkf6u4_j/2010-impact-of-tourism-on-the-charleston-economy
15. "Our supply chain process is a very streamlined process as we have to supply our ships worldwide producing 10,000 to 20,000 meals a day per ship, depending on the ship's size." "Unraveling the supply chain purchasing conundrum." International Cruise & Ferry Review Autumn-Winter 2010. General OneFile. Web. 10 Oct. 2011.
16. Total full service restaurants 406 (BLS- Charleston County 2010 2nd Qtr) TIMES 20,000 meals.
17. www.cruiseandferryreview.com (ArticleID=2695828&Issue=79655)
18. CABOTAGE LAW: Laws limiting a foreign company's right to transport passengers between two points in a country. Under the US Passenger Services Act, for example, only a US registered cruise ship can take passengers on an Alaska cruise from Seattle without stopping in BC. A ship not registered in the US must stop at a BC port in order to comply with US cabotage laws. Canada's cabotage laws similarly prohibit a foreign flagged vessel from operating BC-only cruises.
19. http://j1visa state.gov/programs/summer-work-travel/
20. http://www.census.gov/epcd/naics02/def/NDEF483.HTM
21. Funk states "selling just three shore excursions and third-party travel insurance (the "fries") increased our earnings by a whopping 81%."
22. http://www.agilitylogistics.com/en/gil/pages/YS_Industry_Solution_Cruise_Line_Logistics.aspx
23. http://blog al.com/live/2011/03/carnival_cruise_lines_cutting.html
24. Carnival has reduced the number of stops to Charleston for 2012
25. http://www.postandcourier.com/news/2012/jan/31/charlestons-wentworth-mansion-named-no-3-hotel-ame/
26. Based on data and information received via email from Byron Miller, SC SPA on 11.18.11.
27. http://www.preservationnation.org/travel-and-sites/sites/southern-region/watch-status-charleston -html
28. See http://blog.al.com/live/2011/03/carnival_jumping_ship_from_mob.html; http://www.wvec.com/news/local/Royal-Caribbean-Cruise-Line-is-saying-good-bye-to-Norfolk-95194539.html; http://www.sdnews.com/view/full_story/9625087/article-Will-economy%E2%80%99s-choppy-seas--calm-for-cruise-ship-industry
29. "DiscoverCharleston.com, Balancing Charleston's Growth, Brandeis J. Price, http://www.discovercharleston.com/realestate/



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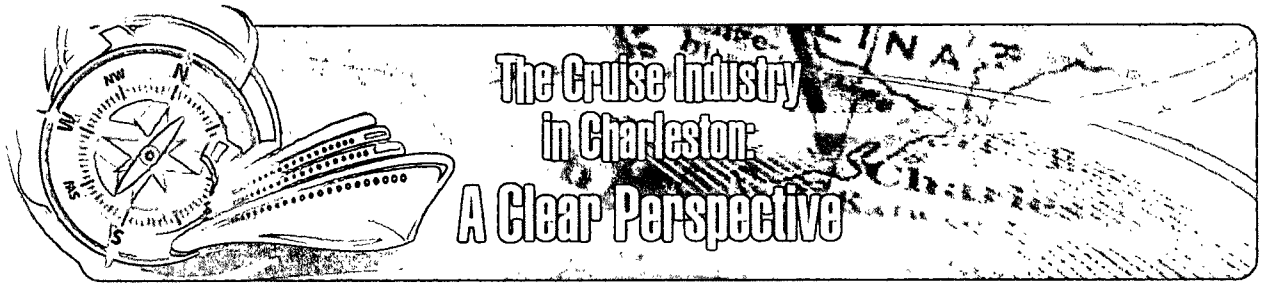
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Appendix 1

Cruise Ship Schedule and Profile

Much of the discussion regarding the impact of the cruise industry on Charleston relates to the prospects that when the new $35 million passenger terminal is completed there will be a great increase in the number of ships visiting the city. Even the opponents of the industry have stated that they can live with a limit of 104 or two ships per week. The existing City Ordinance established a "process to involve the Charleston community one (1) year in advance of any material change in the Authority's Passenger Cruise Management Plan and to advise the Ports Authority as to the City of Charleston's position on any proposed changes."

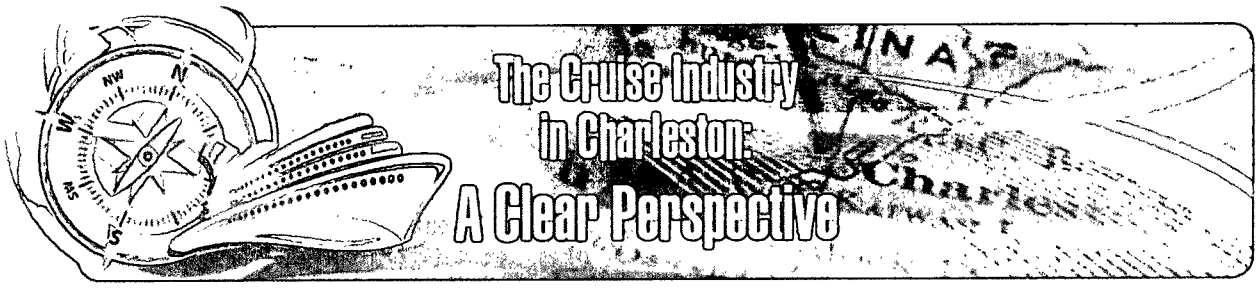
While it is impossible to predict the exact number of future cruise ship visits it is useful to objectively discuss some of the market factors that will influence future demands of the cruise industry.

First, it is useful to examine historical trends. The data compiled by the SC Ports Authority indicate that between 2001 and 2009 approximately 43 cruise ships visited Charleston. Since the Carnival Fantasy began operation in 2010 the number has increased to about 80 ships per year. It should also be noted that four fewer ships are scheduled for 2012 than in 2011. The Fantasy which uses Charleston as its home port represents about 70 of those visits each year. Analysis of 2012 schedule indicates that the number of port of call visits will be reduced to 14. ***If one assumes that 43 ships per year that visited Charleston between 2001 and 2009 were port of calls then there has been a dramatic decline in port of call visits to Charleston.***

1. Basic Facts

2011 Total - 90 Cruises 21 POCs and 69 Carnival Fantasy (77%)
2012 Total - 84 Cruises 14 POCs and 70 Carnival Fantasy (84%)

- Between 2011 and 2012 the number of total cruise ships using Charleston will decline from 90 to 84 or 6.6%.
- The Carnival Fantasy that leaves at 4:00 PM and returns at 8:00 AM every five days – therefore having minor negative impact will increase from 69 to 70 cruises.
- The number of total cruise ships using Charleston as a Port of Call will decline from 21 to 14 or 33%.
- Many of the ships that visit Charleston are considered luxury.
- Nine are small (less than 1100).
- The Largest is the Crown Princess with 3,080 capacity.
- In 2011 only three ships will dock overnight
- In 2012 none will.
- In 2011 only eight ships will be docked to allow for dinner.
- In 2012 only four ships will be docked to allow for dinner.
- Parking is considered by the passengers to be well organized and relatively efficient and friendly.
- Based on the Mobile Al experience there are likely to be more than 150 hotel stays.

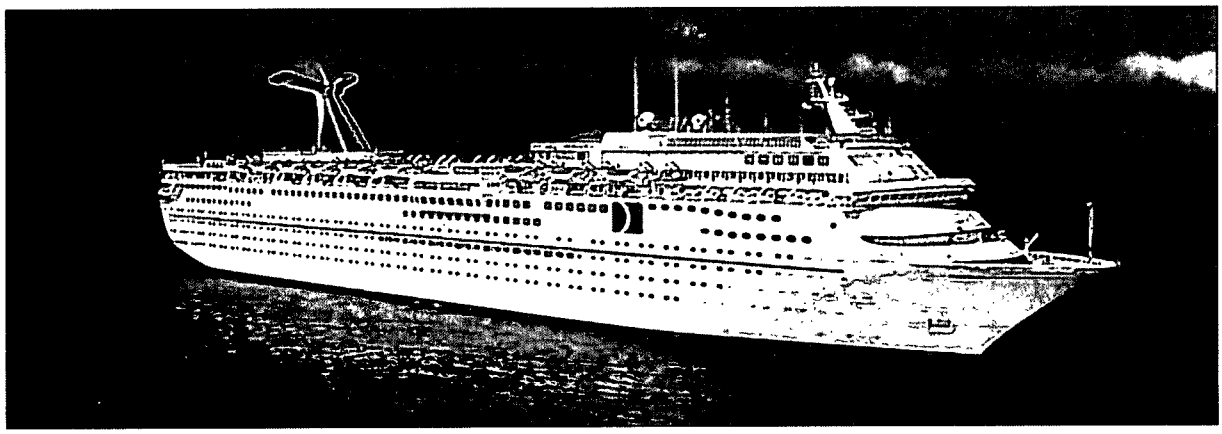


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It may safely be assumed that Carnival Corporation will not use Charleston for the home port for more than one ship. Carnival Corporation is a huge corporation with revenues of $14.469 billion in 2010 and 49.2 % of the total world market. It is comprised of "eleven individual cruise line brands. Executive control of each brand is by geographical location, with Carnival Corporation controlling operations in North America, Carnival UK controlling operations in the United Kingdom and Costa Cruises Group controlling operations in the rest of Europe. P&O Cruises Australia is operated by Carnival UK as a sister company of P&O Cruises.

- **AIDA Cruises**, Germany
- **Carnival Cruise Lines**, United States
- **Costa Cruises**, Italy
- **Cunard Line**, United Kingdom
- **Holland America Line**, United States
- **Ibero Cruises**, Spain
- **P&O Cruises**, United Kingdom
- **P&O Cruises Australia**, Australia
- **Princess Cruises**, United States
- **Seabourn Cruise Line**, United States

http://en.wikipedia.org/wiki/Carnival_Corporation_%26_plc



2. Impact of Carnival Fantasy 2011 69 cruises; 2012 70 Cruises

Charleston is the home port for the Carnival Fantasy. It is the only cruise ship that uses Charleston for embarking or disembarking. The Fantasy operates five day cruises from Charleston through the Bahamas.

The typical itinerary is:

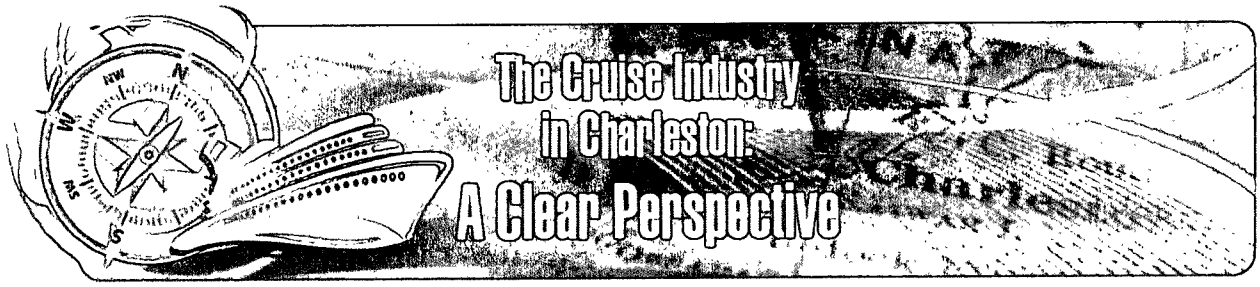
Day 1 Charleston, South Carolina -- 04:00 PM [Before Dinner]
Day 2 Fun Day At Sea -- --
Day 3 Freeport, Bahamas 08:00 AM 06:00 PM
Day 4 Nassau, Bahamas 07:00 AM 07:00 PM
Day 5 Fun Day At Sea -- --
Day 6 Charleston, South Carolina 08:00 AM – [Early morning] No Dinner

Appendix 1
(continued)



These are low cost cruises for fares as low as $200 The ship has a crew of 920 and a capacity for up to 2,056 Passengers.

Analysis: This ship represents about 75% of the cruise traffic in Charleston and is the only ship that requires parking. The cruises leave at 4:00 PM and return at 8:00 AM. The 4:00 PM departure allows for passengers to drive for approximately six hours during the day of departure. The 8:00 AM arrival allows for passengers to leave immediately for their journey home. Given this schedule and the low fare nature of these cruises it is possible many of these passengers have no impact on the Charleston economy. The only impacts are parking for five days and increased traffic. The 4:00 (non –rush hour) department time allows for considerable leeway in terms of arrival time. The 8:00 AM arrival time would suggest that considerable outbound highway traffic on I-26 would occur after 9:00 AM.



Appendix 1
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Geographic situation of Charleston as a Cruise Ship Port

The decision by a cruise line to visit Charleston as a port of call or as a home port is governed by the several geographic factors. It may be assumed that Carnival Corporation's decision to use Charleston as the home port for the Fantasy was based on business factors including the fees for use of the port facilities and the relative location of the City to attach customers. It decided that the best type of product to market from Charleston was an inexpensive five day cruise with ports of call in the Bahamas. This product is priced at about $600 (with off season discounts at $200). The ship leaves at 4:00 PM and arrives at 8:00 AM. With this price structure and schedule it is possible for passengers to drive to and from their homes without an overnight stay. The map of competing cruise ship ports (Figure A-1) illustrates the competitive position of Charleston to attract passengers from South Carolina, Georgia, North Carolina, Tennessee and Virginia. In fact, just as the grand strand is a favorite beach destination for visitors from Ohio, Kentucky, Indiana, Illinois and Michigan Charleston is favorably situated to serve cruise passengers from those states.



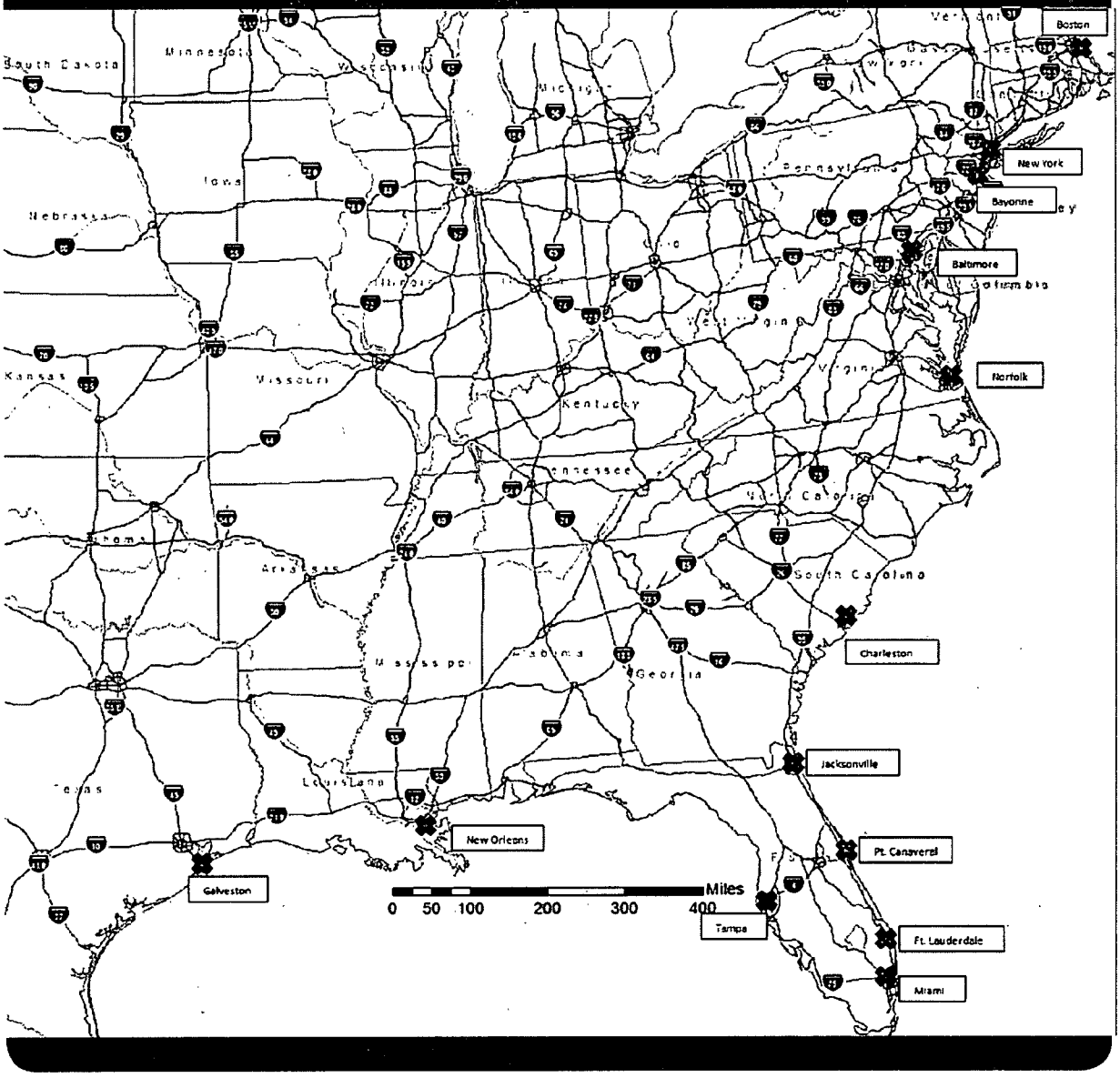
It should be noted that Baltimore is the closest year round alternative cruise port north of Charleston. Carnival has greatly reduced the cruises by the Carnival Glory from Norfolk. In fact it will only operate seven cruises in May and October of 2012. This further strengthens Charleston's competitive position.

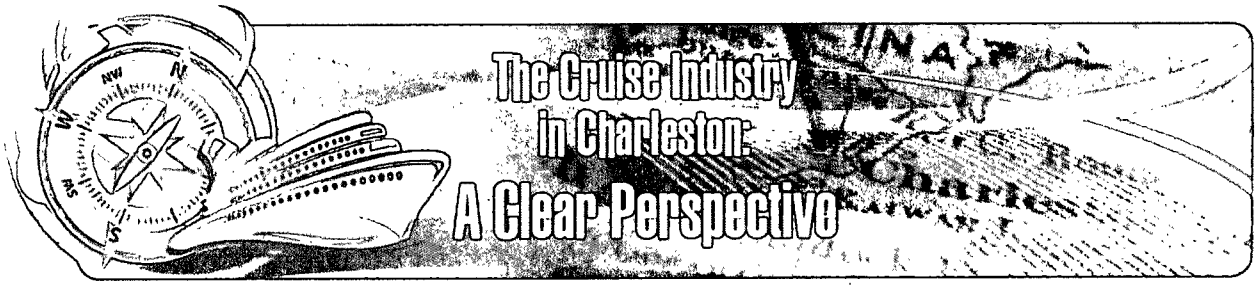
While Charleston has an excellent competitive position with respect to attaching passengers seeking an inexpensive cruise it is not well situated with respect to expansion of ports of call. Basically, the Bahamas represent the only destination within the desired short cruise duration. While Bermuda is an alternative it is much better reached by departing from Baltimore or further north. Similarly for cruises to the Caribbean, it is better to drive to Florida and depart from one its five ports.

Therefore it appears that Carnival has made a good business decision to operate the Fantasy from Charleston and there would be little chance of expanding its role as a home port.

Appendix 1
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FIGURE A-1 Map of east coast and gulf cruise ship ports



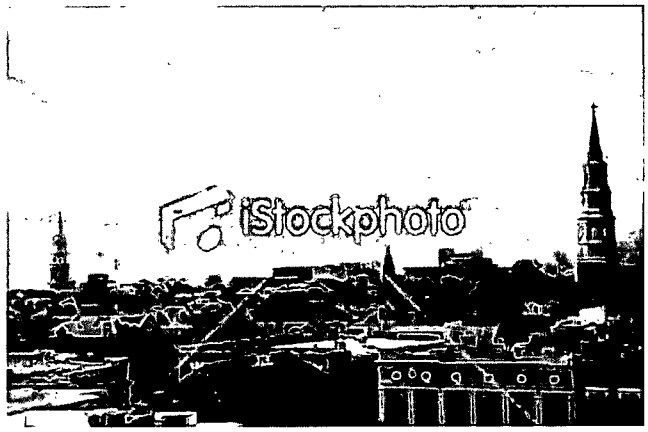


Appendix 1
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3. Analysis of port of call visits

2011 21 Visits – Three overnight
2012 14 Visits – No Overnight

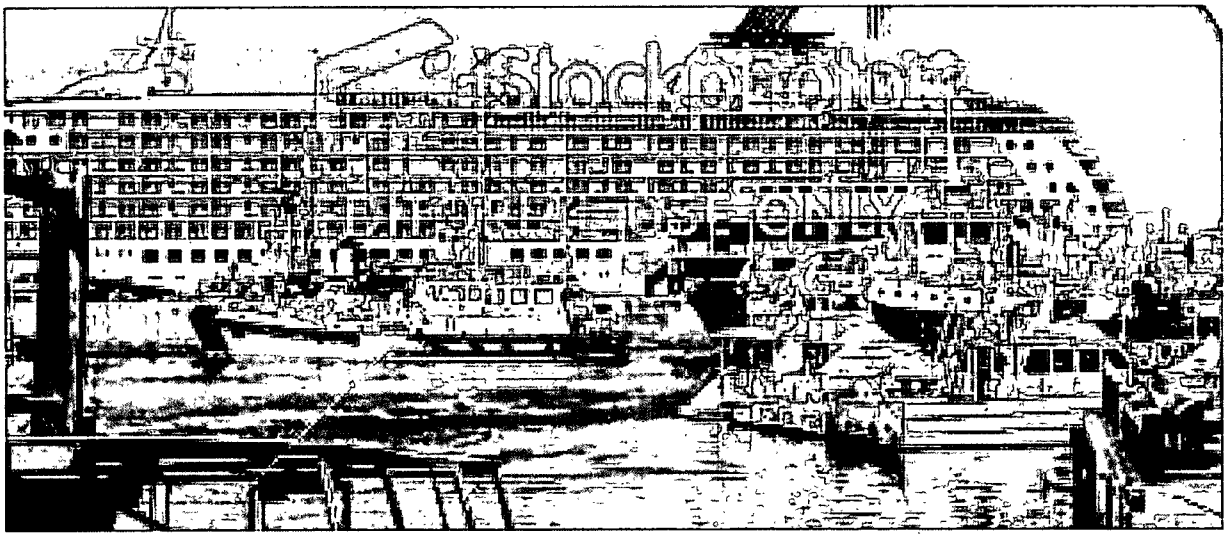
In 2011, 21 cruises made by 15 different ships will use Charleston as a port of call. These stays are generally between 8:00 AM and 4:00 PM. Therefore, they are not generally in port for the dinner period. It may be assumed that these passengers disembark and visit areas within a 30 minute walk of the dock. This would easily extend to the market, Battery, and King Street. They may take carriage rides, shop in the market and have lunch off the ship. In total these amount for a total of 298.5 hours or 12.5 days. Only three ships will spend more than 24 hours in port and dock over night. The longest stay of 77.5 is by the World RedidenSea which is a residential ship with 165 apartments. It may be assumed that the residents of this ship have an extremely positive influence on the City. They are likely to dine in restaurants and may take tours. Only eight ships were at the dock during the dinner period.



Several ships that will visit Charleston in 2011 and 2012 are considered luxury cruise ships. These include the Queen Victoria Cunard and the World RedidenSea which is actually a floating residence with 165 apartments. Two ships from the Crystal line have been awarded the "Best Large-Ship Cruise Line" for fifteen years by Conde Nast Traveler. The Seabourn Sojourn is all-suite, mid-size ultra luxury cruise ship, with suites ranging in size from 225 to 1,682 square feet.

<u>Other ships are considered small (less than 1100 passengers)</u>
C Columbus Hapag-Lloyd Cruises: 420 passengers
Columbus 2 Hapag-Lloyd Cruises Capacity 698
Crystal Symphony Crystal Cruises: Capacity: 922 passengers
Navigator Regent Seven Seas: Capacity: 490 passengers
Oceania Regatta Oceania Cruises 824 passengers
Princess Danae Classic International: Capacity Total Beds 707
Seabourn Sojourn Seabourn Cruises Capacity Passengers 450
The World RedidenSea Capacity 165 Residences
Crystal Serenity Crystal Cruises Capacity: 1080

Appendix 1
(continued)



Congested times

Disregarding the trips made by the Carnival Fantasy with its five day turn around there were four weeks with two or more port of call visits.

4/17 – 4/23 -2port of call visits + 2 Fantasy
9/25 – 10/1 -2 Port of calls + 2 Fantasy
10/16 – 10/22 - 4 Port of calls + 2 Fantasy
10/31 – 11/5 - 2 port of calls +1

2012
10/21 – 10/27 – 1 POC + 2 Fantasy
10/28 – 11/3 2 POC + 1 Fantasy
11/4 – 11/10 3 POCs + 1 Fantasy

FIGURE A-2 Cruise ship activity

Cruising through the Numbers

The State Ports Authority has agreed to a voluntary 104 ships per year limit, with no more than one ship in port at a time. Cruise opponents agree but want these voluntary limits to be enforceable. Here's the data on recent cruise activity:

YEAR	NUMBER OF CRUISE SHIPS
2003	47
2004	57
2005	47
2006	50
2007	44
2008	49
2009	33
2010	67
2011	88
2012	84 currently scheduled

SOURCE: Byron Miller, South Carolina State Ports Authority

2011 Cruise Activity

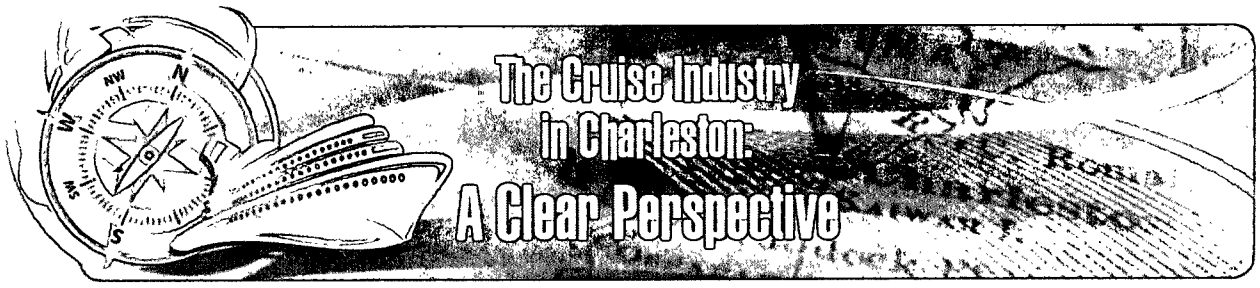
Ship Embarkations: 68 total by Carnival* Fantasy

Port-of-calls (20 total by 14 ships)

- *Aida Aura* & *Aida Luna* (Aida Cruises)*
- *Arcadia* (P&O Cruises)*
- *Columbus* (Hapag-Lloyd Cruises)
- *Crown Princess* (Princess Cruise Lines)*
- *Crystal Symphony* (Crystal Cruises)
- *Navigator* (Regent Seven Seas)
- *Oceania Marina* (Oceania Cruises)
- *Oceania Regatta* (Oceania Cruises)
- *Oriana* (P&O Cruises)*
- *Princess Danae* (Classic International Cruises)
- *Seaborne Sojourn* (Seaborne Cruise Line)*
- *The World* (ResidenSea)
- *Veendam* (Holland America)*

*Note: cruise lines owned by Carnival Corporation

Source: CharlestonMag.com, January 2012.



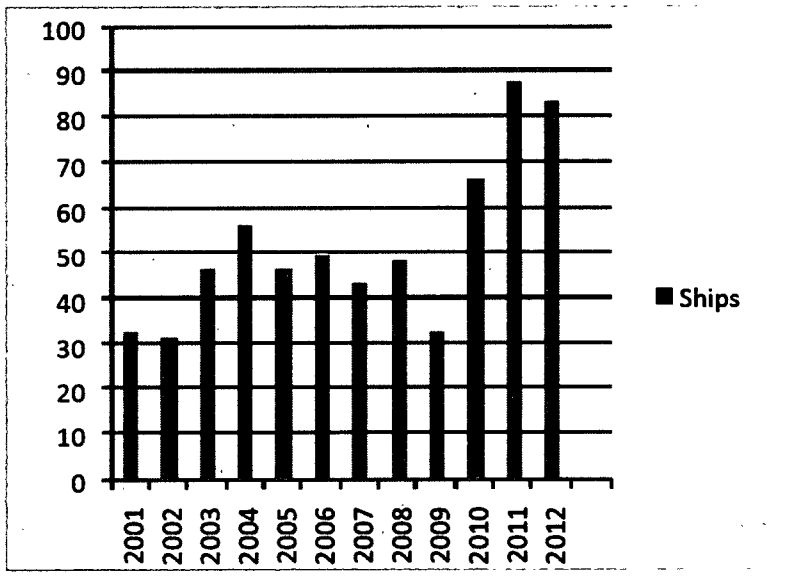
Appendix 1
(continued)

TABLE A-1 History of volume 2001 - 2012

Ships	Year
33	2001
32	2002
47	2003
57	2004
47	2005
50	2006
44	2007
49	2008
33	2009
67	2010
88	2011
84	2012

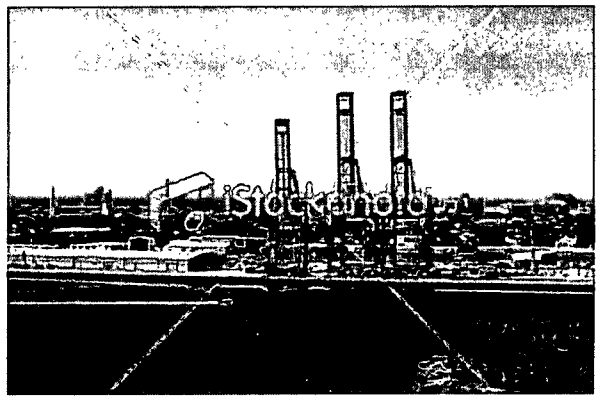
September 26, 2011

TABLE A-2 Charleston Cruise Ships



Geographic analysis of the Charleston as a port of call

Cruise ships that visit Charleston as a port of call generally originate in the Northeast and include the city as part of visit to major ports on the way to the Bahamas or the Caribbean. This is a limited market and may not see much growth in the future.



Analysis of Parking – Our initial assumption is that the vast majority of the passengers drive to Charleston and park at the facilities that have been established at the terminal. It may be assumed that less than 1000 vehicles park at the facility. $15.00 per day - for standard vehicles up to 20 feet in length $35.00 per day - for oversized vehicles over 20 feet in length (RV's, campers and busses).

Appendix 1
(continued)

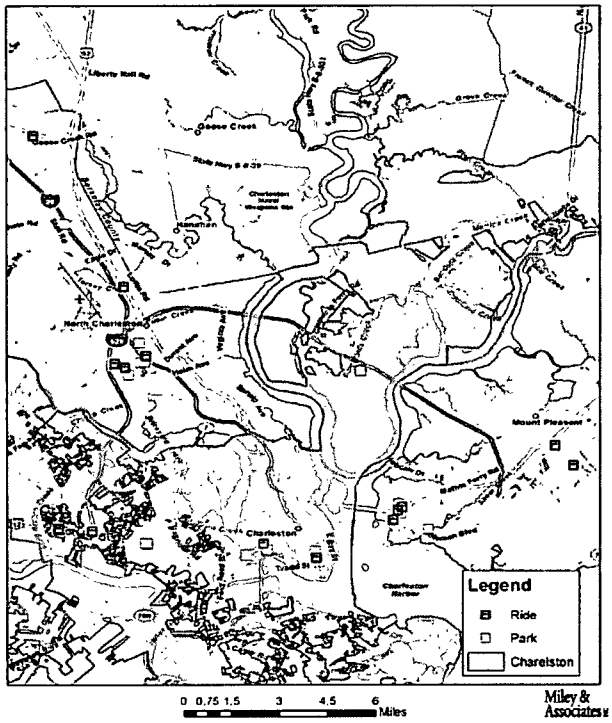
Official Description

A complimentary shuttle service operates between the vehicle storage areas and the Passenger Terminal. The areas are just a few minutes from the Passenger Terminal, but the shuttle provides a comfortable way for passengers to arrive at the check-in locations. Handicap accessible shuttles are also available. Vehicle storage is available on port property, in a controlled access area available to cruise passengers - not the general public. The site is secured and patrolled by the Port Police during the cruise. The driver will receive a color-coded claim ticket that will help identify the storage area on the return date. Port Police will be stationed along the travel route to direct guests to the appropriate parking areas; shuttle bus service is provided between the parking area and the Cruise Ship Terminal. Indoor and outdoor parking areas. Luggage and vehicles will be accepted at the Union Pier Terminal starting at 12:00 noon, and continue to 3:30 p.m. All passengers and luggage must go to the Union Pier collection site first. Due to Port and U.S. Coast Guard security regulations, no check-through luggage will be accepted at the Cruise Ship Passenger Terminal. Secured parking on Port Property, patrolled by Port Police; limited access, available only to cruise ship passengers.
www.port-of-charleston.com

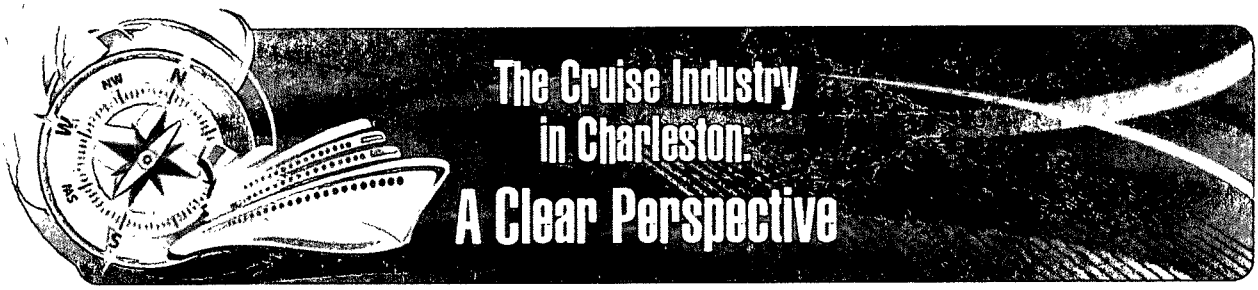
FIGURE A-3 Hotels and/or Transportation

Hotels With Free Parking and/or Transportation

(31 Offer Free Parking - 13 Also Provide Free Transportation)



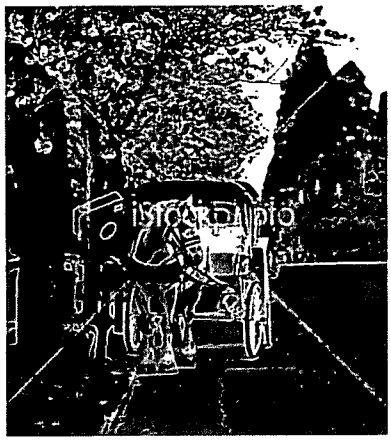
Source: thttp://www.charlestoncvb.com/visitors/special_offers/packages/stay/



Appendix 1
(continued)

Charleston - South Carolina Shore Excursions





Charleston Carriage Ride
BEST SELLER **Duration:** 1 hour

Walk the Walled City
Duration: 2 hours

Patriots Point
Enjoy exploring the world's largest naval and maritime collection. **Duration:** 3½ hours

Magnolia Gardens
Magnolia Gardens are described as one of the most beautifully romantic gardens in the world with over 325 years of history. **Duration:** 4 hours

Historic Charleston and Middleton Place
A taste of life in 18th century South Carolina. The Middleton Place Plantation estate is sure to leave you with lasting memories. **Duration:** 5 hours

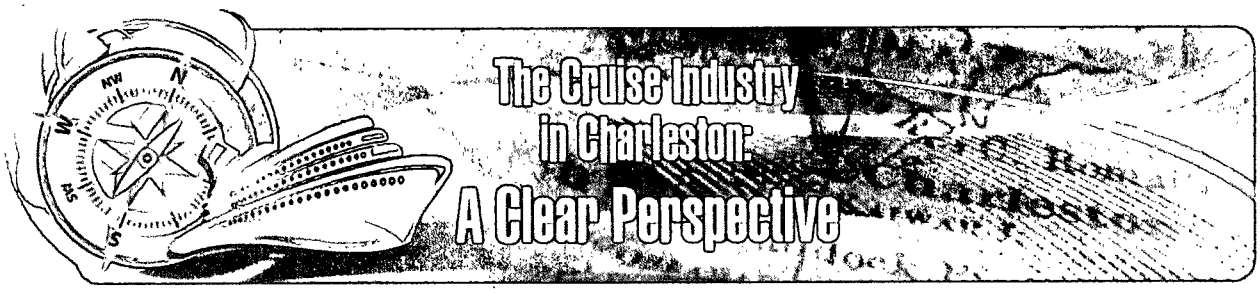
Charleston's Ghostly Trails - NEW
Applies to X117 only Be prepared to be scared, on this walk on the dark side of Charleston's spooky past. **Duration:** 1½ hours

Charming Charleston Panoramic
NEW Tour Charleston, one of the most beautiful and historic cities in the south. **Duration:** 2 hours

Charleston Dinner and Dance - NEW
Applies to X117 only Exclusive to P&O Cruises, a Southern-style evening - learn to dance the Charleston and enjoy a traditional buffet on Gold Bug Island. **Duration:** 4½ hours

Boone Hall Plantation and Charleston – NEW
Journey to historic Boone Hall Plantation House, which featured in the TV series, 'North and South' and the film 'Gone with the Wind'. **Duration:** 4 hours

Kingdom by the Sea
Applies to X117 only Relax and enjoy a scenic tour of the old historic district of Charleston. **Duration:** 3 hours



Appendix 1
(continued)

TABLE A-3 Port of Call Activity 2012

Date	Day of Week	VESSEL AND SHIP LINE	ARRIVES/SAILS	ACTIVITY	Overlap	Same Week Sun - Sat	More than 2 per week Not Fantasy	Length of stay /hrs	Over Night	Dinner 1900hrs +	Capacity/passenger
10/25/2012	Thurs	Aida Aura Aida Cruises	0700 hrs /1600 hrs	Port of call				9	No	n	1,300
10/5/2012	Fri	Aida Luna Aida Cruises	0900 hrs / 1700 hrs	Port of call				8	No	n	2,100
2/27/2012	Mon	Artania Phoenix Reisen Cruises	1300 hrs/ 1900 hrs	Port of Call				6	No	y	1,200
11/19/2012	Mon	Columbus 2 Hapag-Lloyd Cruises	0800 hrs /2000 hrs	Port of call				12	No	y	698
5/6/2012	Sun	Crystal Serenity Crystal Cruises	0800 hrs / 1700hrs	Port of Call				9	No	n	1,080
11/2/2012	Fri	Crystal Symphony Crystal Cruises	0800 hrs /1800 hrs	Port of call		Yes		10	No	n	922
11/5/2012	Mon	Emerald Princess / Princess Cruises	0900 hrs /1800 hrs	Port of call		Yes	Yes	9	No	n	3,080
4/29/2012	Sun	Maasdam Holland America Line	0800 hrs /1600 hrs	Port of call				8	No	n	1,258
4/6/2012	Fri	Navigator Regent Seven Seas Cruises	0800 hrs /2000 hrs	Port of call				12	No	y	490
9/21/2012	Fri	Navigator Regent Seven Seas Cruises	0900 hrs / 1800 hrs	Port of call				9	No	n	490
11/6/2012	Tues	Navigator Regent Seven Seas Cruises	0900 hrs 1800 hrs	Port of call		Yes	Yes	9	No	n	490
11/7/2012	Wed	Norwegian Dawn Norwegian Cruise Line	0800 hrs /1800 hrs	Port of call		Yes	Yes	10	No	n	2,224
2/2/2012	Thurs	Oceana P & O Cruises	0800 hrs/1700hrs	Port of Call				9	No	n	2,016
10/30/2012	Tues	Seabourn Sojourn Seabourn Cruises	0800 hrs /2300 hrs	Port of call		Yes		17	No	y	450
	Total Number of POC's 14						Average Stay	9.8	Number	4	

Appendix 1
(continued)

Ships visiting in 2011

1. Aida Aura Aida Cruises:
Capacity: Passengers 1300, Crew 418
Visit: 10/27/2011; 0800 hrs /2330 hrs 17.5 hours – Dinner
Figure A-4

2. Aida Luna Aida Cruises:
Capacity: 2,100 passengers, Crew: 607
Visits: 10/21/2011 0900 hrs / 1700 hrs 8 hours – No dinner
11/4/2011 0900 hrs / 2000 hrs 11 hours – Dinner
9/23/2011 0900 hrs / 1700 hrs 8 hours - No dinner
Figure A-5

FIGURE A-4 Aida Aura

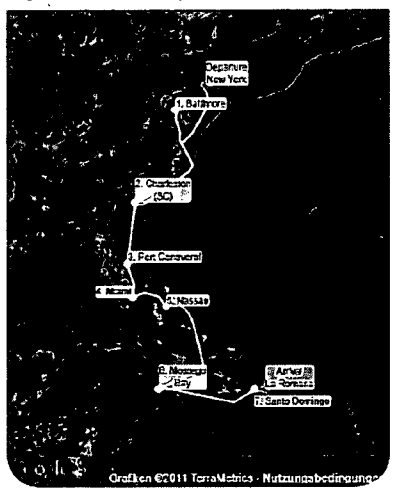


FIGURE A-5 Aida Luna

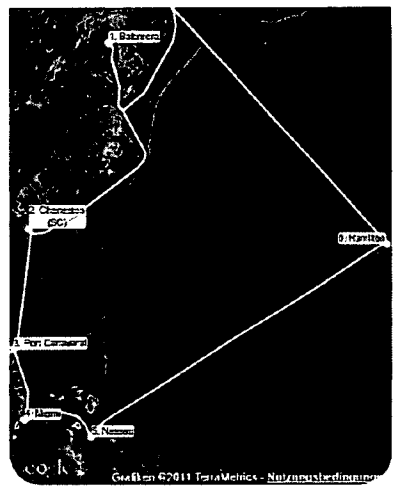
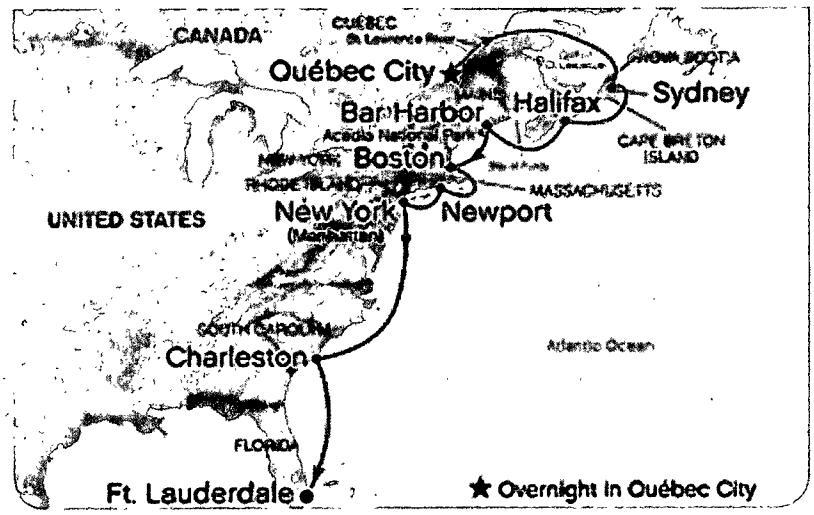


FIGURE A-6 Crown Princess



3. Arcadia P&O Cruises:
Capacity: 1952 (regular) 2388 (maximum), Crew: 976
Visit: 6/10/2011 0930 hrs /1800 hrs 8.5 hours – No Dinner

4. C Columbus Hapag-Lloyd Cruises:
420 passengers
Visit: 10/16/2011 0900 hrs / 2000 hrs 11 hours – Dinner

5. Crown Princess - Princess Cruises:
Crew: 1,201 3,080 passengers
Visit: 10/24/2011 0700 hrs / 1700 hrs 10 hours No Dinner
12 days Canada & Colonial America
From Québec City to Ft. Lauderdale
Figure A-6

6. Crystal Symphony Crystal Cruises:
Capacity: 922 passengers Crew: 545 crew
Visit: 9/11/2011 0800 hrs/ 1700 hrs 9 hours No Dinner

Appendix 1
(continued)

7. Navigator Regent Seven Seas: Capacity: 490 passengers Crew: 340

8. Oceania Marina Oceania Cruises: Capacity 1,252 passengers, Crew: 780

9. Oceania Regatta Oceania Cruises: 824 passengers (all berths),Crew: 386

10. Oriana P&O Cruises: Capacity: 1822 (normal) 1928 (maximum) Crew: 794 *Figure A-7*

11. Princess Danae Classic International: Capacity Total Beds 707

12. Queen Victoria Cunard Line: Capacity: 2,000, Crew 1,003

13. Seabourn Sojourn Seabourn Cruises: Capacity: Passengers 450 Crew 335

14 The World Residences at Sea: Capacity: 165 Residences Description: Since our launch in 2002, The World has continuously circumnavigated the globe, spending extensive time in the most exotic and well-traveled ports, allowing - the Residents - to wake up in a new destination every few days, exploring with depth we had never before thought possible. It's a lifestyle we are truly grateful to live each day. At 644 feet, The World is the largest privately owned yacht on the planet. Each of us owns one or more of the 165 private onboard Residences, and collectively, we own the ship, ensuring that our experiences - both onboard and off - are far beyond current luxury travel standards. *Figure A-8*

15. Veendam Holland America Line: Capacity Passengers 1350; Crew 580

FIGURE A-7 Oriana P&O Cruises

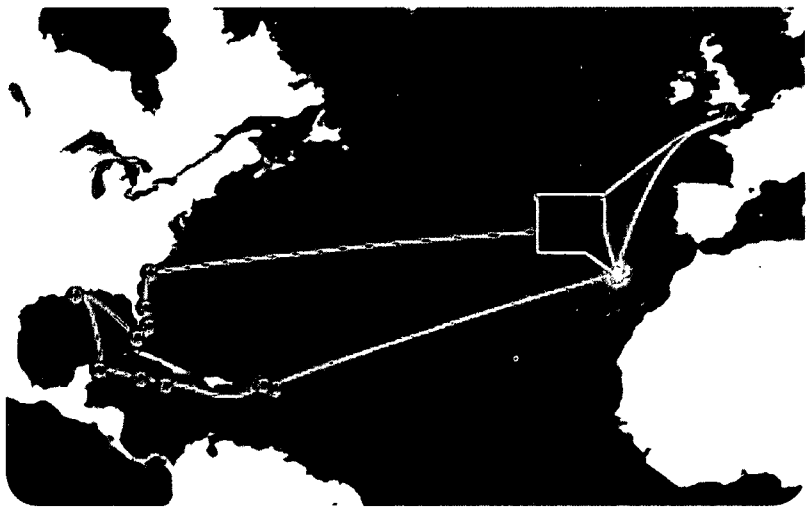
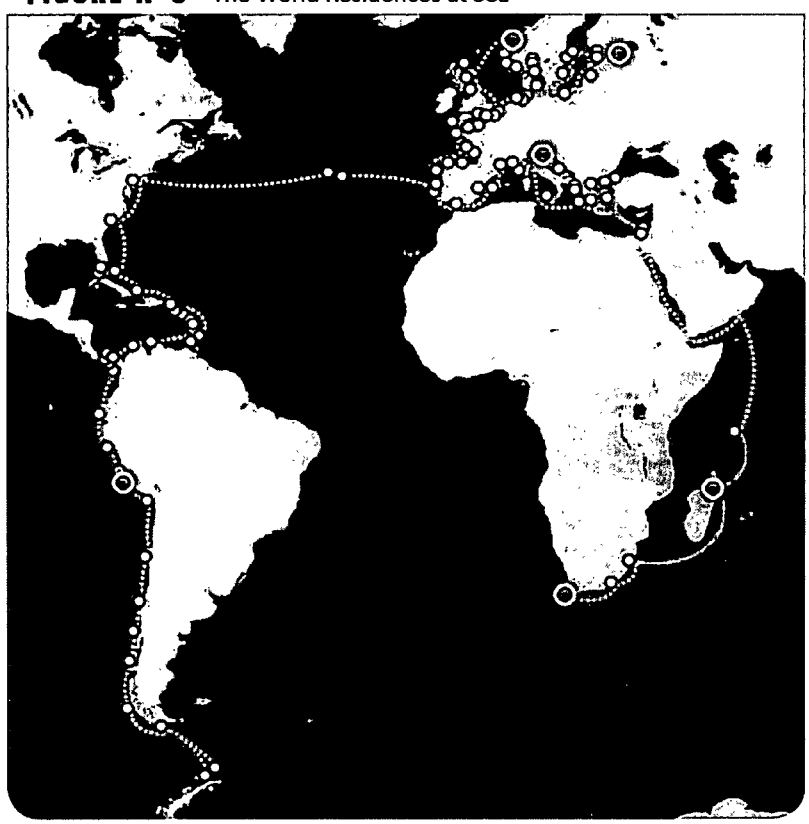
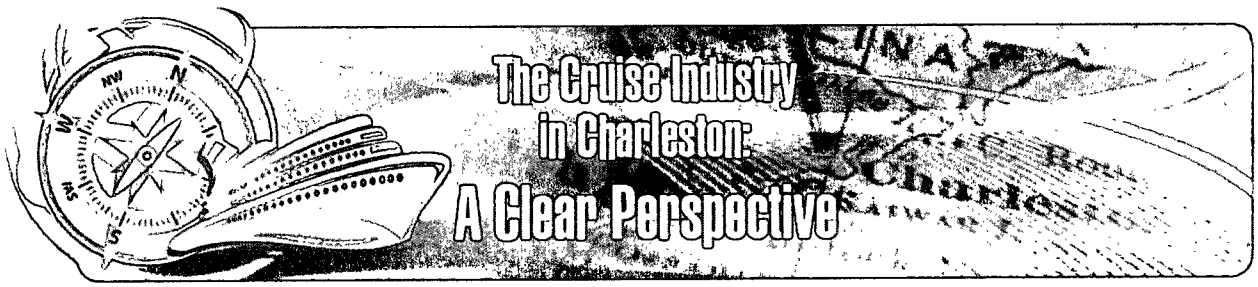


FIGURE A-8 The World Residences at Sea





Appendix 1
(continued)

The following ships are scheduled for 2012

FIGURE A-9 Dawn Norwegian

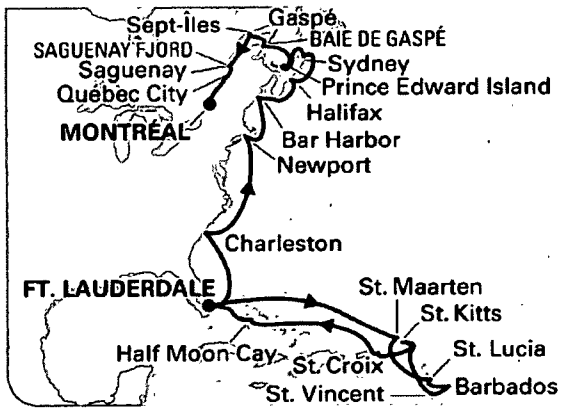
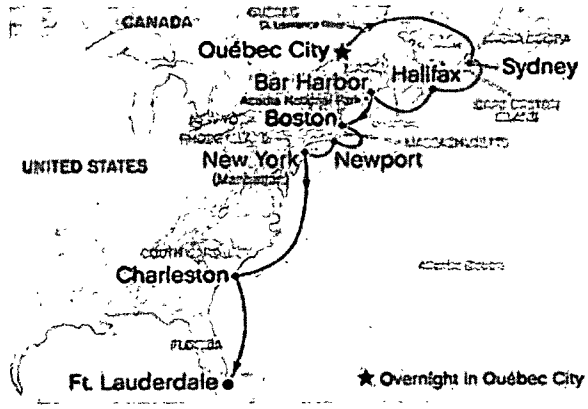


FIGURE A-10 Emerald Princess





16. Artania Phoenix Reisen Cruises: Passengers (normal): 1,200 Passengers (maximum): 1,323 Crew: 520

17. Maasdam Holland America Line: Capacity: Passenger 1,258, Crew members: 580
Description: 26-Day Southern Caribbean And Atlantic Coast.

18. Dawn Norwegian Cruise Line: Capacity: 2,224 passengers, Crew: 1,126
Description: 16 Night USA and Canada Cruise.
Itinerary: Quebec City, Portland, Boston, New York City, Baltimore, Norfolk, Charleston, Miami, Key West, Tampa. *Figure A-9*

19. Emerald Princess / Princess Cruises: Capacity: 3,080 passengers, Crew: 1,200. *Figure A-10*

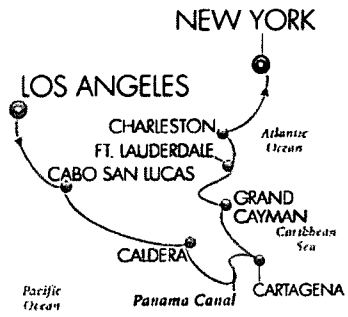
20. Crystal Serenity Crystal Cruises: Capacity: 1080
Crystal Cruises has been awarded the "Best Large-Ship Cruise Line" for fifteen years by Conde Nast Traveler. *Figure A-11, A-12*

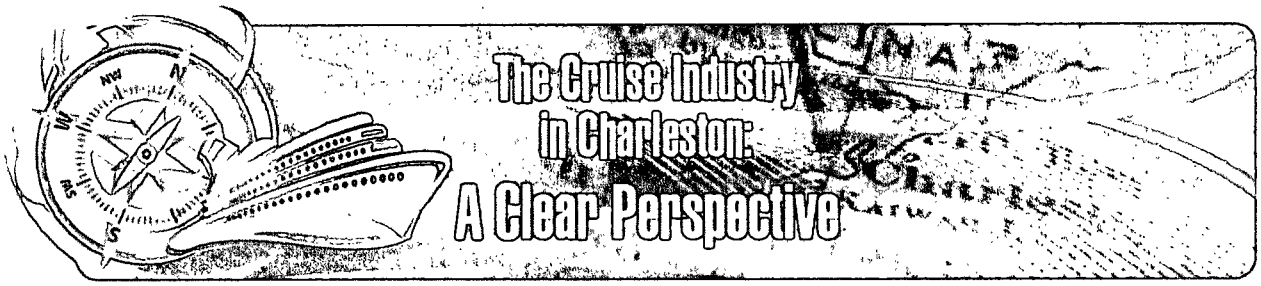
21. Columbus 2 Hapag-Lloyd Cruises: Capacity: 698

FIGURE A-11 Crystal Serenity



FIGURE A-12 Crystal Serenity





Appendix 2

Questions and Answers from the SPA

October 25, 2011

Hello Byron:

I appreciate your offer to help us with our work for the Historic Charleston Foundation. We are making substantial progress. However, we are still collecting data and we hope the SPA can help. Would you be able to provide us with the following?

First, do you have a recent annual report you can send me. We are interested in the overall volume of the SPA, the number of ships, the volume of containers, the number of SC companies using the SPA, etc. Also, any additional information you think might be helpful for us to have that will help us demonstrate the statewide impact of the SPA.

In addition, we have the following questions/data requests:

1. SPA financing the new Union Pier terminal

    a. Will the funding for the new terminal be provided by the SPA via revenue bonds, GO bonds, reserve funds through operating, excess bonds funds from a previous issue?
    b. Will there be a guarantee by any cruise line to underwrite the financing either through traditional underwriting or via a guaranteed number of passengers or ships?
    c. Is the terminal renovation contingent on a contract with one or more cruise line?
    d. Is the renovation of the terminal a requirement by a cruise line to embark and disembark passengers in Charleston?
    e. Will any cruise line make direct payments to finance the new terminal?
    f. Will any cruise line have any ownership in the new terminal or will they have any lease arrangements with the SPA for the use of the terminal or other facilities?
    g. If the cruise line volume declines, who will be required to pay the debt service on the outstanding bonds used to finance the new terminal?
    h. Are the bonds used to finance the new terminal full faith and credit bonds of the State of South Carolina?

2. Does the SPA collect/charge any of the cruise lines a head tax per passenger and if so, what are those fees?
    a. Are there other fees that SPA charges the cruise lines such as wharfage fees, pilot fees, charges for potable water, fuel, etc.?
    b. If the SPA does not charge any fees now, does it have plans to do so in the future?
    c. If the SPA charges any fees, does it share any of these fees with any other entity such as the City, County, and State?

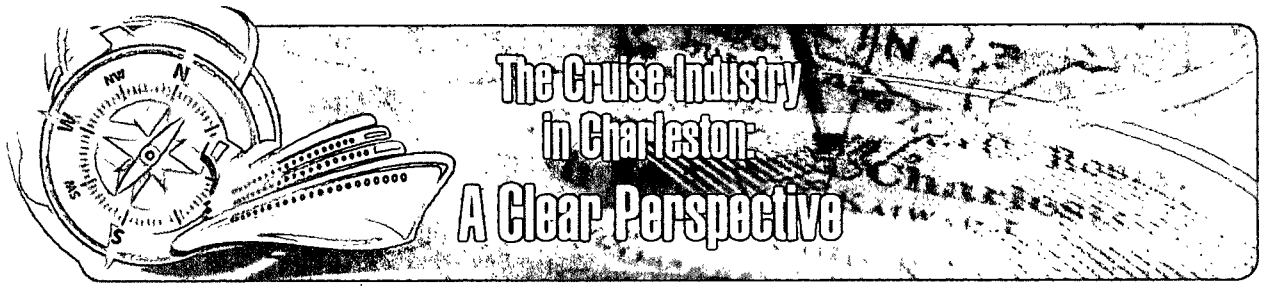
d. Does the SPA provide any financial incentives (such as reduced fees) to the cruise lines based on thresholds met by the cruise lines, such as number of ships or number of passengers?
e. What additional fees, charges or taxes, if any, does the SPA envision collecting with regard to cruise vessels or their passengers and how does the SPA intend to allocate those revenues?

3. What are the fees per vehicle that SPA charges for parking at the current terminal and what will the fees be with the new terminal?
   a. What are the total parking fees generated per year for the last 3 years from terminal (cruise line related) parking?
   b. Does the SPA own the parking facility?
   c. Does any cruise line own or rent the parking facility?
   d. Are parking fees charged by the SPA or the cruise line(s)?
   e. If the cruise line charges the parking fees, are the fees included in the price of the cruise ticket or in addition to the cruise ticket?
   f. Does the SPA pay any commission or other type of payment to the cruise lines as a percentage of the income generated by the parking fees, taxi services, etc.?
   g. If there is additional infrastructure needed, such as traffic lights, traffic turns and waiting lanes, will the SPA or City be required to pay for them?

4. We have several questions regarding employment:

   a. Who will employ the individuals handling baggage for passengers? Will these be employees of the cruise lines, a local government employee or independent contractors? Will the same employees or contractors handling baggage during the parking and transfer operations also be responsible for loading baggage aboard the vessels?

   b. Do you anticipate utilization of other employees or contractors to provide goods or services to cruise vessels calling on Charleston, e.g., delivery of groceries, refuse collection and line-handling activities? If so, what other direct employment activities do you anticipate related to cruise operations in Charleston?



d. How many are employed on an FTE annual basis and what is the average hourly wage and how many hours per year is the average worker working on cruise line activities? If they are not employed by SPA, are the contractual employees of SPA? If they are contract employees, what is the average wage and how many hours per year do they work on cruise related activities?

b. Are the tie up/un-tie workers employees of the SPA, contract employees of the SPA or employed/hired by the cruise lines? How many are employed on an FTE annual basis and what is the average hourly wage and how many hours per year is the average worker working on cruise line activities? If they are contract employees, what is the average wage and how many hours per year do they work on cruise related activities?

c. Are there any employees directly employed by the SPA working at the cruise terminal currently and if so, how many, and what is the average wage? Are they employed full time (annual) for cruise line activities?

d. What has been the number of employees (on an FTE basis) directly employed by the SPA from 2000 -2011? How many contract employees during this time?

e. How many longshoremen are currently working for SPA and/or the cruise line related to cruise industry? What is the average wage paid to them?

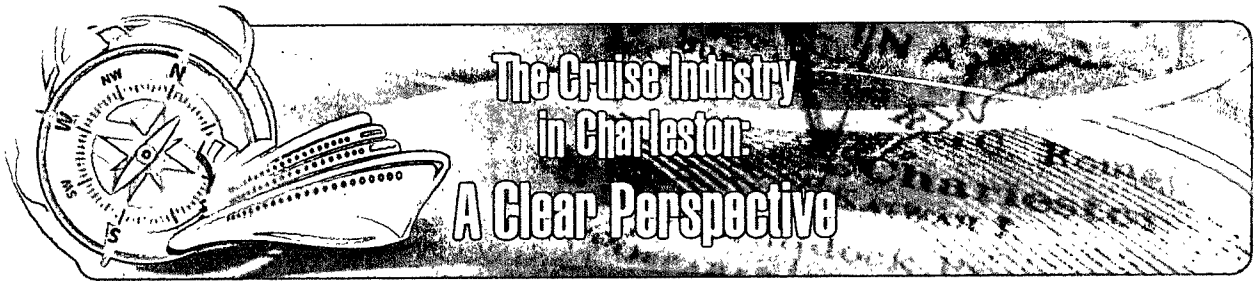
As you can imagine, everyone is very interested in the results of our analysis. The information you can provide will help us demonstrate the important role that the SPA plays in the economy of Charleston and the State.

Time is of the essence and we would appreciate anything you can do to facilitate our requests.

Do you think you could provide this information to us within the next two weeks?

We appreciate your help.

Please call or email if you have any questions.



Appendix 2
(continued)

These questions were presented to Byron Miller of the SPA and the SPA responses (provided to M&A on 11.18.11) are provided in BOLD text.

1. SPA financing the new Union Pier terminal

   a. Will the funding for the new terminal be provided by the SPA via revenue bonds, GO bonds, reserve funds through operating, excess bonds funds from a previous issue?

      Funding for the new terminal is a 100% responsibility of the Ports Authority, and it is already secured. The cruise terminal was included in a revenue-bond issuance in December 2010. These bonds and the interest on them are a responsibility of the Ports Authority -- not the City, the state or their taxpayers.

   b. Will there be a guarantee by any cruise line to underwrite the financing either through traditional underwriting or via a guaranteed number of passengers or ships?

      See (a.) above.

   c. Is the terminal renovation contingent on a contract with one or more cruise line?

      See (a.) above.

   d. Is the renovation of the terminal a requirement by a cruise line to embark and disembark passengers in Charleston?

      We have an urgent need to provide better facilities, meeting the security requirements and commercial expectations. We initially considered renovating the existing cruise terminal facility, but were encouraged to study the entire Union Pier site. The resulting plan will result in the relocation of cargo operations – including 200 cargo ships a year, rail and truck traffic – off Union Pier.

   e. Will any cruise line make direct payments to finance the new terminal?

      See (a.) above.

   f. Will any cruise line have any ownership in the new terminal or will they have any lease arrangements with the SPA for the use of the terminal or other facilities?

      See (a.) above.

   g. If the cruise line volume declines, who will be required to pay the debt service on the outstanding bonds used to finance the new terminal?

h. Are the bonds used to finance the new terminal full faith and credit bonds of the State of South Carolina?

See (a.) above.

2. Does the SPA collect/charge any of the cruise lines a head tax per passenger and if so, what are those fees?
   a. Are there other fees that SPA charges the cruise lines such as wharfage fees, pilot fees, charges for potable water, fuel, etc.?
   b. If the SPA does not charge any fees now, does it have plans to do so in the future?
   c. If the SPA charges any fees, does it share any of these fees with any other entity such as the City, County, and State?
   d. Does the SPA provide any financial incentives (such as reduced fees) to the cruise lines based on thresholds met by the cruise lines, such as number of ships or number of passengers?
   e. What additional fees, charges or taxes, if any, does the SPA envision collecting with regard to cruise vessels or their passengers and how does the SPA intend to allocate those revenues?

The Ports Authority's contracts with its customers are marine terminal service and non-tariff agreements. These are obviously sensitive competitive data, which are protected and exempt from disclosure under S.C. law. However, all of the tariff charges associated with the cruise business can be found in section 34-405 of our terminal tariff:
http://www.scspa.com/Resources/tariff/8_Charleston_Tariff.pdf

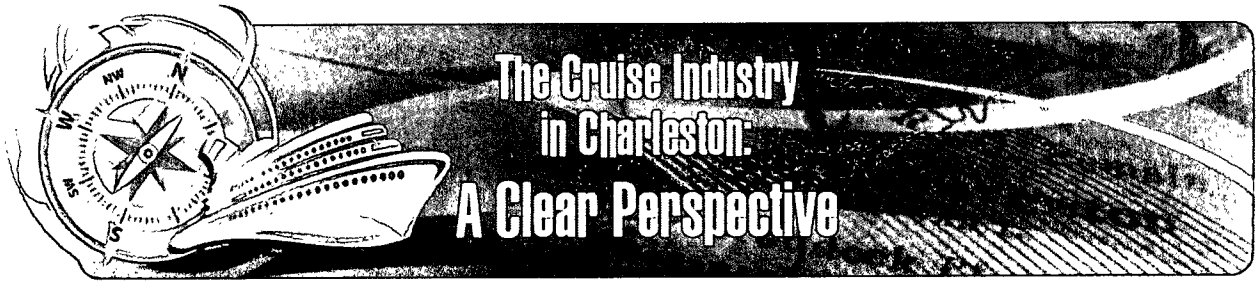
Attached below is a summary of the types of SCSPA fees associated with a cruise vessel call in Charleston, some of which are specific to cruise ships and some of which apply to all vessels. As they may be under contract, this is not exactly what they pay, but I would say that it is illustrative and indicative.

PORT OF CHARLESTON TARIFF

Passenger fees:
Passenger Fee - $20.00 - per person

- ☐ **port of call (1 way fee)**
- ☐ **embark (1 way fee)**
- ☐ **debark (1 way fee)**

Passenger Fee – minimum - per call – if vessel does not load/unload passengers -- $1055.00



Appendix 2
(continued)

Vehicle storage fees are used for embarkation vessels:
Vehicle storage fees – vehicles up to 20 feet in length - $15.00 per day
Vehicle storage fees – oversized vehicles (RV's, campers) - $35.00 per day
Vehicle storage fees – valid handicap permit and ID – complimentary
Fee is multiplied by number of days of cruise – i.e., 5-day cruise = $75.00 fee per vehicle/standard size

General vessel related charges, some of which apply to cruise ships:
Fresh water supplies - per net ton - $5.85
Fresh water supplies – minimum fee - per call - $185.00
Berth/dockage fees - per linear foot of ship – per 24-hour period or fractional day - $9.15
Security Fee/Ship - per linear foot of ship – per call - $2.90
Security Fee/Passenger - per person – per call - $5.00
Harbor Master Fee - per vessel call - $127.00

Appendix 3

Demographic and Housing Analysis

As part of this research we conducted a detailed analysis of the population and housing characteristics for sixteen census tracts that comprise the peninsula of the city of Charleston (Figure 1). The data were compiled from the 2010 Census of Population and Housing. Since there were a considerable number of changes in the numbering and alignment of census tracts between the 2000 and 2010 decennial censuses we utilized the comparison developed by the New York Times. **http://projects.nytimes.com/census/2010/map**

2010 Census Tracts

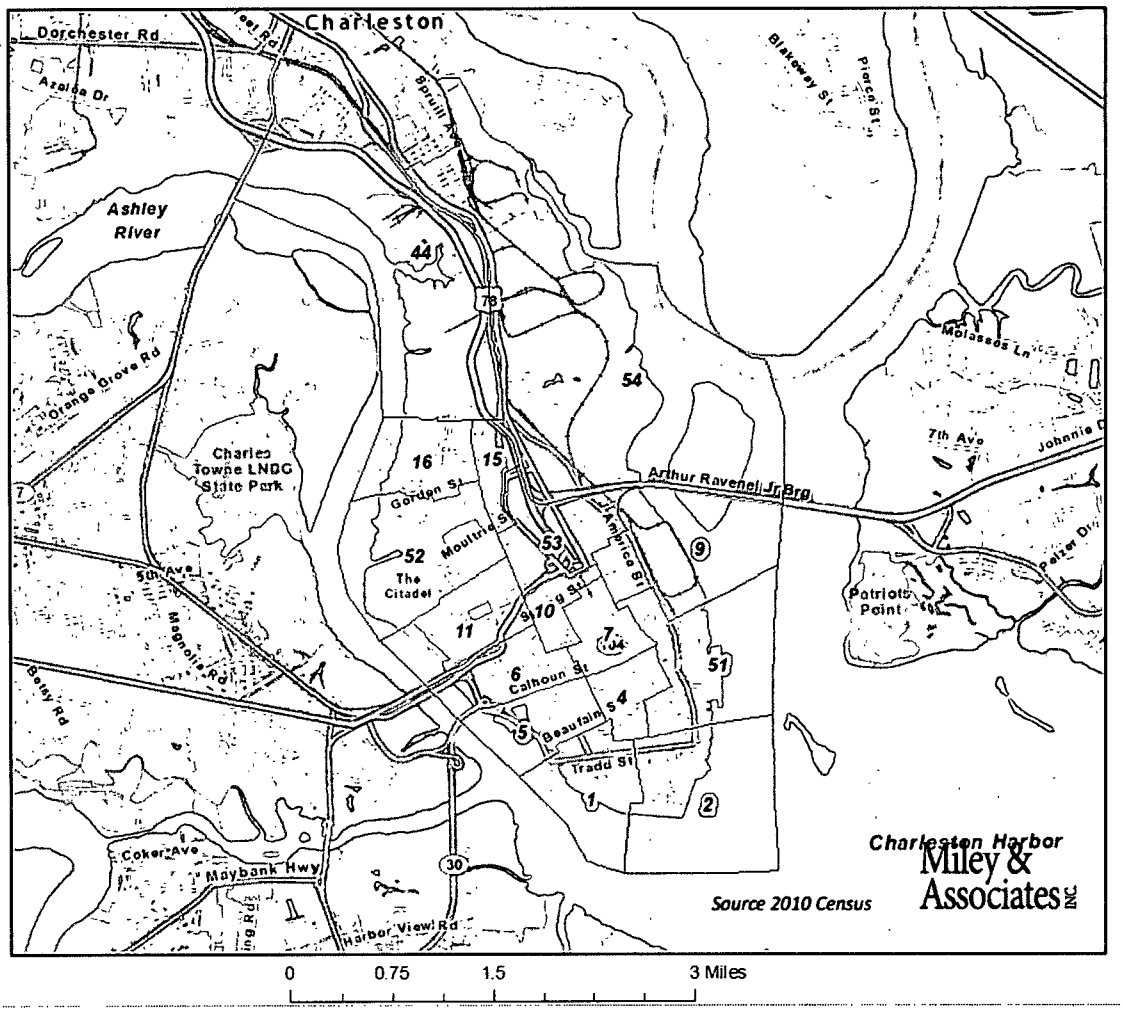


FIGURE 6-1 2010 Census Tracts for Peninsula

Appendix 3
(continued)

The 2010 Census data indicate that the total population of the peninsula declined by 464 people from 37,050 in 2000 to 36,586. The map of population change (Figure 2) demonstrates that there was a considerable loss of population along the east side of the peninsula. The loss of 256 people occurred in the census tract 9 near the construction of the Ravenel Bridge. Population gains occurred in the center of the peninsula, north of Calhoun Street.

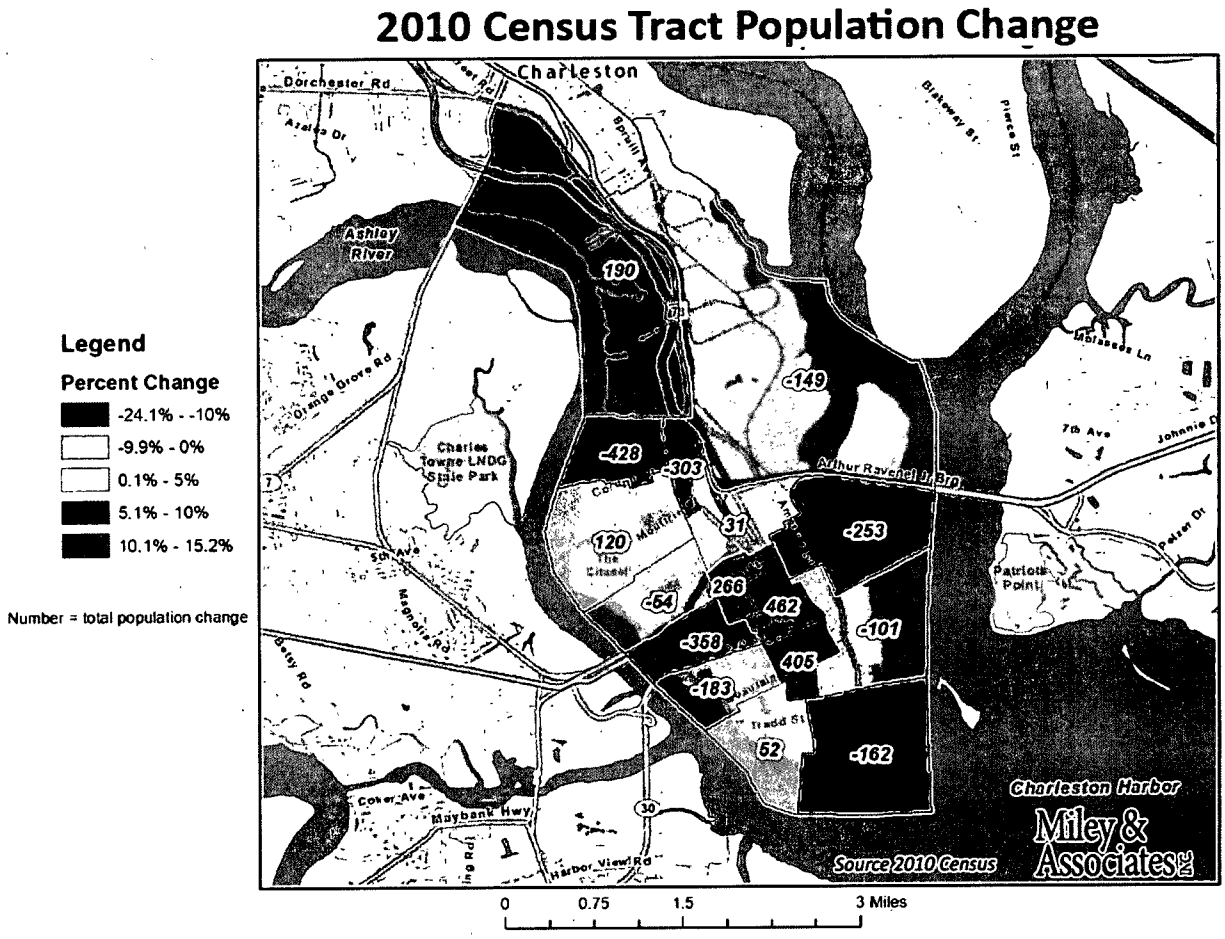


FIGURE C-2 2000 to 2010 Population Change

Appendix 3
(continued)

During this period the percentage of white population increased from 45.2 % to 57.6% while the back population declined from 51.8 % to 38.9 %. Together these two groups represented 97% of the population in 2000 and 96.5 % in 2010. The map of racial distribution (Figure 3) illustrates an almost uniform decrease in the proportion of white population from the Battery northward. In the northern census tracts, with the exception of those near the Citadel and the Ashley River, the white population is 30% or less.

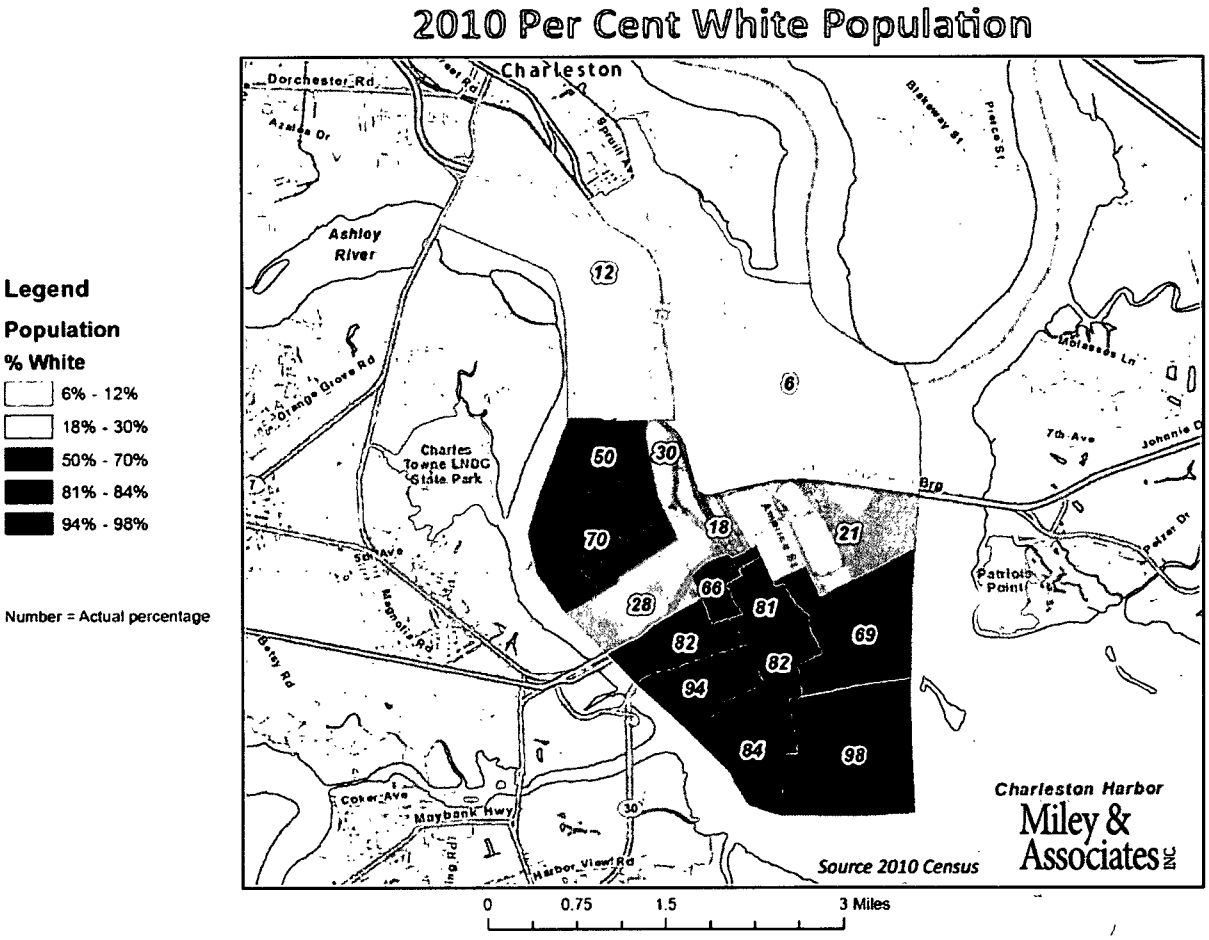


FIGURE C-3 2010 Per Cent White Population

Appendix 3
(continued)

During the same period the number of housing units declined by 53 from 18,002 in 2000 to 17,949 in 2010. In 2000 13.5 percent of the housing units were vacant. This increased to 15.5% in 2010. The map of occupied housing units (Figure 4) clearly indicates that decline in housing units near the new bridge – but also the Battery. In fact, Census Tract 2 that coincides with the Battery witnessed a 57.7% increase in the vacancy rate and a 7.7 % decline in occupied housing units since 2000 (Figure 5). These data are clear evidence of the rate of absentee ownership south of Broad Street.

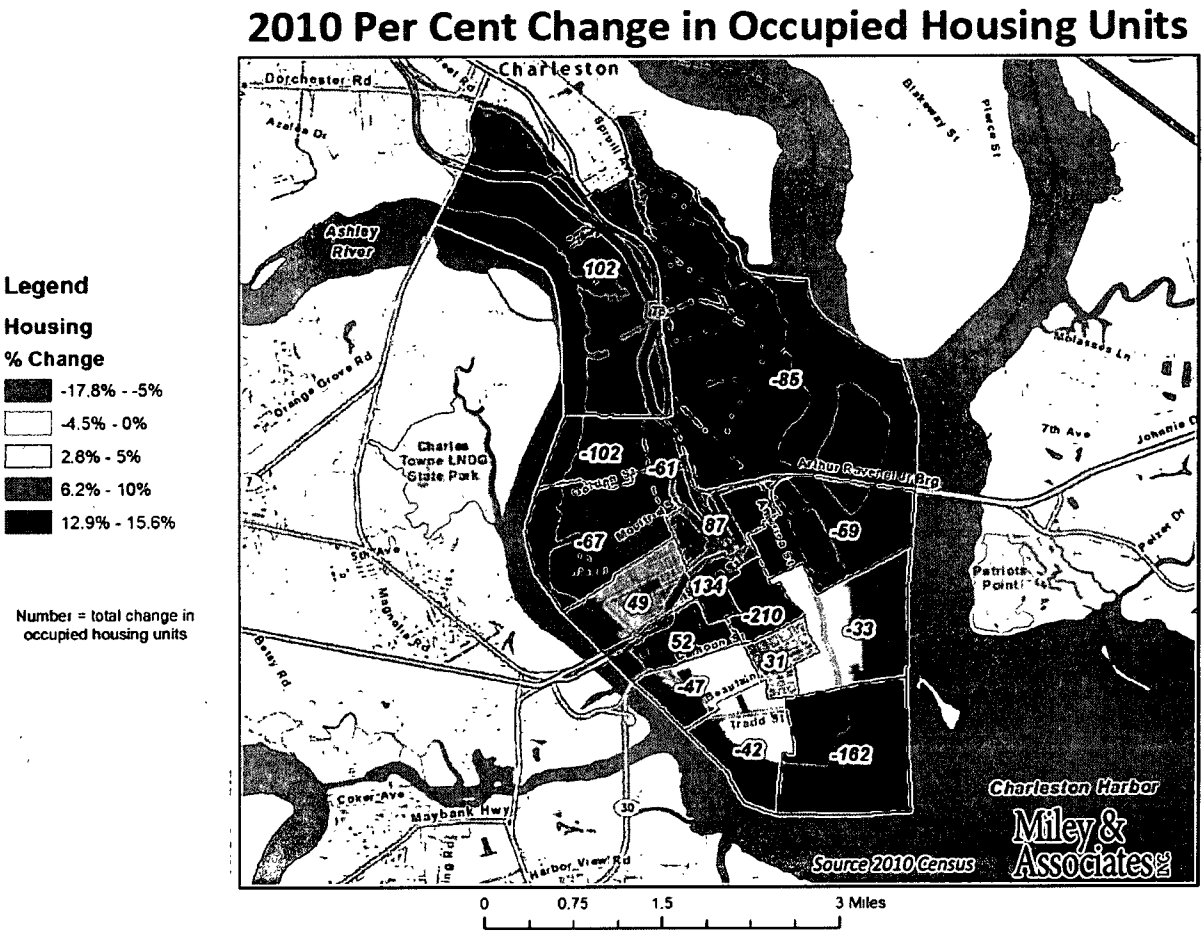
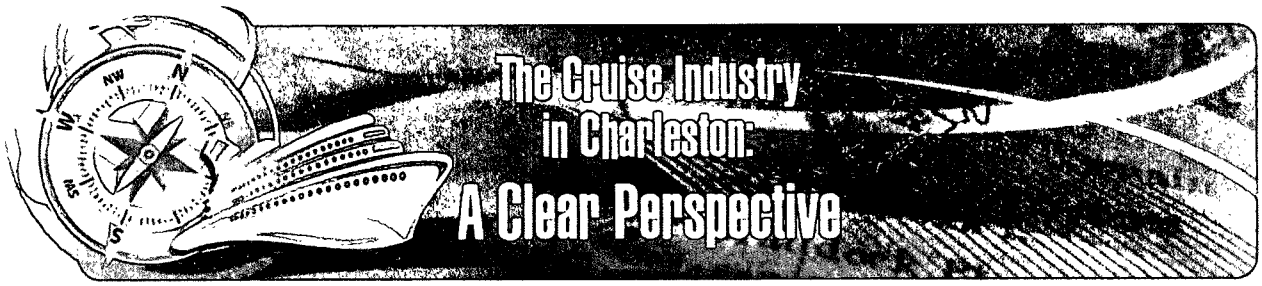


FIGURE C-4 2000 to 2010 Change in Occupied Housing Units



Appendix 8
(continued)

The following maps and tables represent an overview of the changing demographic and housing characteristics of the census tracts on the peninsula of Charleston. They were generated from the interactive mapping system for the 2010 census data that has been created by the New York Times (http://projects.nytimes.com/census/2010/map) and GIS data analysis from the Census data.

Tract 1

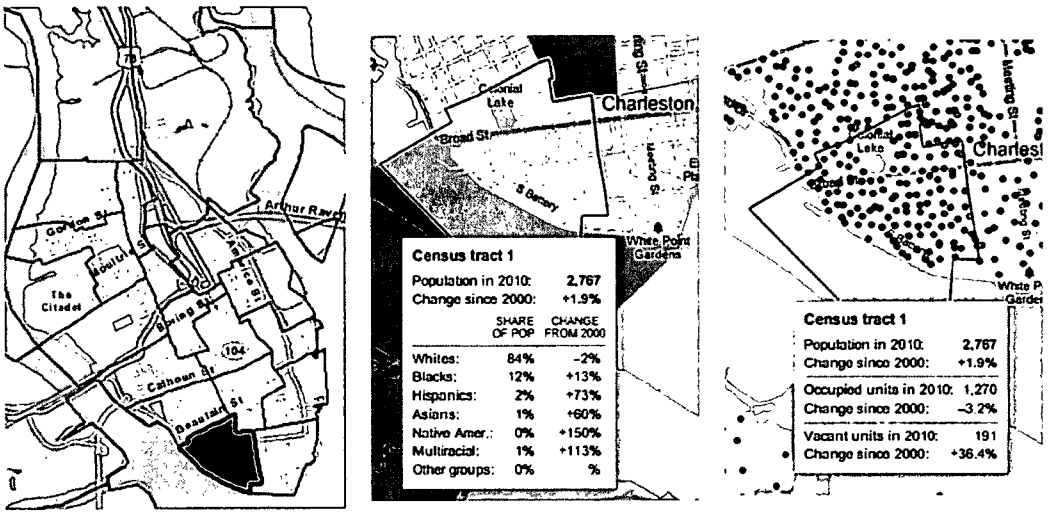


FIGURE C-5 Census Tract 1 Demographic and Housing Characteristics

Tract 2

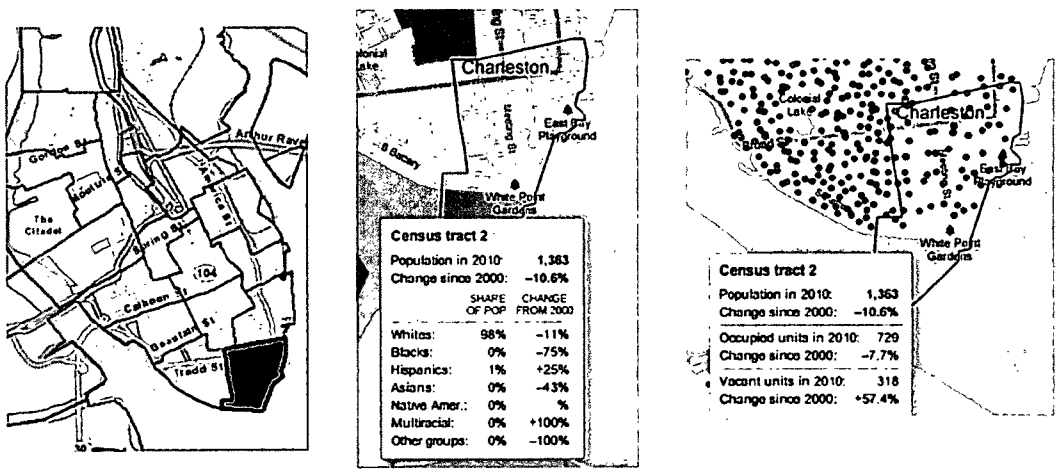


FIGURE C-6 Census Tract 2 Demographic and Housing Characteristics

Tract 4

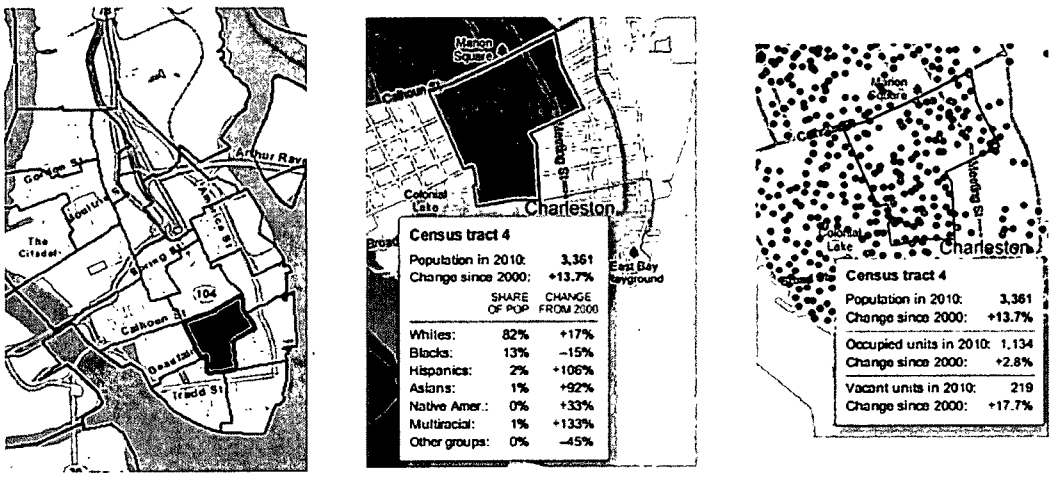


FIGURE C-7 Census Tract 4 Demographic and Housing Characteristics

Tract 5

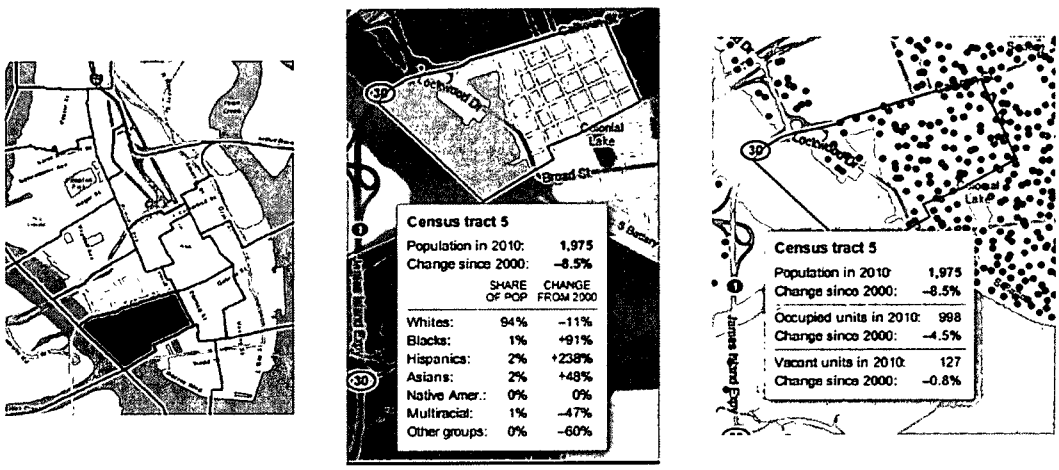


FIGURE C-8 Census Tract 5 Demographic and Housing Characteristics

Tract 6

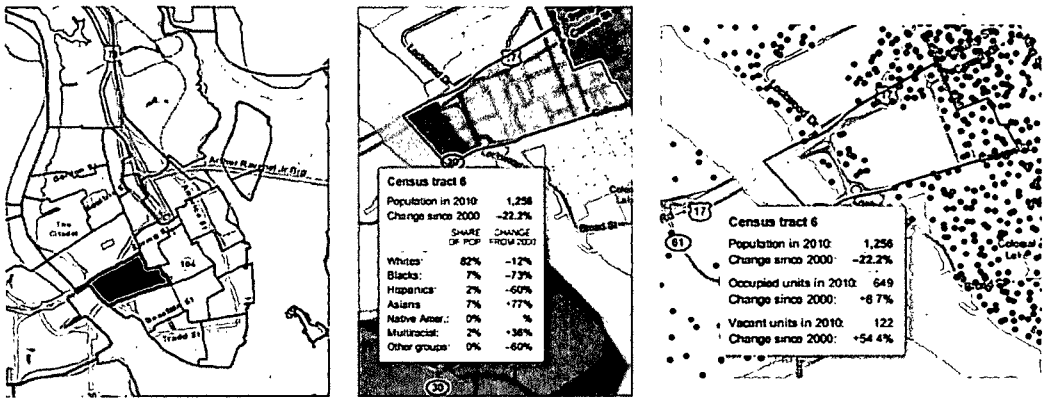


FIGURE C-9 Census Tract 6 Demographic and Housing Characteristics

Tract 7

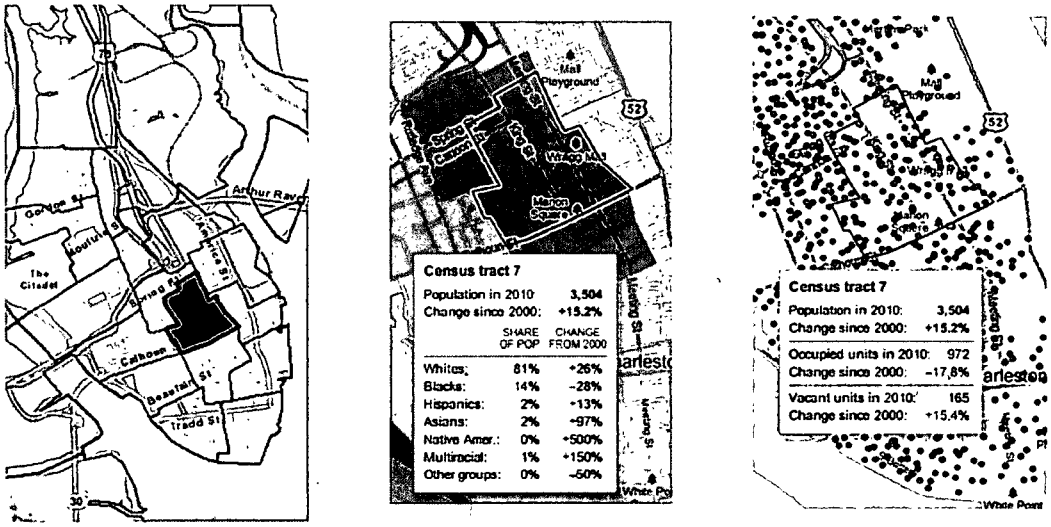


FIGURE C-10 Census Tract 7 Demographic and Housing Characteristics

Appendix 8
(continued)

Tract 9

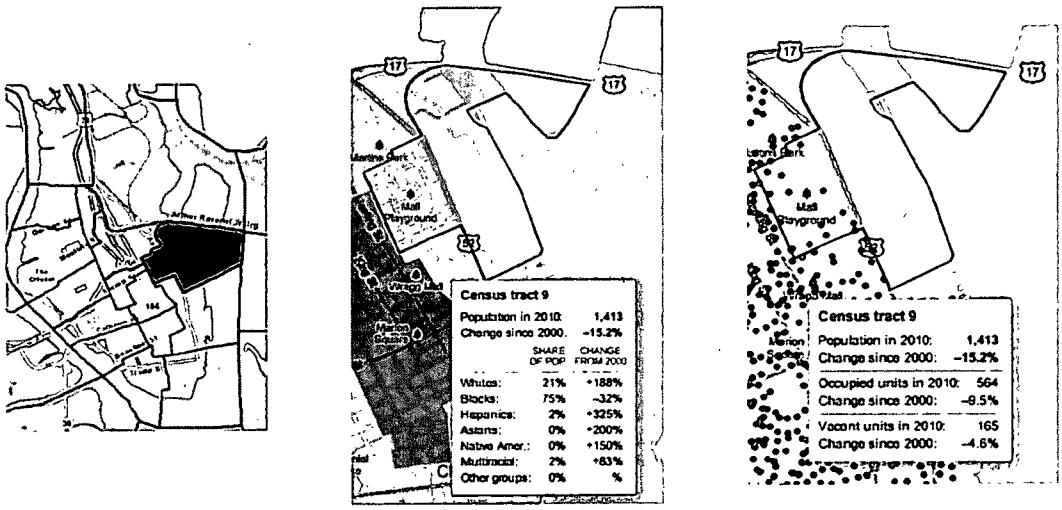


FIGURE C-11 Census Tract 9 Demographic and Housing Characteristics

Tract 10

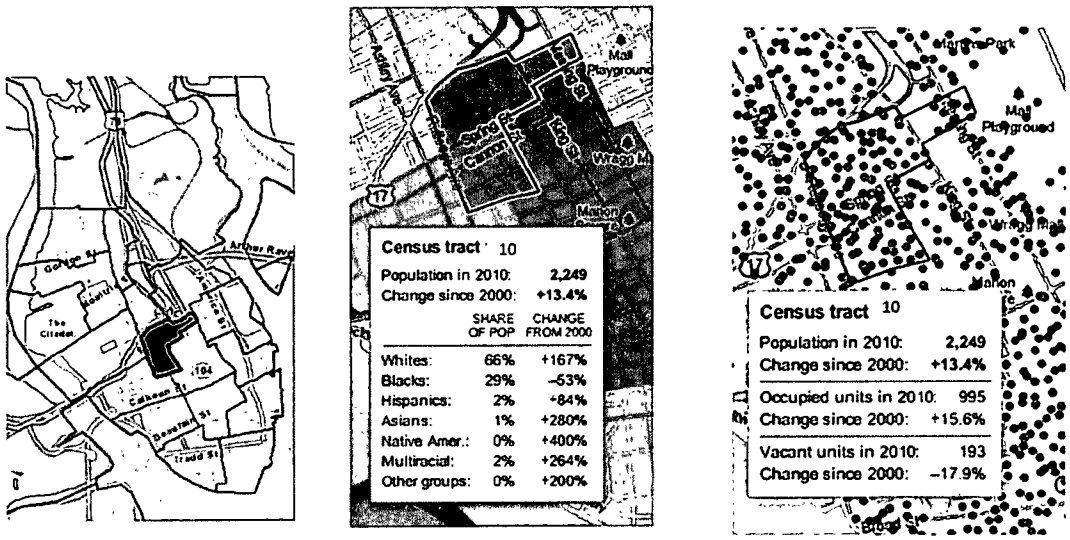


FIGURE C-12 Census Tract 10 Demographic and Housing Characteristics

Tract 11

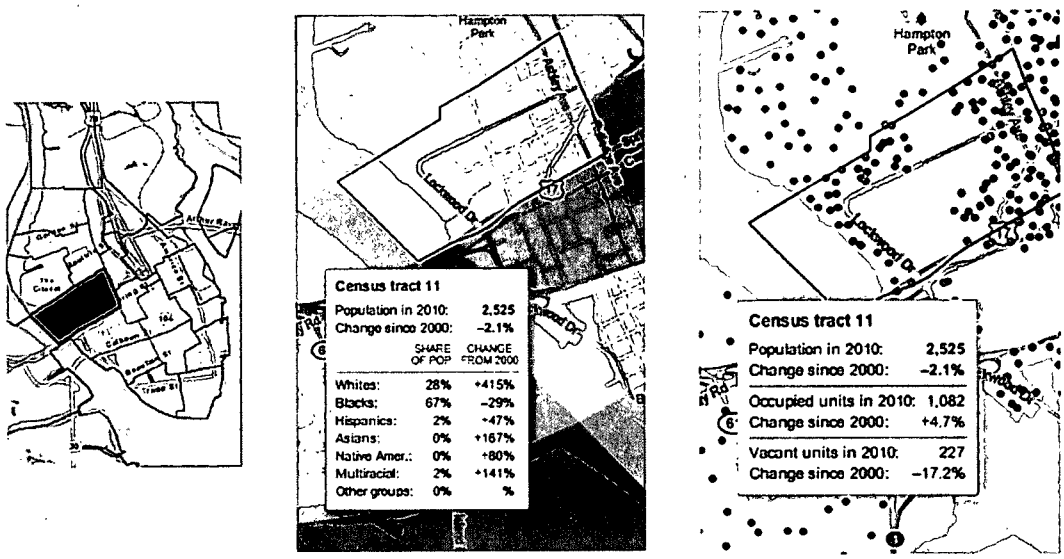


FIGURE C-13 Census Tract 11 Demographic and Housing Characteristics

Tract 15

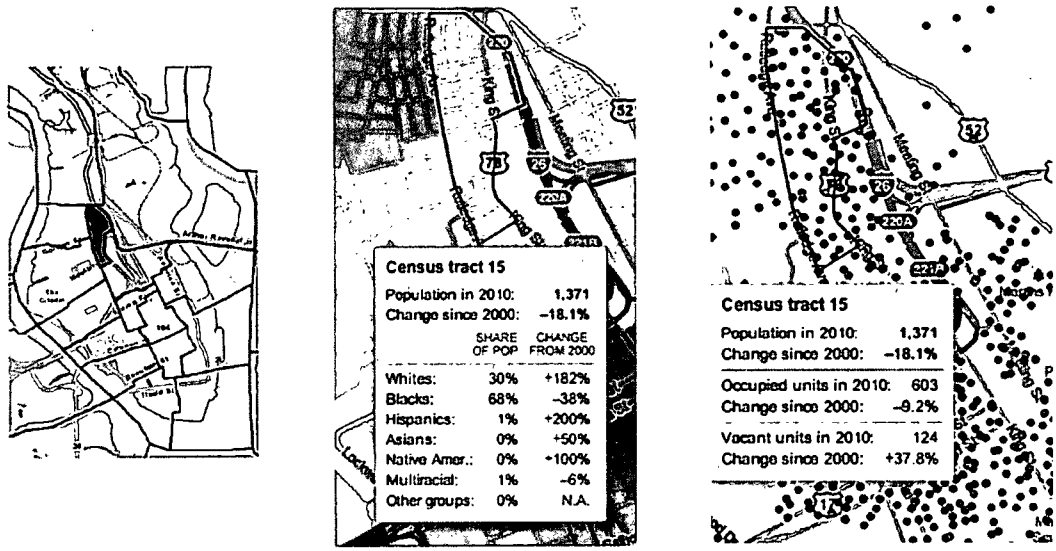


FIGURE C-14 Census Tract 15 Demographic and Housing Characteristics

Appendix 8
(continued)

Tract 16

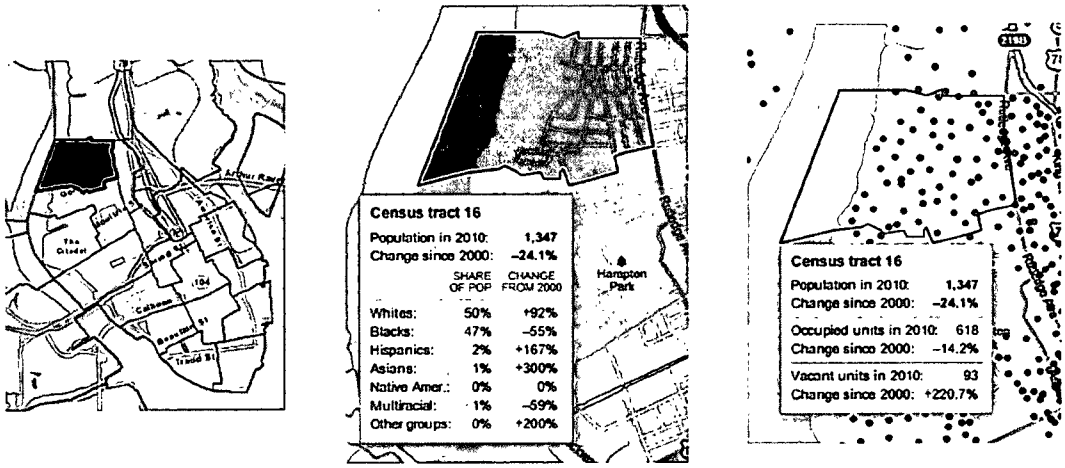


FIGURE C-15 Census Tract 16 Demographic and Housing Characteristics

Tract 44

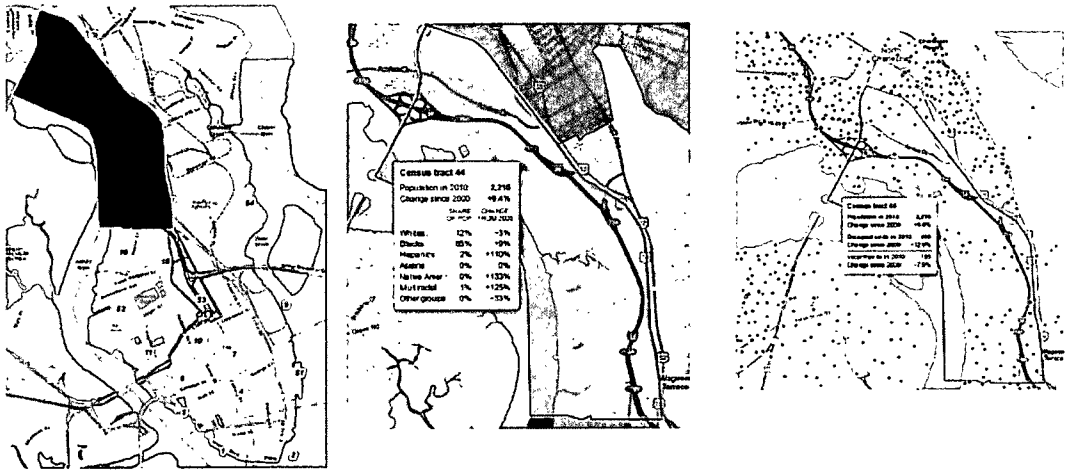


FIGURE C-16 Census Tract 44 Demographic and Housing Characteristics

Tract 51

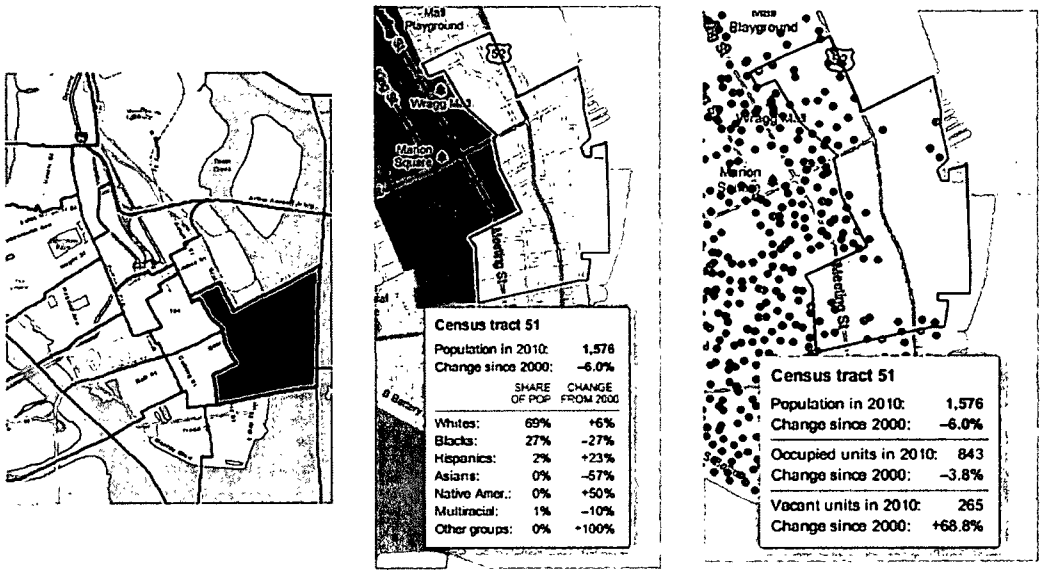


FIGURE C-17 Census Tract 51 Demographic and Housing Characteristics

Tract 52

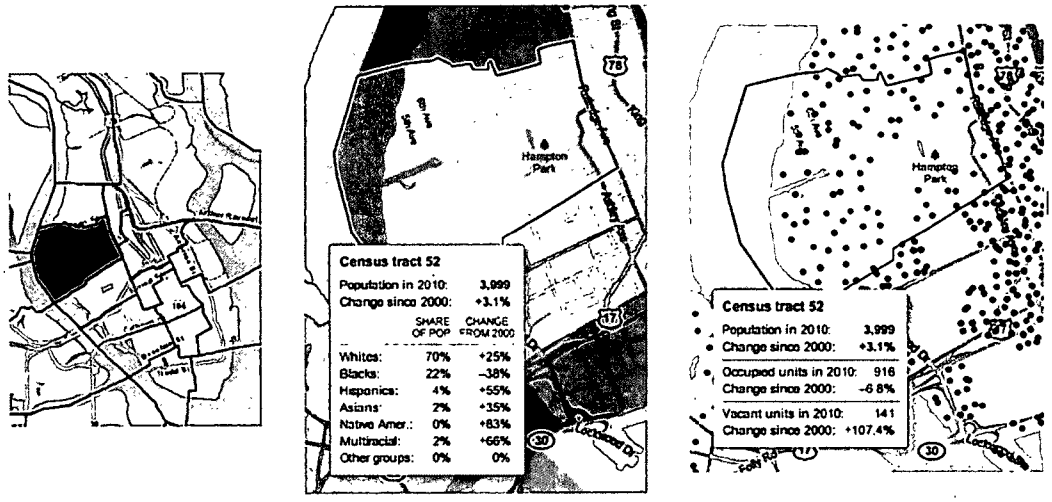


FIGURE C-18 Census Tract 52 Demographic and Housing Characteristics

Appendix 8
(continued)

Tract 53

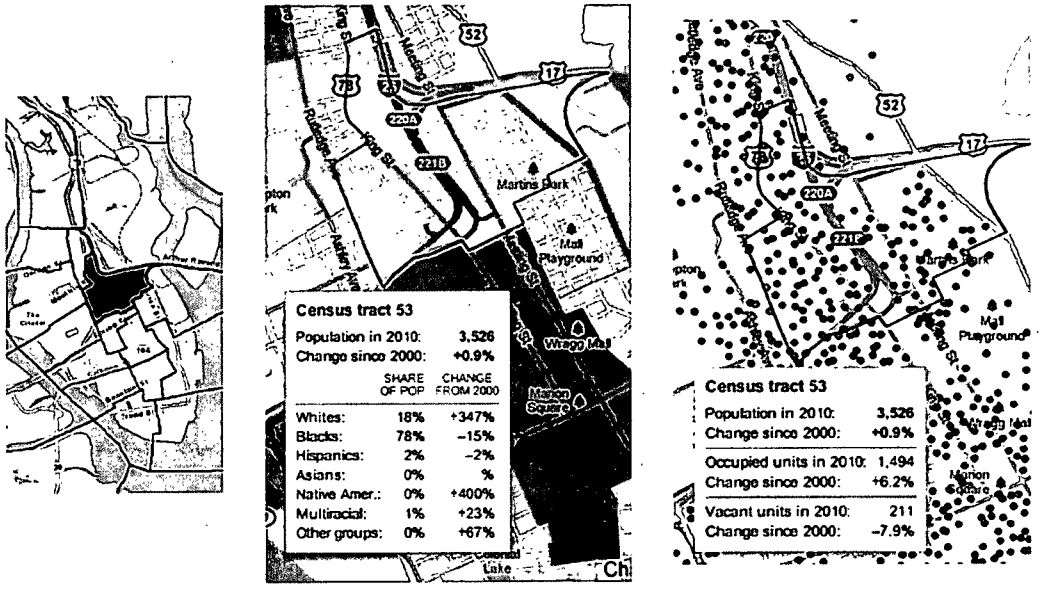


FIGURE C-19 Census Tract 53 Demographic and Housing Characteristics

Tract 54

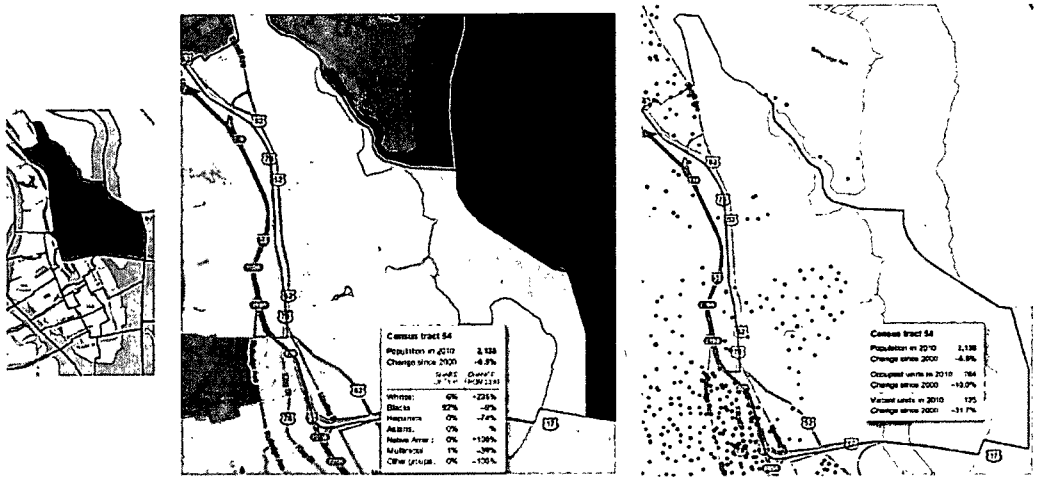


FIGURE C-20 Census Tract 54 Demographic and Housing Characteristics

Tract 55

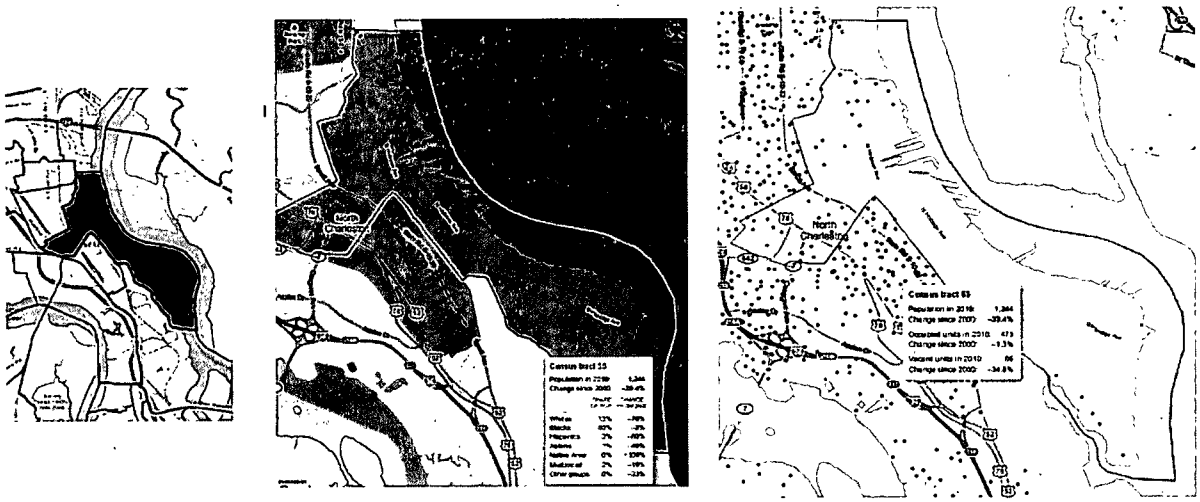
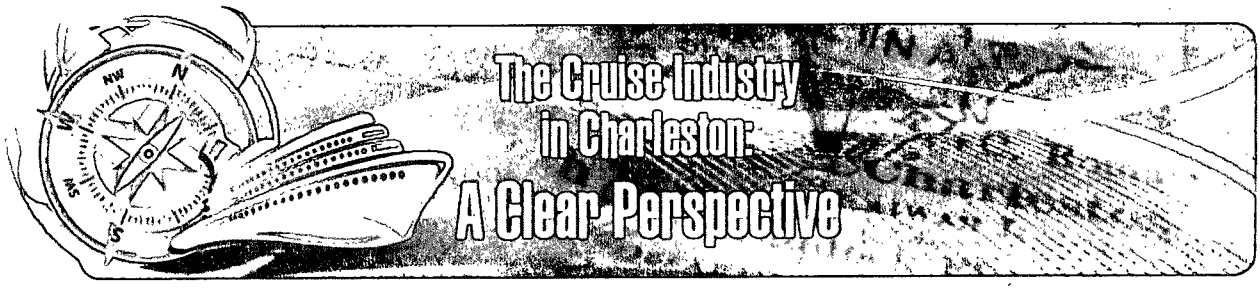


FIGURE C-21 Census Tract 55 Demographic and Housing Characteristics



Appendix 4

Legal and Related Issues

Review of Legal and Related Issues relating to the operation of cruise ships in Charleston

Summary

While the purpose of this report is to "conduct an independent and objective study to evaluate the economic impacts of cruise terminal operations" it is impossible to ignore the issues surrounding the regulation of the cruise ship industry in the City of Charleston. As noted in a recent issue of Charleston magazine

> "Most of Carnival's cruise patrons have no idea that the convoluted maze they 've just driven through is symbolic of the complex issues the local cruise question has raised. Most are probably clueless that outside the chain-link and barbed –wire fence that surrounds Charleston's Union pier, there's a heated controversy afloat, with billboards sparring, a lawsuit pending and letters to the editor flying"

There appear to be three primary issues:

1. Charleston being placed on The National Trust for Historic Preservation on its 2011 endangered "watch list. As the trust stated:

In the case of Charleston, expanding cruise ship tourism could jeopardize the historic character of the city, historic downtown Charleston and its surrounding neighborhoods. The Watch Status designation is accompanied by an offer from the National Trust to assist with finding a balanced solution that benefits the community and its rich cultural heritage."

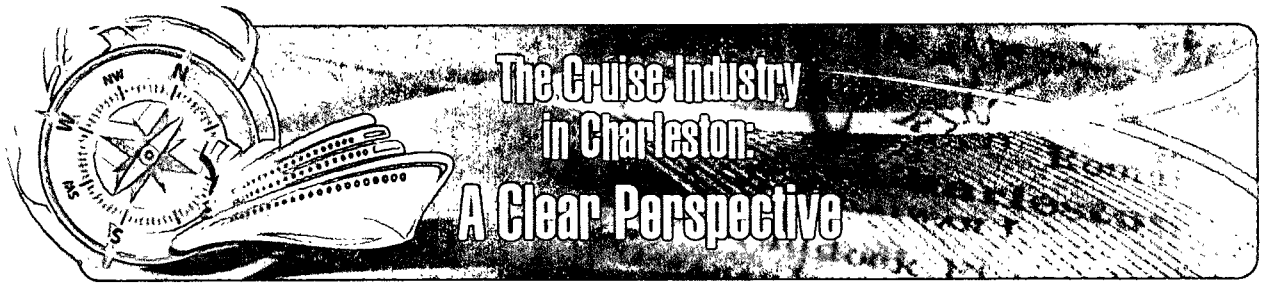
2. A June 13, 2011 law suit brought by the Historic Ansonborough Neighborhood Association, Charlestowne Neighborhood Association, Coastal Conservation League, And Preservation Society Of Charleston filed suit against Carnival Corporation, D/B/A Carnival Cruise Lines. This lawsuit charges that Carnival Corporation is guilty of the following:

- Unlawful Use Within Light Industrial Zone District
- Violation of the Accommodations Zoning Ordinance
- Violation of the Old City Height District Ordinance
- Violations of View Corridor Provision
- Violation of Sign Ordinance
- Noise Ordinance
- Private Nuisance
- Public Nuisance

On August 22, 2011 this lawsuit was challenged by the Carnival Corporation, the City of Charleston and the South Carolina Ports Authority.

The petitioners filed a petition for original jurisdiction requesting "the SC Supreme Court to exercise its original jurisdiction with respect to the attached lawsuit recently commenced in the Court of Common Pleas for the Ninth Judicial Circuit by respondents."

> "Due to the time sensitive nature of this dispute and the enormous, potential adverse commercial and economic impact at stake, Petitioners respectively request the Court to conduct an expedited review of matters contained herein in furtherance of the public interest."



Appendix 4
(continued)

On January 17, 2012 The South Carolina Supreme Court has agreed to hear complaints brought by local residents, preservationists and an environmental group over Charleston's expanded cruise industry

3. City Council Ordinances that have not incorporated suggestions from local nonprofit citizens groups.

On September 14 2011 the Charleston City Council approved by an 8-3 vote an ordinance that supports the cruise industry and stipulates that would require a public hearing process if the States Ports Authority want to accept more than 104 cruise ships a year. According to the Post and Courier:

> "But critics said the mayor's ordinance, which outlines a public hearing process should the State Ports Authority want to accept more than 104 cruise ships a year, doesn't go far enough. The Historic Charleston Foundation drafted one with more binding limits, but council members never put it up for a vote. Seventeen residents, mostly preservation and neighborhood leaders, urged council to defer the mayor's ordinance or also pass the foundation's proposal -- or something like it."

Report on Issues

The following material has been assembled to provide a statement of facts regarding these issues.

1. Quality of life issues

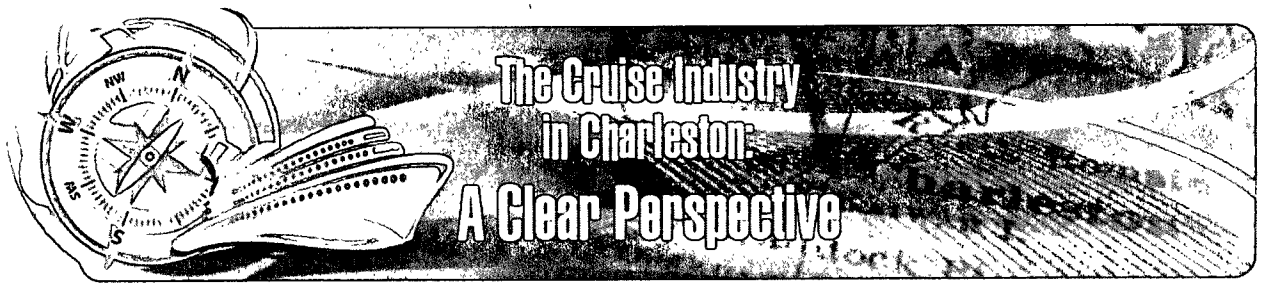
1.1 The National Trust for Historic Preservation placed Charleston on its 2011 endangered "watch list."
http://www.preservationnation.org/travel-and-sites/sites/southern-region/watch-status-charleston-1.html

In 2011 The National Trust for Historic Preservation stated:

> "For the first time in its history, the list of America's 11 Most Endangered Places has been supplemented with a site placed on "Watch Status": the city of Charleston. The Watch Status means that a specific threat to a historic site appears to be growing, but can be avoided or controlled through collaboration and innovation. In the case of Charleston, expanding cruise ship tourism could jeopardize the historic character of the city, historic downtown Charleston and its surrounding neighborhoods. The Watch Status designation is accompanied by an offer from the National Trust to assist with finding a balanced solution that benefits the community and its rich cultural heritage."

> "Along with the new passenger terminal will come the demolition of older warehouses in the same area and the dedication of much of the Union Pier property to redevelopment, including restoration of natural waterfront and establishment of public green spaces and private commercial and residential units,. Rail operations in the area will cease. The City's Board of Architectural Review has given conceptual approval to the terminal design"

> "While there are many proposals at play in the Charleston cruise tourism issue, including relocation of the cruise docking pier, the National Trust believes that defining enforceable limits on the size, number and frequency of cruise ships visiting the downtown piers is central to a positive resolution. The National Trust wants to play a constructive role in addressing this issue by offering its assistance in three ways:



- **Helping sponsor a Tourism Impact Study for Charleston.** The study would provide a deeper understanding of the economic, social and cultural impacts that current tourism and the increased levels of cruise traffic will create on the historic peninsula of Charleston. The study should be commissioned by parties with an interest in the issue, including the City, preservation organizations and the state ports authority. The National Trust's participation can provide assurance that the study responsibly reflects the concerns of all parties. In addition, the National Trust plans to support such a study with a grant to help defray costs.
- **Funding an Enforcement Authority Legal Review.** The National Trust can bring its significant legal resources to better understand the issue of authority in setting enforceable limits on cruise tourism. Precedent from other coastal communities, role and scope of potential city ordinances and state regulation and oversight are all considerations in the complex process of setting cruise limits. Parties engaged in this issue will ultimately need to understand what legal basis exists for management of cruise tourism levels. The National Trust can play a useful role in helping clarify the options available.
- **Launching a Community Forum on Cruise Tourism.** The National Trust plans to tap into its social networking and online presence to encourage continued discussion of the cruise tourism issue, both within the Charleston community and interested public audiences.

The National Trust believes that a positive, solution-oriented approach to the issues surrounding the city of Charleston is the only viable solution.

1.2 Charleston Magazine January 2012

The January 2012 issue of Charleston Magazine included the following list of concerns:

EPA Clean Water Act and International Maritime Organizations (IMO) International Convention for the Prevention and Pollution from Ships MARPOL set environmental standards for water/ air emissions for cruise ships

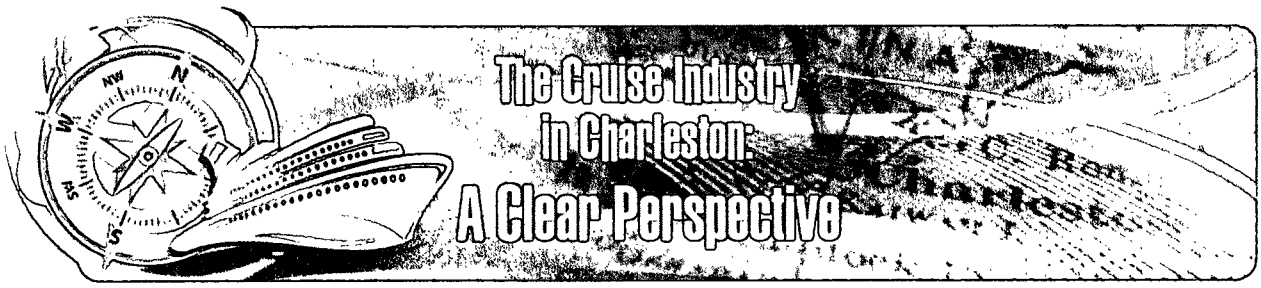
The cruise lines international Associations (CLIA) adopted cruise specific standards that meet or exceed the federal and international regulations: these are voluntary, i.e. no agency enforcement

The EPA requires gray water, sewage, and ground up garbage to be discharged further than three miles from land. Cruise ships that embark from Charleston have voluntarily agreed to discharge gray water when the ship is more than 12 miles from shore according to the SPA

The industry has a history of regulatory noncompliance. One example: in 2001 and 2003 Carnival paid settlements fees of $18 million and $200,000 respectively for improper oil bilge discharge and ballast water issues See cruisejunkie.com for additional infractions

Other ports and states, such as Alaska, unsatisfied with CLIA's "trust Us" voluntary regulations, have passed more stringent laws, including mandating in –port use of shore power to reduce air pollution

In March 2010, the IMO adopted new North American Emission control Area (ECA) standards effective 2015 which are expected to reduce sulfur and particulate matter emissions by 85%



Appendix 4
(continued)

1.3 Shore side Plug in power

http://www.postandcourier.com/news/2011/jun/10/more-cruises-more-health-risks/

Three local physicians, Dr. Frederick E. Reed Jr., Dr. Thomas B. Harper III and Dr. William H. Lee presented shore side plug in power as a possible solution to some of the air quality issues. In a June 10, 2011 article in the Post and Courier they wrote:

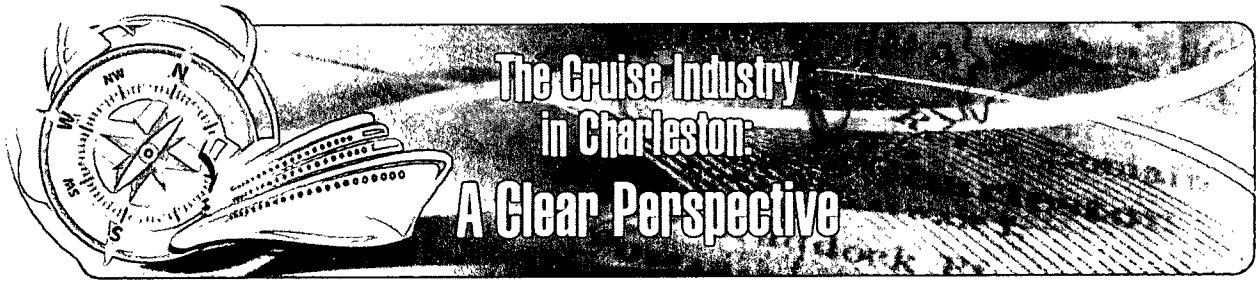
> "Our economy cannot afford shutting shipping down, but we can concentrate on mitigating big offenders such as cruise ships because their impact is closest to neighborhoods like Ansonborough, Mazyck-Wraggborough and the East Side. Downtown residents already report pervasive black soot on porches and exteriors. "
>
> "Shoreside or "plug-in" power should be our first line of defense against cruise ship air pollution."
> "Carnival has already committed to shoreside power in a number of places. Just recently, New York City Mayor Bloomberg announced that Brooklyn's cruise terminal will be the first port on the East Coast to have shoreside power. The neighborhood residents immediately adjacent to the New York cruise terminal are plagued by high rates of asthma. "
>
> "According to the relevant environmental impact study for Brooklyn's consideration of shoreside power, a "large cruise ship burning diesel fuel emits more than 1,600 tons of air pollutants annually" and switching to shoreside power "would eliminate nearly 1,500 tons of carbon dioxide, 95 tons of nitrous oxide and 6 1/2 tons of diesel particulate matter annually."
>
> "Now the New York Ports Authority is working with the EPA and Carnival to share the cost of installing the power source. Carnival will invest in retrofitting its visiting ships to allow "plug-in."
>
> "This measure has already been in force in San Francisco, Juneau, Seattle, Vancouver, Los Angeles and San Diego. Los Angeles even goes a step further, powering its shoreside facilities with solar panels.'

In addition to plug-in power, Charleston should also require cruise lines to burn low-sulfur fuel. Carnival proudly asserts that its ships burned low-sulfur fuel in California before it was required by law. Carnival also boasts it "uses low-sulfur fuel in Glacier Bay National Park (Alaska) and Venice (Italy), though not required by law."

With other cities taking simple, common-sense steps to safeguard human health, Charleston should not be left behind. Whether the new terminal goes to Columbus Street, stays at Union Pier or even moves to Patriots Point, health protective measures are an essential part of city governance.

2. The Law Suit –

On June 13, 2011 Historic Ansonborough Neighborhood Association, Charlestowne Neighborhood Association, Coastal Conservation League, And Preservation Society Of Charleston filed suit against Carnival Corporation, D/B/A Carnival Cruise Lines.



Appendix 4
(continued)

According the official document (Case No. 11-CP – 10 -4139) in Court of Common Pleas, State of South Carolina, County of Charleston

"In this Complaint, Plaintiffs allege that Defendant Carnival Cruise Lines ("Carnival") is violating numerous laws that protect Charleston's historic assets and environment from uncontrolled and incompatible cruise industry operations, and that Defendant's enterprise and its impacts are comprise an injurious nuisance. At base, Defendant Carnival is conducting an intensive cruise accommodations business in downtown historic Charleston as if the enterprise were beyond the reach of laws that other businesses and citizens must, and do, obey. Defendant is discharging pollutants from its vessel the Carnival Fantasy into Charleston Harbor without permits required by South Carolina pollution control law. Further, defendant is conducting Charleston's single largest accommodations business in an area where accommodations and deepwater transportation are not allowed. The crowds, pollution, and traffic associated with these unlawful operations create a nuisance for Charleston citizens. This lawsuit aims to protect Charleston's neighborhoods, families and the environment by having Defendant Carnival play by the longstanding rules and norms that have made - and make - Charleston a wonderful place to work, live, and visit. Relief sought includes a declaration that Defendant is not above local laws as well as injunctive relief to obtain compliance with those laws and to abate the nuisance caused by Defendant's operations."

The plaintiffs have claimed that Carnival Corporation is guilty of the following:

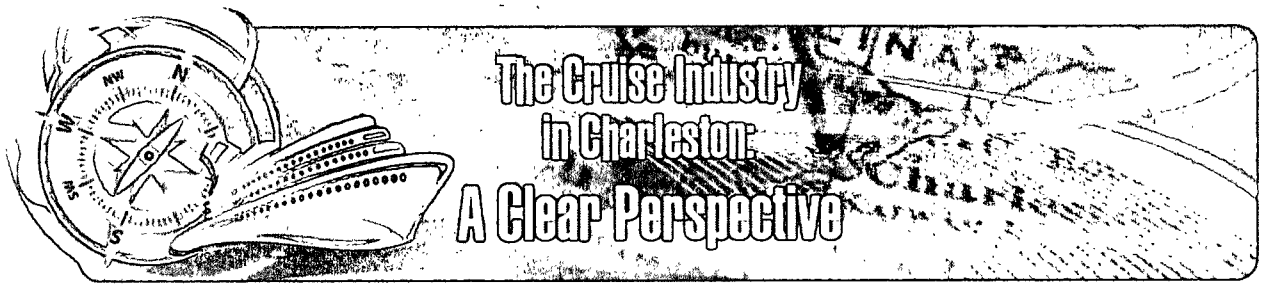
- Unlawful Use Within Light Industrial Zone District
- Violation of the Accommodations Zoning Ordinance
- Violation of the Old City Height District Ordinance
- Violations of View Corridor Provision
- Violation of Sign Ordinance
- Noise Ordinance
- Private Nuisance
- Public Nuisance

WHEREFORE, Plaintiffs respectfully request that this Court enter judgment as follows:

A. Issue a declaratory judgment in Plaintiffs' favor adjudicating the illegality and unreasonableness of Defendant's use of Union Pier Terminal and surrounding areas and attached structures for cruise operations as set forth above.
B. Enjoin further violations of the law by Defendant Carnival;
C. Abate cruise operations that constitute a nuisance;
D. Award Plaintiffs such other and further relief as the Court may deem just and proper.

Counter suit
After the suit was filed, the city and the State Ports Authority intervened on the side of Carnival. They asked the Supreme Court to take immediate jurisdiction saying the lawsuit threatens the maritime commerce making it a matter of statewide public interest.

August 22, 2011 Carnival Corporation, South Carolina Ports Authority and City of Charleston v 2011 Historic Ansonborough Neighborhood Association, Charlestowne Neighborhood Association, Coastal Conservation League, And Preservation Society Of Charleston.



Appendix 4
(continued)

According to the official document (Executed Petition for Original Jurisdiction, the State of South Carolina in the Supreme Court, http://www.scspa.com/EXECUTED%20PETITION%20FOR%20ORIGINAL%20JURISDICTION%20.pdf

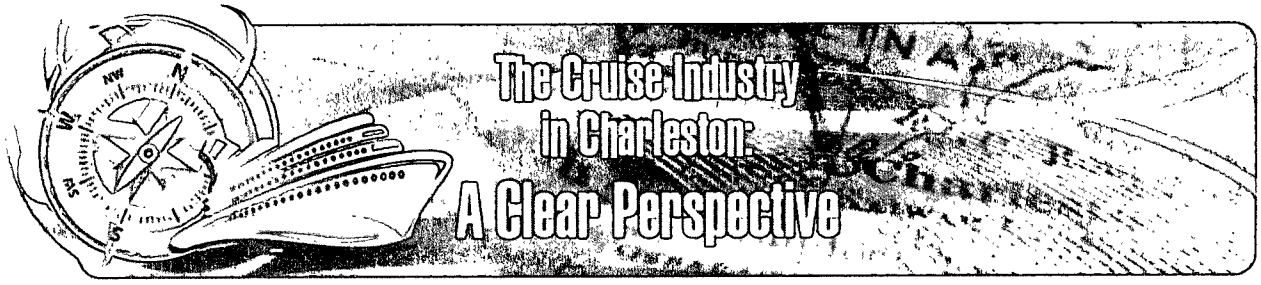
The petitioners filed a petition for original jurisdiction requesting "the SC Supreme Court to exercise its original jurisdiction with respect to the attached lawsuit recently commenced in the Court of Common Pleas for the Ninth Judicial Circuit by respondents."

> "In the Common Pleas action over which this Court's original jurisdiction is sought, Respondents seek a declaration that calls by cruise vessel at Charleston are illegal and unreasonable and should be enjoined. Although the legal challenges in this action are directed toward passenger cruise calls, most of the legal challenges apply to all cargo operation at SCSPA port terminals on the Charleston peninsula and at least two of the legal challenges implicate every cargo vessel which calls at any SCSPA port terminal in the State. Due to the time sensitive nature of this dispute and the enormous, potential adverse commercial and economic impact at stake, Petitioners respectively request the Court to conduct an expedited review of matters contained herein in furtherance of the public interest."
>
> "Since about May 2010 the Carnival Fantasy has made approximately eighty cruises from Charleston, taking roughly 185,000 passengers on cruised to Bermuda and various points in the Caribbean"

"To finance the improvements to Union Pier, SCSPA bonds have been issued and sold with proceeds generating of approximately $35,000,000. A key component of the Union Pier improvement is the continuation of long term and predictable commercial, ocean –going cruise vessels calls at Union Pier and the income stream produced thereby. Toward this end, SCSPA and Carnival Cruise lines had made process toward a long-term contract under which Carnival would regularly call at union Pier during the contract term. Carnival has, however, expressed strong reluctance about proceeding with e agreement in the face of litigation challenging the right of cruise vessels to use Union Pier. Without Carnival's long-term contractual commitment, the Union Pier improvement plan will not be viable."

"The concurrent resolution notes that , among other benefits, Carnival's cruise calls pumped $37,000,000 into South Carolina's economy in 2010 alone, are projected to generate 407 jobs in the tri-county region and have resulted in the payment of $26,193,200 in labor income "

"Although the majority of the attached Complaint consist of lengthily narrative indicting the cruise ship industry in general, the gist of it is that Carnival vessels cannot legally call at Union pier because those vessels (a) violate the Charleston Cit Zoning Ordinances; (b) discharge into the South Carolina waters incidental to their operation without the benefit of permit issued by the SC DHEC and (c) constitute a nuisance."



Appendix 4
(continued)

"in sum, Respondents purport to represent the historic peninsula City at large (Coastal Conservation League and Preservation Society of Charleston) including the neighborhoods south of Broad Street and nearby Ansonborough which between them contain over three thousand residents. Given the type of injury claimed and the number of residents supposedly represented the Respondents clearly lack standing to assert a nuisance claim. Only a public authority may do so. Indeed, the public authorities most interested in pursuing public nuisance charges, the City of Charleston and the State, have unanimously resolved that the vessel calls decidedly are not a nuisance but rather a great benefit to the public good of the City and State, supra."

On January 17, 2012 The South Carolina Supreme Court has agreed to hear complaints brought by local residents, preservationists and an environmental group over Charleston's expanded cruise industry.

3. Proposals offered by nonprofit organizations that were not incorporated into the City's Ordinance passed on September 14, 2011

3.1 Coastal Conservation League Proposal
http://coastalconservationleague.org/projects/cruise-ships-in-charleston/Jan 31, 2012

- A cap of 104 ships annually. The SPA asserts that this is the maximum number of ships the cruise market will support. This number should be codified.

- A ship size limit of 3,500 passengers. The SPA states that no ship larger than this will call on Charleston. We have asked for a binding agreement confirming this commitment.

- An enforceable agreement between the city and the cruise lines stating that no waste will be discharged closer than twelve miles from land. The cruise industry's trade association has made this promise verbally. It should be written and verifiable.

- Shore side power at the new terminal. Other major cruise destinations around the country include electric plug-ins, allowing ships to turn off their engines. Charleston should have the same.

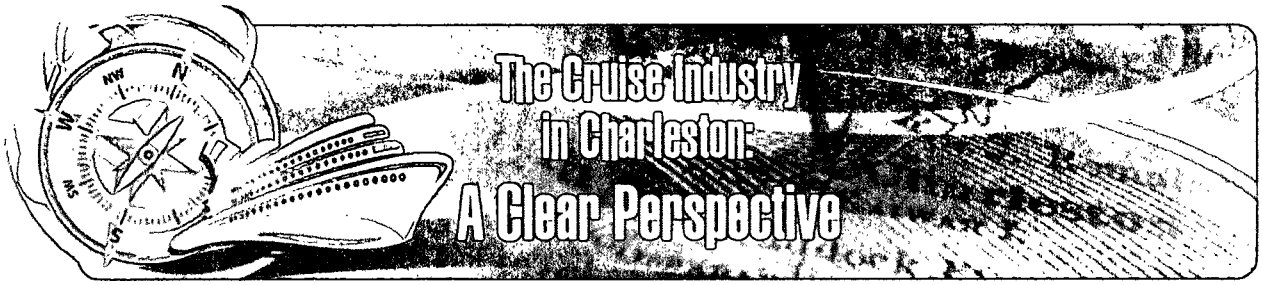
- Shuttle service and offsite parking combined with a parking garage, to eliminate the need to devote 9 acres of prime waterfront property to a surface parking lot.

- Enforcement of the city's noise ordinance.

- A fee to offset the costs to the city of managing cruise visits. Currently, the city of Charleston receives no income whatsoever from visiting ships.

3.2 Historic Ansonborough Neighborhood Association (HANA) proposal

1) amend the city ordinances that govern tourism businesses to include the cruise industry within the regulation of the Tourism Commission;
2) execute an agreement between the State Ports Authority (SPA) and the City limiting the number of embarkations/disembarkation to two ships per week, each ship with a maximum of 3,500 passengers;



3) update the 1996 City Master Plan and traffic plan for peninsular Charleston to reflect not only the increased traffic generated by the cruise ship industry, the new hotel and residential buildings and the proposed re-alignment of certain streets, but also the already approved redevelopment of Ansonborough Field.

3.2 Preservation Society of Charleston
http://www.preservationsociety.org/issues/2012-01-20-statement-cruisesuit.pdf
The Society also outlined a list of Ten Recommendations for Sustainable Cruise Ship Tourism, which included:

- Limiting the number of cruise ships and passengers on a daily and annual basis.
- Reaffirming SPA commitment to abide by local zoning ordinances.
- Establishing a remote parking facility.
- Directing pedestrians away from Ansonborough.
- Banning "late departure" offerings by cruise lines.
- Creating a Marine Passenger Fund

Objectives:

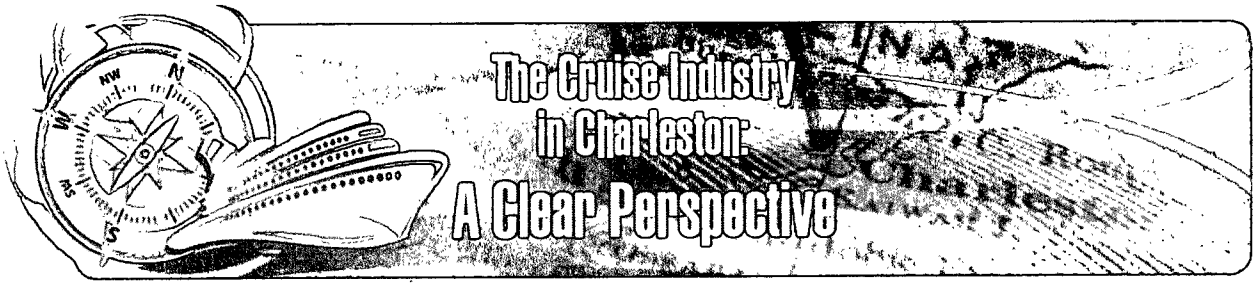
1. The quality of life of the citizens of the City should be the primary factor in weighting any decision sa that are made about the cruise ship industry and the Union Pier property Tourism and the local economy flourishes when the citizens of the city are pleased with how it is managed

2. Maximum transparency and public input are essential for ensuring that future plans for the cruise ship industry and the Union Pier property consider potential negative impacts before future contracts are signed. Written commitment, timely public release of relevant documents and the use of impartial data (economic impact, traffic, etc.) should be the basis of decision making.

3. Reasonable regulations are the responsibility of the city of Charleston to ensure that the cruise ship industry is managed in the same way that all other tourist – related industries (pedicabs, walking tours, carriage tours) have been regulated. While imperfect, tourism management regulations are an essential tool for minimizing negative social and cultural impacts.

4. Appropriate redevelopment of the Union Pier property should be integrated ino tht existing fabric o the City of Charleston in order to enhance the sense of place that distinguishes our historic district with appropriately scaled new construction, compatible uses, quality materials and the protection and preservation of existing historic resources. This should include a reconsideration of the present accommodation overlay as it related to the property and the final location o fa new terminal.

5. Stabilization and restoration of the Bennett Rice Mill Façade should not be contingent on any future cruise ship contract or union Pier redevelopment plan. It is urgent that the at risk physical condition of this historic façade owned by the State Ports Authority be addressed so that this unique piece of industrial architecture can stand as a testament to our collective commitment o the historic legacy of our city . The SPA should consider placing a historic preservation easement on the façade.



Appendix 4
(continued)

Gurley at City Council:

> "The Preservation Society of Charleston believes that the proposed amendment to the City's Tourism Management Ordinance to address cruise tourism is an important first step toward a workable regulatory framework. It codifies a process that provides valuable public input into future city council resolutions regarding the future growth of the cruise tourism industry. While not perfect, we feel that the proposed ordinance can be strengthened with the inclusion of specific criteria against which requests for increases in the scale or frequency of cruise tourism can be measured, so that the community can expect an objective and holistic analysis. Additionally, the Tourism Commission should be given the authority to negotiate an annual cruise visit calendar that avoids overlap of cruise visits with major community events."

In order to balance concerns expressed by our organization and others in the community, we also believe that opportunities exist to amend the city's Zoning Ordinance to provide enforceable mechanisms to protect against unchecked future cruise tourism growth and to deal directly with challenges presented by traffic congestion and excessive surface parking at Union Pier.

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3.3. Review of the Historic Charleston Foundation Actions
http://www.historiccharleston.org/preservation/issues.html?id=126

Over the past two years the Historic Charleston Foundation has established ad hoc committees, conducted its own assessments, conducted public forums and commissioned independent studies to reach a reasonable consensus regarding a balanced approach for managing the cruise industry in Charleston. Over this period it has offered several statements regarding its perspective on the industry and proposed specific recommendations pertaining to the regulation of the industry.

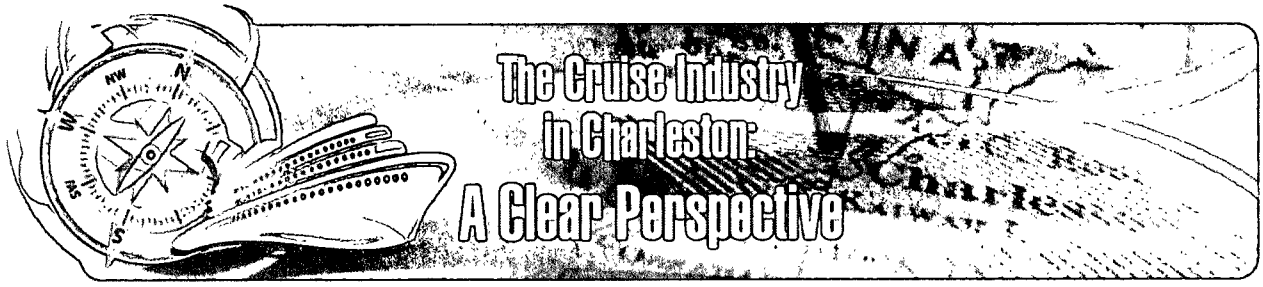
Facts & Findings

a. HCF's position on Cruise Ships and Union Pier should be consistent with its mission:

> "To preserve and protect the historical, architectural and cultural character of Charleston and its historic environs, and to educate the public about Charleston's history and the benefits that are derived from preservation."

b. HCF strongly supports the SPA and its core work. It also recognizes that the Port is a vital economic engine for the entire state. Concern for the impacts of the cruise ship industry does not indicate a broader concern with other aspects of the SPA. We need to emphasize that these are two very distinct issues.

c. Downtown residents, especially those living on the east side of the Peninsula and below Calhoun, feel the greatest impact. This is in-part because Washington and Concord Streets make up a very important north-south corridor, and the existing terminal is near Harris-Teeter, a primary grocery store for downtown residents.



Appendix 4
(continued)

d. The SPA's statement, "no more than two ships per week," was derived from a 52-week average, i.e. no more than 104 ships per year. As the cruising "high season" occurs mostly in the fall and spring, the approximately 90 ships scheduled for 2011 will mean a greater concentration of ships than the community was led to believe during those months of the year. The 2011 cruise ship activity and its impacts must be measured and monitored - objectively and creatively - so that the impacts - good and bad - can be determined.

e. Beginning in winter 2011, SPA will move its BMW operations from Union Pier to the Columbus Street terminal; this allows for the removal of the freight train south of Columbus Street and its requisite street closings. Also, the queuing, luggage drop-off, and parking for the embark/debark cruise passengers will be more efficiently handled on SPA property. This should be the first step toward mitigating some of the impacts of the cruise ships.

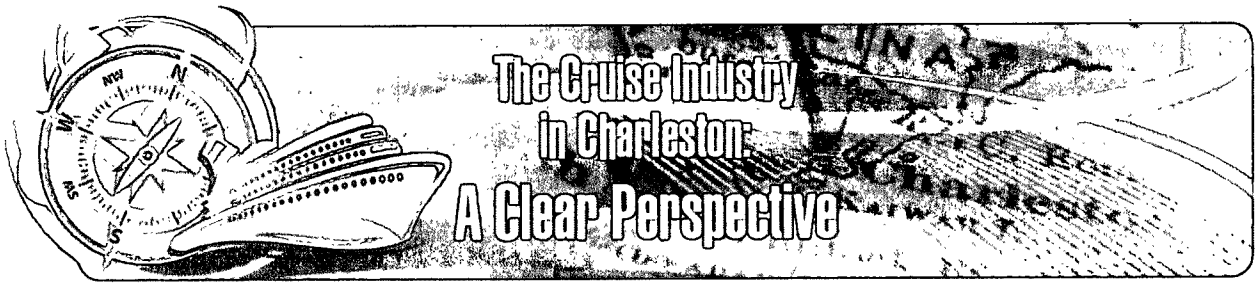
f. The Union Pier Concept Plan includes some great ideas for extending the urban fabric to the water's edge and increasing public access. It does not provide details about future land use and development options, short or long term. There is little discussion of how it will advance the overall quality of life and economic development of the site itself and the surrounding community. Since this is public land, there is great opportunity for a more detailed Vision, especially for the non-maritime areas. Current market conditions indicate that realistic nonmaritime redevelopment options for Union Pier may take many years. This contributes to the uncertainty of how and when the Concept Plan will be implemented.

g. HCF's strength in negotiating with the City and the SPA will come from using the tools it has successfully used in the past to address large scale developments, including Charleston Place Hotel. These include participation in the regulatory review process, community outreach, and dialogue.

h. The City has a responsibility to manage the cruise ship sector, as it manages all businesses and other sectors of the tourism industry. There does not currently appear to be any regulations of the cruise sector. Cruise ship operators should operate under rules and regulations just as all other tourism businesses.

Based on these findings, HCF's action plan includes three key components:

- The city should establish, if called for, regulations and ordinances that balance the economic interests of the cruise industry with citizens' quality of life. The city, in cooperation with SPA, should require all cruise lines calling on Charleston to comply with these regulations and ordinances.
- HCF will hire a qualified consultant, at its own expense, to independently monitor and analyze cruise visits in 2010 and 2011 to assess their environmental, economic and quality of life impacts. It will use findings from this independent study to develop its advocacy positions regarding the cruise industry.
- HCF will provide the resources to support a transparent, community-driven planning process to create a vision for the optimal redevelopment of the Union Pier property and cruise terminal. HCF will provide the financial resources to have



an acclaimed team of experts study the property and publicly present their findings and recommendations in a public forum to be held in early spring 2011.

Proposed Plan of Action

Objective: The Foundation's objective is to identify a pro-active, solutions-based process for building upon the opportunities Union Pier's development affords and resolving potentially adverse impacts created by the cruise ship industry. HCF aims to lead the community in a collaborative manner that strengthens relationships among all partners, specifically the City and its elected officials, the SPA and its board, and community residents and businesses. The following proposed three-pronged approach aims to address the legal, land-use, and quality of life issues by providing objective information and a compelling vision of opportunity.

1. Cruise Industry. The City must manage the cruise industry in a manner that is consistent with the City's ongoing efforts to appropriately balance the demands of tourism and commerce against the protection of history, culture, the environment and other factors contributing to the quality of life.

To that end, HCF will advocate that the City and its Council consider all means at its disposal, including, if necessary, enforceable ordinances that would sufficiently account for scale, capacity, frequency of visits, traffic and other considerations.

This will require study, review and amendments to the tourism management ordinance and guidelines. We propose that once appropriate regulations are developed, the City, working with the SPA, require that all the cruise lines calling on Charleston comply with such regulations.

2. Monitoring Impact. HCF will hire a consultant to independently monitor, document, and analyze the 2010 and 2011 cruise visits to objectively assess the legal, land-use, and quality of life impacts—both positive and negative. This would include a survey of residents, visitors, historic sites and businesses (including hotels and restaurants) followed by a measurement of agreed-upon key indicators. The findings from this study will help the City adopt and/or modify the local regulations. The City and other community organizations should use this information to advocate for an appropriate regulatory framework before the SPA negotiates new cruise contracts.

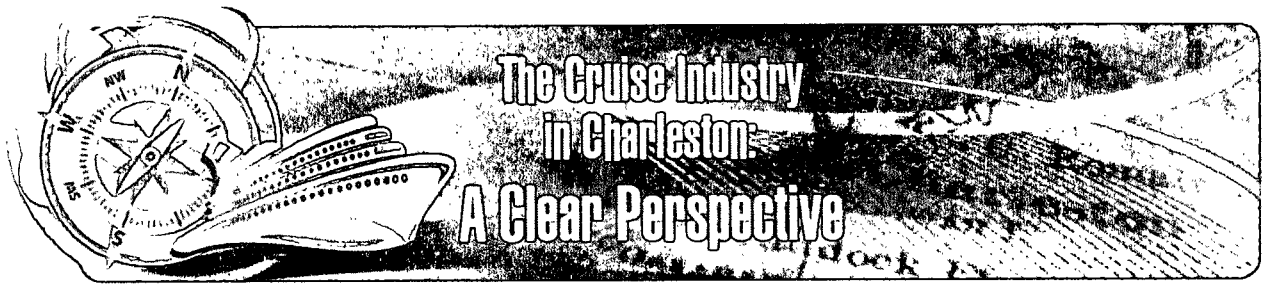
3. Building the Vision. HCF supports a transparent, community-driven planning process to determine the optimal redevelopment plan for the entire Union Pier property including the Cruise Ship Terminal.

To stimulate our community's best thinking, HCF proposes to sponsor an acclaimed team of experts to visit and study the Union Pier property, then to publicly present their findings and recommendations in a public forum to be held in early spring 2011.

HCF would continue the process after the forum to help establish an overall redevelopment Vision for Union Pier.

The trustees adopted, unanimously, the following resolution and proposed plan of action to:

1) Encourage the City to regulate the impacts of the cruise industry in a manner consistent with the City's ongoing efforts to appropriately balance the demands of tourism and



commerce with the protection of history, culture, the environment, and other factors contributing to the quality of life.

2) Lead a study of impacts to independently monitor, document, and analyze cruise visits and objectively assess the environmental, economic, and quality of life impacts.

3) Host a transparent, community-driven forum in which the Foundation sponsors a team of experts to visit and study the Union Pier property and offer their findings publicly.

March 2011 the trustees adopted the following resolutions:

1) To call upon the City to require the State Ports Authority (SPA) to move development plans through and abide by the decisions of the Board of Architectural Review (BAR) and the Board of Zoning Appeals (BZA) and that the City and/or any other relevant governing entity implement immediate, reasonable written and enforceable regulations on the cruise industry.

2) To call upon the SPA and the State of South Carolina to present an overview of the analyses of alternatives regarding the cruise ship terminal.

The Foundation was most pleased when the SPA agreed, in June, to submit the Union Pier development plans to the BAR.

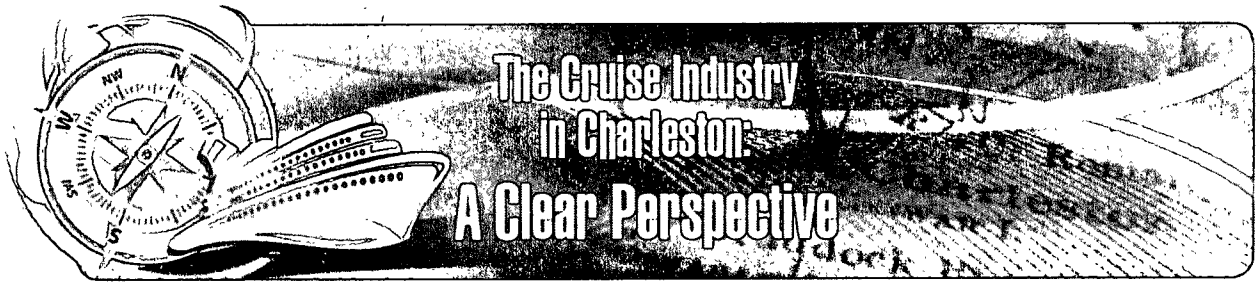
April 13, 2011 the HCF Trustees Approved Two Resolutions for Union Pier and Regulation of the Cruise Industry

The first resolution ratified the Board's support for two actions:

- That the City take all necessary actions to ensure that any construction or renovation of the proposed cruise terminal building, and additional related or subsequent development on State Ports Authority (SPA) owned property within either the Old and Historic District or the Old City District, be required to move through and abide by the decisions of the Board of Architectural Review (BAR) and the Board of Zoning Appeals (BZA).

- That the City and/or any other relevant governing entity implement immediate, reasonable written and enforceable regulations of the cruise industry. Such regulations must be reviewed and modified from time to time by City Council and/or that governing entity with the input of the community.

The second resolution calls upon the SPA and the State of South Carolina to present an overview of the analyses of three alternatives regarding the cruise ship terminal: (a) cruise operations as they exist today, (b) sale of the southern portion of Union Pier for private development and the redevelopment of the cruise terminal at the north end (i.e., the current SPA proposed scenario), and (c) the complete sale of the entire Union Pier property. The overview should be completed and made available to the public prior to a commitment to any specific action.



Appendix 4
(continued)

August 14 , 2011

While the City's authority to regulate is not unlimited, the Foundation's comprehensive legal assessment shows that local governments may regulate landside impacts created by maritime activities, as long as they reasonably balance relevant state and federal interests. We have determined that under existing laws, the City has broad land-use authorities and may impose reasonable zoning requirements that protect legitimate local interests and simultaneously allow the port to function pursuant to its statutory authorities and voluntary commitments.

We have developed this approach to serve as a framework that protects the most critical interests of the Ports Authority and of the city's residents and businesses. This ordinance will allow our community to move forward and to start the truly exciting work of redeveloping Union Pier, an achievement that our historic city and its citizens deserve.

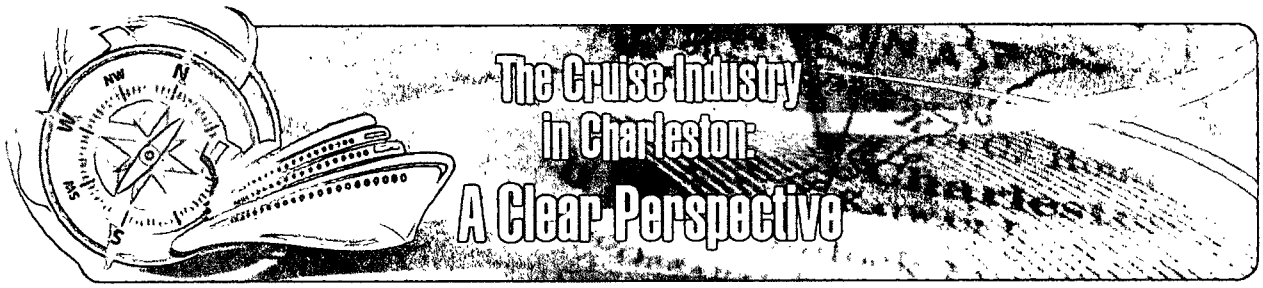
Our proposed ordinance:

- Imposes reasonable and enforceable requirements on cruise passenger terminals, only in the heart of the city's historic districts, and it creates a Cruise Overlay Zone.
- Binds the Ports Authority's voluntary commitments, by allowing a single-berth cruise passenger terminal downtown, which could accommodate:
- one cruise ship at a time;
- cruise ships of up to 3,500 passengers; and
- as many as 104 cruise ship visits/year

Ensures

- cruise passenger impacts can be avoided on days when other significant city events are planned;
- vehicle arrivals and departures are scheduled to avoid congestion and rush hour traffic
- surface parking for cruise-related uses in the Cruise Overlay Zone is limited in favor of structured parking; and
- all vehicular and passenger processing occurs onsite; and all off-site traffic impacts are mitigated, pursuant to a traffic study prepared by the terminal operator, based on the City's adopted level-of-service standards

According to the Post and Courier: "on September 14, 2011 City Council voted 8-3 to pass a cruise ship ordinance that Mayor Joe Riley proposed to try to resolve the nearly two-year debate about cruise ships' rightful place in the city's highly regulated tourism industry. The ordinance But critics said the mayor's ordinance, which outlines a public hearing process should the State Ports Authority want to accept more than 104 cruise ships a year, doesn't go far enough. The Historic Charleston Foundation drafted one with more binding limits, but **council members never put it up for a vote**.



Miley & Associates

Miley & Associates is one of the Southeast's leading economic and financial consulting firms. The firm specializes in economic impact analyses, fiscal impact analyses, feasibility reports, impact fee studies and benefit/cost modeling. Our clients include national and prominent local real estate developers, school districts, local governments, regional development agencies, and other private sector development firms. Miley & Associates partners appear regularly before decision-makers at all levels of government and understand the values, needs and desires of the clients they represent. With offices located in Columbia, South Carolina, the firm is well positioned to provide clients with hands-on service for projects throughout the entire Southeast region.

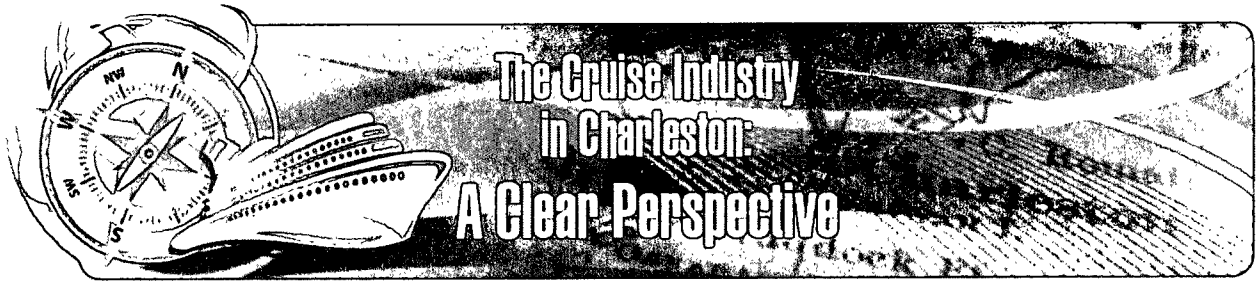
Miley & Associates appreciates that every research project is unique and deserves a custom solution. Public policy decisions are not made overnight, and we excel at providing advice and counsel along the way. We represent our clients. Our business plan is simple: we focus on exceeding our client's expectations and building long-term relationships.

Miley & Associates, Inc. was founded in 1993 by Harry W. Miley, Jr. Ph. D. The Company is an economic and financial consulting firm providing a range of analytical services to public and private sector clients. Miley & Associates conducts fiscal and economic impact analyses of proposed new developments and has extensive experience in assisting clients with their economic development and community revitalization projects.

Dr. Miley served as Chairman of the South Carolina Board of Economic Advisors (BEA) under two Governors. The BEA is responsible for estimating the State's revenues for the Governor and the General Assembly to use in formulating the State's annual budget. Dr. Miley was originally appointed as Chairman by Governor Carroll Campbell and continued to serve as Chairman for Governor David Beasley.

Dr. Miley was the Senior Executive Assistant for Economic Development to Governor Campbell from 1987 to 1989. Dr. Miley served as principal advisor to Governor Carroll Campbell on the state's policies for economic development, employment and training, work force and adult illiteracy, technical education and transportation issues.

Prior to joining the Governor's Office, Dr. Miley was on the faculty of the Moore School of Business at the University of South Carolina and Associate Director of the Division of Research at the School.



General Limiting Conditions

This economic analysis is not a budget or forecasting document and is not intended to depict a definitive course of action. Moreover, economic impact analysis is not designed as a space or facility-planning document. Many assumptions underlying economic impact analyses are based on policy decisions which, if modified, would affect the overall results.

This study is based on estimates, assumptions and other information developed by Miley & Associates, Inc. from its independent research effort, consultations with the client and its representatives, and primary and secondary sources. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis are based on trends and assumptions and, therefore, there will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives or any other data source used in preparing this study.

This report is based on information that was current as of January 2012 and Miley & Associates, Inc. has not undertaken any update of its research effort since that date. We have no obligation, unless subsequently engaged, to update this report or revise this analysis as presented due to events or conditions occurring after the date of this report.

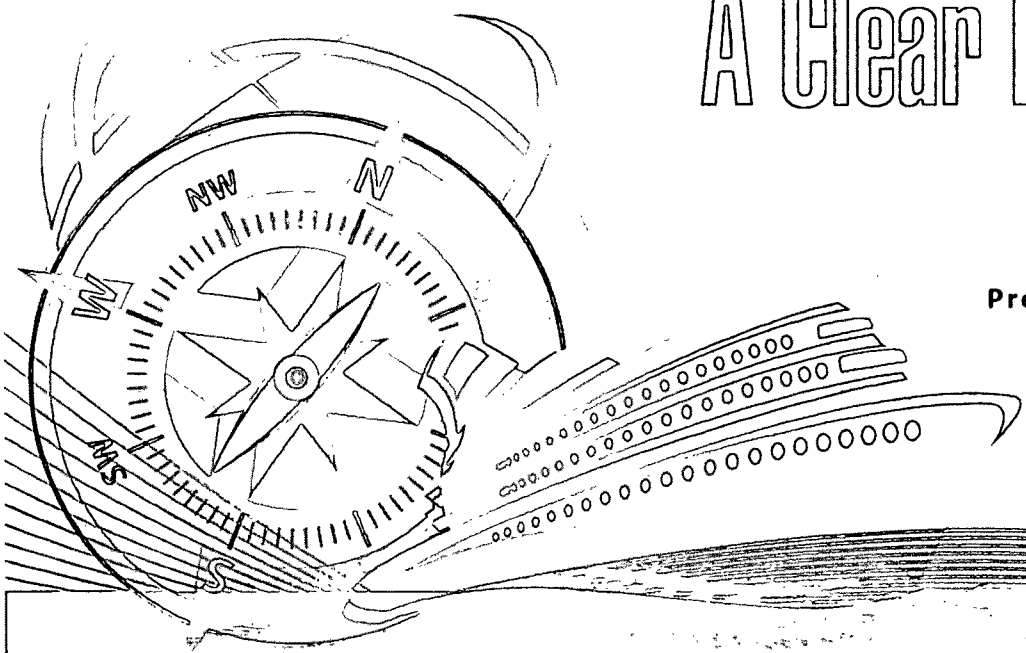
Possession of this study does not carry with it the right of publication thereof or to use the name of "Miley & Associates, Inc." in any manner without first obtaining the prior written consent of Miley & Associates, Inc. No abstracting, excerpting or summarization of this study may be made without first obtaining the prior written consent of Miley & Associates, Inc. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose. This study may not be used for purposes other than that for which it is prepared or for which prior written consent has first been obtained from Miley & Associates, Inc.

This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

Exhibit 27

The Cruise Industry in Charleston:

A Clear Perspective



Prepared for

Historic Charleston Foundation

Prepared by
Miley & Associates INC
Columbia, SC

April 2012

002130

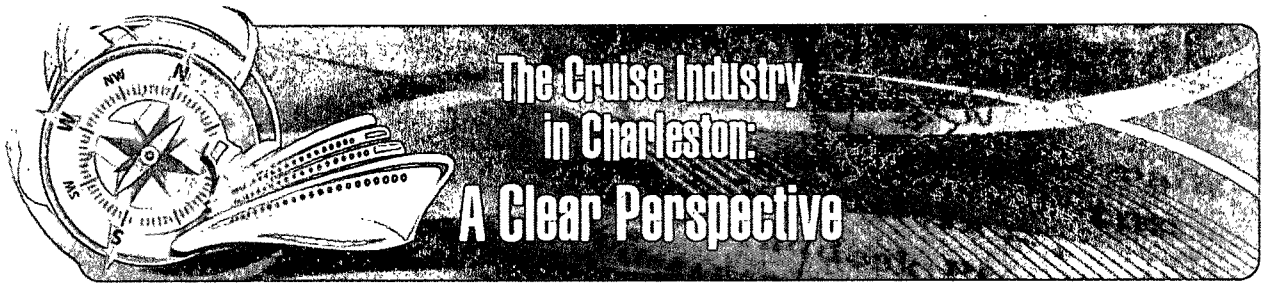


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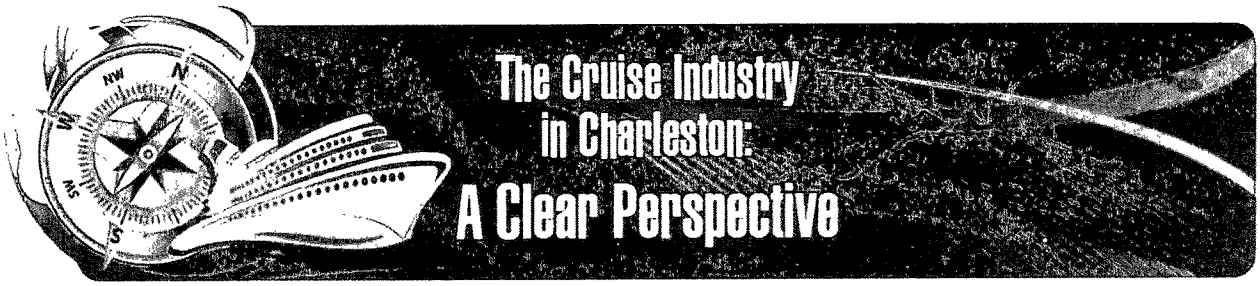
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Introduction

In the fall of 2011, Historic Charleston Foundation (HCF) commissioned Miley & Associates, Inc. (M&A) to conduct an impartial analysis of the impact of the cruise industry on the City of Charleston. HCF directed M&A to provide an assessment of the positive and negative, short-term and long-term impacts that the cruise industry has, or may have, on Charleston's economy and quality of life as they relate to the historical, architectural and cultural character of the city. Funding for this report was made possible in part through a contribution from the National Trust for Historic Preservation.

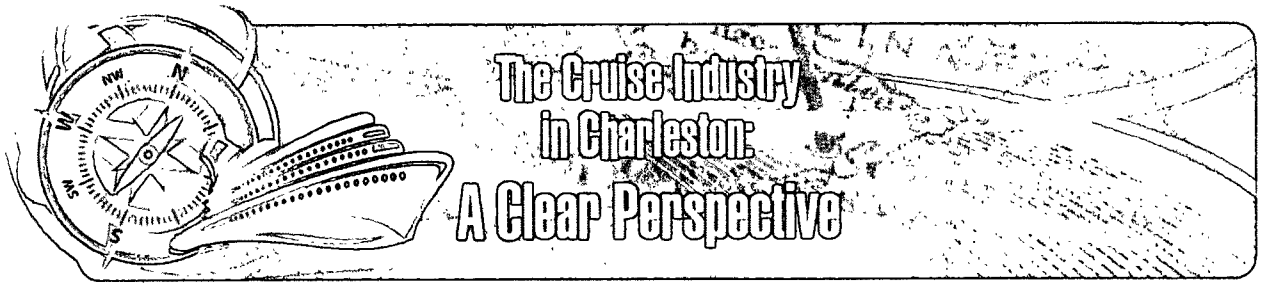


This is the first comprehensive study of how the cruise industry affects businesses, government, residents, and tourism in the Charleston region. It covers many facets of the cruise industry in detail, including the industry's economic impacts on the community, and their sophisticated business and operating model. The report confirms the complexity of the cruise industry and how it generates profits, as well as how its focus on meeting customer needs and profit goals can be a concern for communities that are either home ports or ports of call. Charleston is both.

This report is intended to provide analysis and perspective on the cruise industry's impacts on the City so that community leaders can establish policies to address the cruise industry's presence in the historic district. The goal of the report is to increase the Charleston stakeholders' understanding of the relationship a community can expect to have with the cruise industry. However, it should be noted that while other groups and studies have focused on the benefits to the Charleston region from the cruise industry, this study also considers the cost to the City of Charleston from the cruise industry. This report provides Historic Charleston Foundation with findings related to the cruise industry, economic impacts, opportunity costs and quality of life issues which are an inherent part of accepting the cruise industry into Charleston's cultural fabric. Included are examples, case studies, analysis of third party data, expert interviews and observations of solutions both deployed and avoided by other similar communities.[1]

However, as we point out several times in this report, the truth about the industry's impacts – good or bad – on the City of Charleston can only be determined with a comprehensive analysis based on extensive, real data collected from Charleston's residents and businesses.

Currently, the Gibbes Museum of Art is featuring "The Art of Alfred Hutty: Woodstock to Charleston", showcasing landscapes and the human condition paintings based on life in Charleston. Hutty and his fellow artists formed the founda-

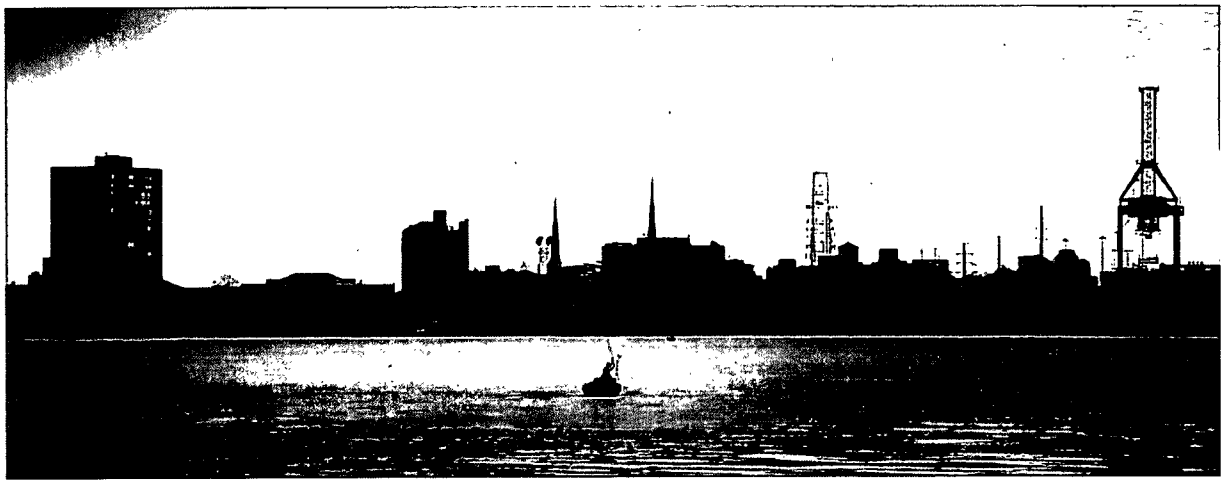


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tion of what is referred to as the Charleston Renaissance (1920 – 1945). This time period began a movement that captured the imagination of tourists. From those humble beginnings, tourism in Charleston has slowly grown over the years to produce what it is now, a renowned destination for travelers around the world who appreciate culture, artistry, and a history supported by a community that appreciates old world charm and values (for a brief overview of the demographic profile of Charleston, see Appendix 3). Tourism is a critically important component of the Charleston area economy, and historic preservation plays a major role in its success as an international destination. Based on the latest data from the Charleston Area Convention and Visitors Bureau, there were more than 4.2 million visitors to Charleston in 2010 spending more than $3 billion.

Central to the issue of cruise ships in Charleston is the volume of the cruise industry (number and size of cruise ships) and the proposed development of the Union Pier Passenger Terminal to be built by the South Carolina State Ports Authority (SPA). The SPA has proposed renovating an older building on SPA property at a cost of $35 million. The SPA's proposed new terminal is supported by many in the Charleston area. SPA and its supporters have focused attention on the assertion that the cruise industry and the new passenger terminal provide (and will provide) a tremendous boost to the City's economy. The SPA has commissioned at least two studies supporting these economic impacts, and two of the more recent ones are discussed in this report.[2]

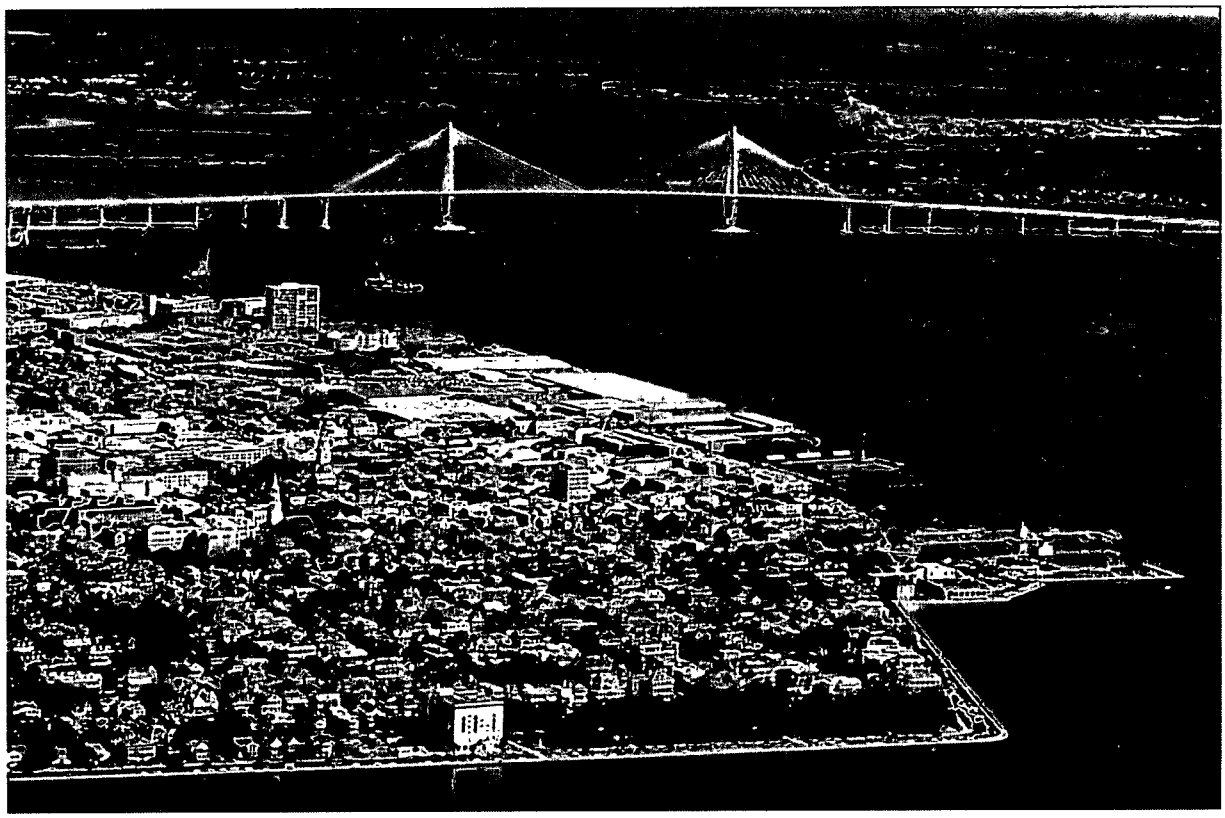
Concerns about the cruise industry are multi-pronged. Some think that the cruise industry is hurting the historic character and charm of Charleston that has made the city one of the most attractive places to visit in the country. Others believe that it has not hurt the city yet, but could hurt the city if the volume of the industry is allowed to grow unchecked. This issue is frequently referred to as "killing the goose that lays the golden egg." Charleston has a well-known legacy of thoughtful and comprehensive tourism regulation that has protected the character and livability of the city thus far, and many in the community would like to see the cruise industry regulated in the same manner.

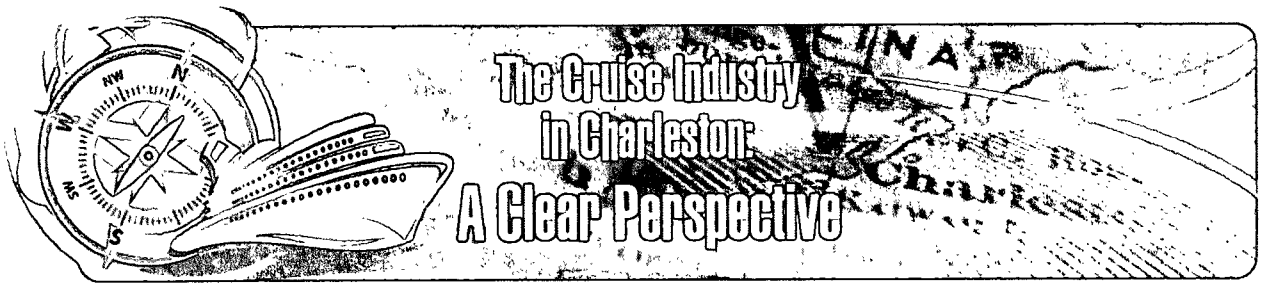


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In addition, some stakeholders believe that the new terminal is in the wrong place and creates additional traffic congestion in an area of the city that is already congested. They think that there are other options for its location and that, given its location in the middle of the historic district; Union Pier is not the optimal choice.

It is critically important to acknowledge that all stakeholders involved in the cruise discussion have different perspectives on the benefits and costs of the cruise industry in Charleston.





Introduction
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While not exhaustive, the following list highlights the primary groups of stakeholders in the cruise industry's future in Charleston:

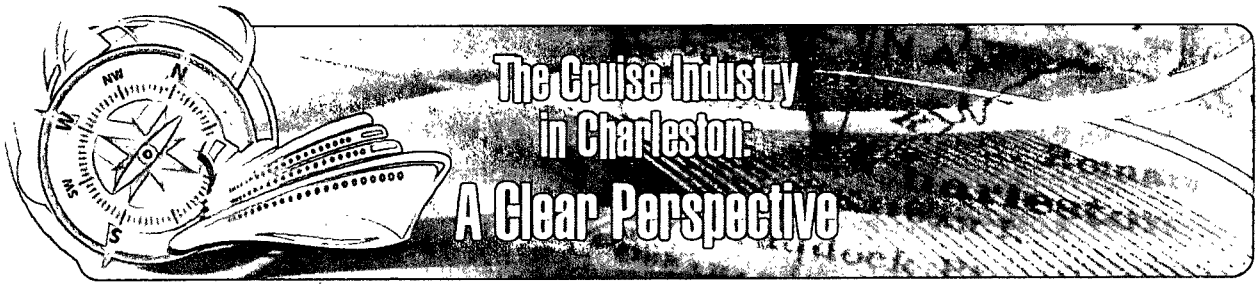
- The City of Charleston government
- The taxpayers in the City of Charleston
- Historic preservationists
- The City residents who live and work near the Union Pier
- The businesses that sell and serve the cruise passengers
- Longshoremen
- Other visitors to Charleston who are impacted by the traffic congestion
- The SPA and its employees
- The Carnival Cruise Line
- The other cruise operators that call on Charleston
- The residents and businesses located in surrounding areas such as Mt. Pleasant, North Charleston, Summerville, and the rest of Charleston County outside the peninsula
- The hotel industry on and off the peninsula
- The Charleston Area Convention and Visitors Bureau
- The local governments of the surrounding areas such as Mt. Pleasant, North Charleston, Charleston, Berkeley and Dorchester County governments, and Summerville
- Chambers of Commerce
- Companies and users of other services such as container shipping at the Charleston port
- Environmentalists concerned with water and air pollution

Within each group of stakeholders there may not be complete consensus. For example, some in the hotel industry see the cruise passenger business as a positive – filling empty rooms in the off-season. However, some see the cruise industry passengers as potentially displacing other visitors.

To date, no such cost benefit analysis has been conducted. The analysis and discussion that has occurred has completely ignored the fact that whatever benefits may accrue to one or more groups or to certain jurisdictions may not be shared with all the groups, *and* that some of the groups that may bear some or all of the costs may not receive any of the benefits that might be generated.

This non-alignment of benefits and costs can be seen in the relatively minor economic impacts to the City of Charleston from the industry. For example, it is estimated in this report that the SPA will collect as much as $9 million in parking and head tax fees in a typical year from the cruise industry. However, none of these revenues goes to the City of Charleston, yet all of the services to meet the needs of the passengers once they are off the ship fall on the City of Charleston or other local governments. The SPA released a study purporting to show that the cruise industry has made a large impact on local hotel occupancy. However, it is estimated that the vast majority of these impacts is on hotels outside the City of Charleston.

There are many reasons to support the cruise industry. For one, the cruise business generates revenues and profits for the agency. The cruise business helps diversify the SPA's operations and may help offset declines in revenue over the last few years.

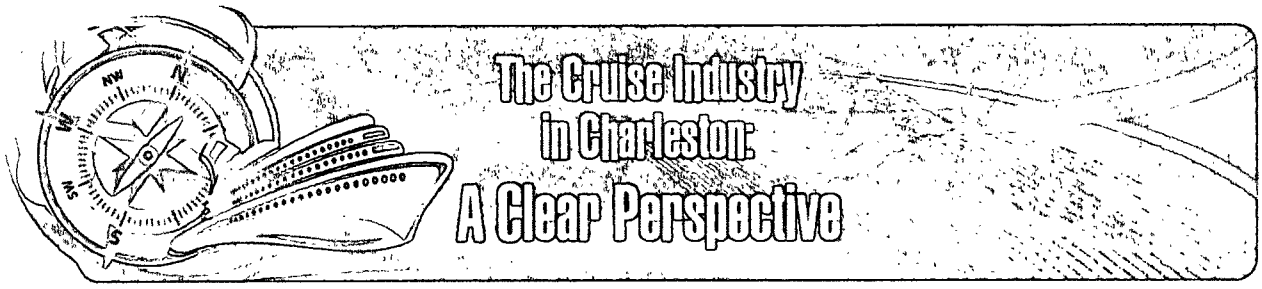


Introduction
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The SPA is a well-respected, well-run port operator and has served the Charleston area, the state of South Carolina, the many exporters and importers in the region exceptionally well for many years. As in other cruise ports, the SPA is one of the largest and most vocal supporters of the cruise industry in Charleston. This report should not be interpreted as a negative report on the SPA or the cruise industry.

The purpose of this report is to help clarify the key issues that concern the City of Charleston and its residents. This report focuses on the most visible reasons that the SPA and others support the cruise industry ---the claims by the SPA and others that the cruise industry generates major positive impacts on the Charleston economy. In addition, this report addresses the issue of whether the cruise industry could grow so large that it could harm the overall tourism industry in the city. And finally, this report provides recommendations for the City of Charleston and its leaders to consider in future cruise industry negotiations.





2. Economic Impact of the Cruise Industry

2.1 Economic Impact of the Cruise Industry: An Overview of Existing Research

Ocean economics has been a part of Charleston history from the City's beginning. The Port of Charleston was and is one of the key drivers of the region's success. The economics of the Port for most of the region's history has centered on general cargo, containers, and break-bulk goods. As markets have changed, the Port has needed to adapt, most recently with large manufacturers such as BMW®, new and larger ships soon expected to pass through the expanded Panama Canal, and cruise ships.

Although ships have been calling on Charleston's port since the 17th century, the cruise industry is relatively new to the Charleston region. It is clear that any vessel that can hold upwards of 4,100 passengers would generate a fair amount of excitement in terms of the potential economic impact (dollars spent locally) those visitors might be expected to bring to a local economy.[3] However, estimating the impacts has proven more difficult than some reports may imply.

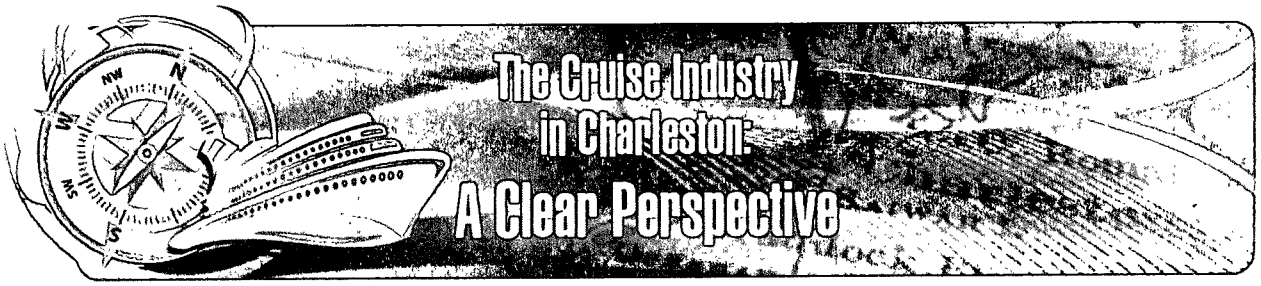
The following section provides an overview of the various approaches and results of economic impact studies of the cruise industry in an attempt to help the Charleston community better understand the difficulty in estimating the economic impacts of the industry. We reviewed more than 100 sources, which included research documents, scholarly articles, books, presentations, and government and industry reports related to the economic impact of the cruise industry on different geographies around the globe. We narrowed that volume of literature to 15 published economic impact reports that we believe represent the current state of the industry and its economic effects on local communities. These reports, while focused on economic impacts, also provide valuable insight into the opportunity costs inherent in the cruise industry.[4]

We found the impacts vary considerably. This is explained by a number of variables including community involvement, negotiating skills of the local community, the community's dependence on the tourism industry, whether a community is the origination point or a Port of Call, location of country, and customer preferences. Complicating the comparison analysis is the variety of impacts, project scopes, and methods used.

The Port of Charleston was and is one of the key drivers of the region's success. The economics of the Port for most of the region's history has centered on general cargo, containers, and break-bulk goods. As markets have changed, the Port has needed to adapt...

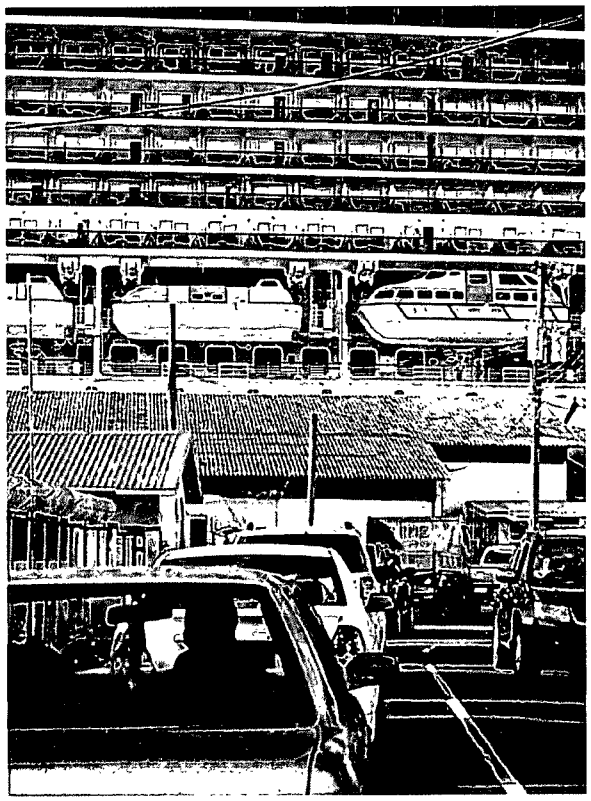
Impact Method and Variances

A number of methodologies were used to calculate economic impact. Of the reports reviewed, one study applied IMPLAN (Minnesota IMPLAN Group, 2004), four studies referenced RIMS II (U.S. Department of Commerce, 1997), and one took a computable general equilibrium (CGE) approach, while the balance of reports used no economic model to calculate impacts and instead relied on tax receipts or other types of revenue estimates.



2. Economic Impact of the Cruise Industry
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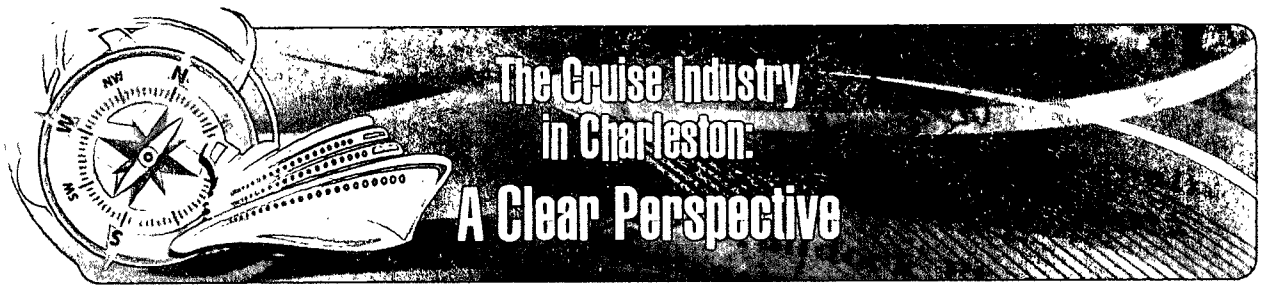
The economic benefits received by ports and their associated communities are only a small fraction of the income[5] derived by the cruise industry for the use of ports and the amenities supported by the local communities (Klein, 2009). Therefore, passenger spending recorded in these studies is peripheral (secondary) spending by cruise customers. An example from a Belize report states: "Although stay over tourists (non-cruise) comprise only a fraction of the total visitors to Belize, they contributed 82.5% of the total tourism revenue in 2005." (Center on Ecotourism and Sustainable Development (CESD), 2006).



In the studies analyzed, daily passenger spending ranged from $32 per passenger in the Key West study (Thomas J. Murray & Associates, Inc., 2005) to $180 per passenger in the Seattle study (John C. Martin Associates, LLC, 2004). See Table 1. The Charleston study (Crotts & Hefner, 2010) estimated $66 per passenger per day. The average of all the studies analyzed was $61.[6] Analysis of the impacts is grouped in four general categories: method, cruise spending, origination versus Port of Call estimates, and employment. We also included a brief analysis of taxes imposed since it can be either a direct revenue source or a secondary source derived in part from passenger spending.

Impact: Method

The range of methodologies utilized for the various studies that were analyzed created the significant variance in cruise spending numbers from study to study. Of the 15 studies evaluated, seven studies – about half – did not survey cruise passengers or crew customer spending. Of the eight that did, only two studies reported statistically significant spending data.[7] Both the Belize and Costa Rica (Center on Ecotourism and Sustainable Development (CESD), 2007) reports completed a statistical sampling analysis on intercept surveys to ensure that data collected was statistically accurate. That ensured one group of visitors was not inadvertently left out or disproportionally represented in the study. The Costa Rica study notes, "Both the statistical sampling as well as the methodology used in surveys with crew and passengers make it possible to derive a close approximation of the average expenditures of visitors in Costa Rican ports, which in turn allows for a calculation of cash flow per category of visitor expenditure." Two of the reports completed by industry representatives provide a range of economic spending



2. Economic Impact of the Cruise Industry
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TABLE 1 Impact Assumptions

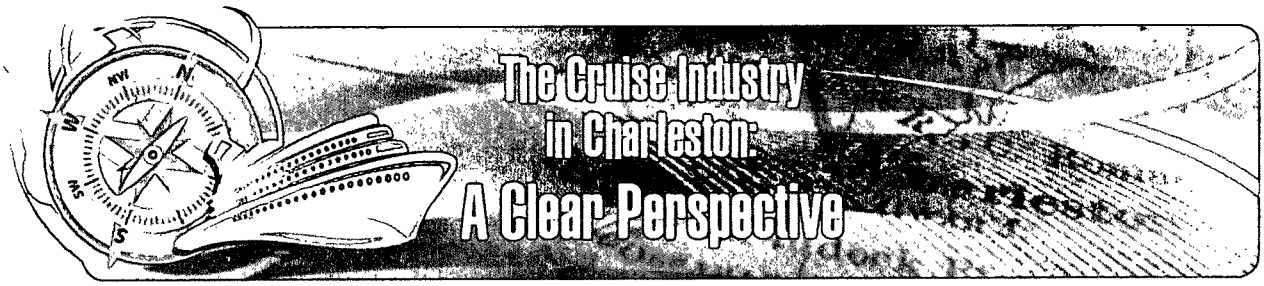
Impact/Study	Charleston	Costa Rico	Belize	Maui	Key West	North America	Halifax	Caribbean	Canada	Seattle	Victoria	Portland, ME	Caribbean	Juneau	Anchorage
Year	2010	2007	2006	2005	2004	2004	2004	2004	2003	2003	2003	2002	2001	2000	1999
Study Cruise Visitors	111,240	-	-	240,800	884,735	-	170,000	-	-	345,000	250,000	205,374	-	595,959	274,290
Spending/Passenger ($)	$ 66 31	$ 74 84	$ 44 00	$ 101 00	$ 32 10	$ 95 50	-	-	$ 55 71	$180 00	$ 88 00	$ 117 00	$ 103 83	$ 125 00	$ 100 00
Customer Survey	Yes	Yes	Yes	No	Yes	No	No	No	No	Yes	Yes	No	No	Yes	Yes
Jobs #	407	1:10	1:10	-	955	315,830	-	-	-	1072	-	327	-	750	2040
Community Donations (K)	$ 50	-	-	$ 750	-	-	-	-	-	-	-	-	-	-	$ 364
Model Results Reported	IMPLAN	-	-	-	RIMS II	RIMS II	-	CGE	-	RIMS II	-	-	-	-	RIMS II
Average Crew Spending	$ 70 23	$ 39 80	-	$ 64 00	$ 65 80	$ 38 91	-	-	-	$120 00	-	$ 38 00	$ 72 06	$ 20 00	-
Origination Data	Yes	-	Yes	No	No	No	No	No	No	No	No	No	No	No	No
Port of Call Data	Yes	-	Yes	No	Yes	No	No	No	No	No	No	No	No	No	No
Statistical Significance	No	Yes	Yes	-	No	-	-	-	-	-	No	-	-	No	No

impacts. The North American study, completed by Business Research & Economic Advisors (BREA), lists a range of passenger spending, depending on location. Daily spending ranges from $29 to $231 (Business Research & Economic Advisors, 2004). A second report completed by PricewaterhouseCoopers of the Caribbean, does not report passenger spending other than in aggregated form. It is not clear in the report what dollars were included in final spending totals. (PricewaterhouseCoopers, 2001)

Impact: Visitor Spending

For studies that used a survey, either statistically tested or not, spending is limited to what is commonly purchased on shore. These items include retail goods, lodging, meals, tours, and miscellaneous expenditures. Those not using a survey method, measured spending using, in some cases, cruise industry-derived data. Two examples of this are reports created by the McDowell Group. They state: "Spending estimates for cruise passengers and crew are based largely on the McDowell Group's study of Cruise Industry Impacts on Local Governments in Southeast Alaska (1997), along with 1999 gross sales data, sales tax data, cruise line reports of on-board tour sales, and cruise traffic data for each community. In addition, the McDowell Group recently conducted proprietary research that assisted in making these estimates." (McDowell Group, 2000). It appears from these remarks that sales on board the ship were also included in the customer spending data. Therefore, these figures would include monies that return to the cruise line rather to the local economy.

This method does not give an accurate accounting of what dollars are, in fact, spent locally. From a cruise perspective, the industry has a captive audience to sell to. Spending on a ship is substantial and can includes bar sales, casino gambling, retail sales in ship-board stores, shore excursions, spa services, photography, art auctions, bingo, extra-tariff restaurants, phone and internet services, and food and drink not covered in the main meal package (Klein, 2003). Including these data in visitor spending overstates the actual impact into the local community. This is an important revenue source for the cruise lines as ships become larger and more vertically integrated. Future ships will include underwater restaurants, cabins, and conference rooms, all for an extra price.[8] But these dollars are not part of a local economic impact.



2. Economic Impact of the Cruise Industry
(continued)

Other accounting inconsistencies are demonstrated in a Seattle impact study (John C. Martin Associates, LLC, 2004). This study has the highest passenger spending because it includes the total cost of the airline ticket as part of local expenditures. At a minimum, half of the ticket needs to be excluded, since those monies are typically allocated to the departure city.

Impact: Origination vs. Port of Call

Cruise passenger spending is significantly affected by the location and timing of the cruise and whether the cruise port is a home (origination) port or Port of Call. Origination refers to the location where the cruise begins and ends. Port of call is a stop on the cruise itinerary. Two studies addressed this issue specifically. The Charleston study estimated Port of Call visitor spending at $43 while origination visitor spending was $66 (Crotts & Hefner, 2010). A Maine study estimated just the opposite, with Port of Call passengers spending $117 locally, and average home port spending $28 to $99 locally (City of Portland Department of Ports & Transportation, 2002). Note the significant variation between the two studies, and the large variance in the Maine study data.

The Key West study may give us clues to why this is. It notes spending is greatly dependent on timing of the cruise. As stated by Murray & Associates, "the fact that it is the first Port of Call, and passengers are saving money for later port calls where there is more extensive duty-free shopping, more attractive tours, etc. One observation can be made from the schedules noted above; that is, Key West is an early-morning Port of Call typically, and perhaps passengers just embarking on a cruise ship vacation do not desire early morning activities having spent their first night of the cruise on board a luxury passenger vessel" (Thomas J. Murray & Associates, Inc., 2005). Other factors affecting spending include departure and arrival times, time of year, and mode of transportation to the cruise vessel and cruise package. Spending is likely affected by the type of cruise passenger being targeted in the local market. If the market consists of customers who can drive less than a half day from home to the origination point, board, then disembark at the end of the cruise and drive home without having to stay overnight in a hotel, then local spending will be greatly reduced.

Impact: Employment

Interestingly, only five of the 15 reports provide specific, detailed employment analysis. Part of the reason for this is that many of the reports did not use an economic impact tool, such as IMPLAN, to assist in creating a detailed calculation. Another reason is that many of the reports are related to Caribbean countries, where some economic data required to make the calculation may not be available. However, many of the studies do provide aggregated estimated employment, but are not clear as to the scope, geography or time frame of that employment. Many also evaluate employment impacts from a social science perspective. The Belize reports stated, "In terms of employment, in 2004, it was estimated that only 10 percent of jobs in the tourism industry were a result of cruise tourism, while 90% were in the stay over tourism sector."

Unfortunately, employment gains made from tourism spending are offset by a number of study observations that indicate increased stress on the workforce because of part-time low-wage work. A report by the European Union evaluating the Caribbean states, "The majority

2. Economic Impact of the Cruise Industry
(continued)

of jobs are low-level with low wages but higher than wages in other sectors such as agriculture. Among Caribbean countries the perception of tourism varies – in mature destinations it tends to be negative" (Sustainability Impact Assessment (SIA) of the EU-ACP Economic Partnership Agreements, 2007).

In the Charleston study, employment is calculated based on dollars spent. As we have noted, there is significant variation in the calculation of spending. Of the 407 direct, indirect, and induced jobs, approximately 30 percent of the employment is cruise ship employment and not related to the local economy. Another 35 percent are retail-related positions – likely either part-time, seasonal or both – as a result of the nature of cruise industry. The balance of positions is either professional services or wholesale and trade. IMPLAN calculations indicate the wage rate is close to or at minimum wage.

The exceptions to low-paying jobs are union jobs needed at the dock. At first glance this would appear to be a significant impact. However, it only takes a few hours of work to dock a boat, including tying up both bow and stern. This likely is incorporated into the daily work of current union workers. Other potential union work is loading and unloading the ships. The union contracts were not available to us for this research – either number of workers or rate of pay.[10] Other third party data suggests this work is mainly handled by cruise staff, again limiting the economic impact to the local community.

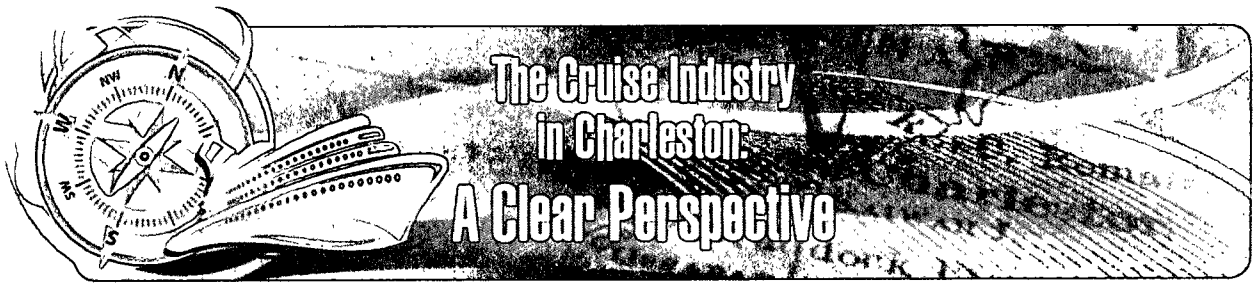
Temporary and low-wage jobs are the main types of workers hired by the cruise industry. Unfortunately, there are very few high-paying jobs and few or no growth opportunities for



employment based on cruise passenger spending. The lack of better paying job opportunities is one of the key policy concerns stated in more than one report reviewed.

ImpactTax: Industry and Visitor Spending (Secondary)

Industry-imposed tax is a primary source of income when applied as a head tax, docking fees, etc., and is an overall part of the economic impact. Some reports addressed tax as an economic impact and others did not. The industry's US flagships, a cruise company's primary assets, generate significantly more tax than non-US ships. US flagships, like hotels, "contribute to the community or participate in ways that most foreign-flagships do not. Hotels regularly engage in community activities and charities, and must undergo environmental impact studies and pay infrastructure impact mitigation fees. Foreign-flagships do none of these" (Maui Mayor's Cruise Ship Task Force, 2005). Comparing cruise ship impacts with land-based operations may give a community a false sense of security, since it is like comparing apples to oranges. Cruise passenger spending is "shallow," providing in most cases only secondary



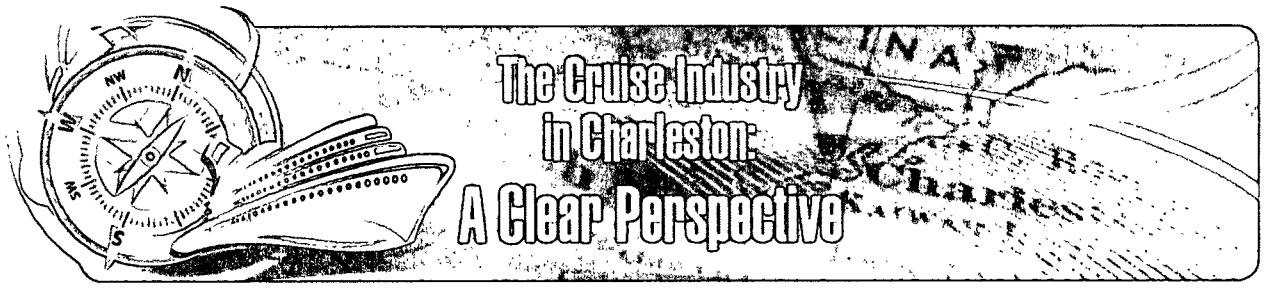
2. Economic Impact of the Cruise Industry
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tax revenue sources, not primary. As the Maui Mayor's task force writes, "Cruise lines make their major infrastructural investments in assets that are mobile, i.e. ships, whereas the major infrastructural investments made by hotel operations are land based tourist accommodations and amenities, i.e. largely immobile assets. This gives cruise line businesses the appearance of being more easily transferred to other locales than the land-based accommodation businesses.[11] Hotels continue to generate jobs and revenue for the County and the State even if they are sold or converted for time-share or condominium uses."

The secondary source of tax income is generated from local spending by cruise tourists. Tax, however, varies greatly, depending on state and country of origin. Tax collected, or not collected, by local government affects the final community economic impact. Some communities have found the tax collected from cruise spending to be a real life-saver as other industries contract, such as natural resource extraction and fishing. In southeast Alaska, "Tourism also contributed to the tax base of municipalities through sales taxes, bed taxes, and docking fees. In 2000, Haines Borough voters approved a bed tax and a sales tax on commercial tours, which they hoped would generate revenue to offset losses in other industries" (USDA, 2005). Unfortunately, the result of this tax was that the cruise industry left Maui. According to the USDA study, "This tax was repealed by voters in 2003 in an effort to entice cruise ships back to the community". Although taxes remains an economic revenue source, the power of some communities to levy a tax may be limited, depending on the community's overall dependence on cruise tourism.

Summary – Overview of Impact Studies

There is significant interest around the country in the economic impacts of the cruise industry as evidenced by the number of studies we encountered. For some communities and countries focused on tourism, the cruise industry is a vital part of the economy. For others it is less so. All of the reports we analyzed suggested some kind of positive economic impact to the community. What they did not agree upon was the level of that impact, who most benefited from the industry, related opportunity costs and potential damage to a way of life resulting in the continued challenge of trying to balance the tourism industry to the benefit of all.



2.2 Analysis of Crotts and Hefner (C &H) February 2010 report "An estimate of the economic contributions of the SC State Ports Authority's 2010 cruise ship activity to the region's economy"

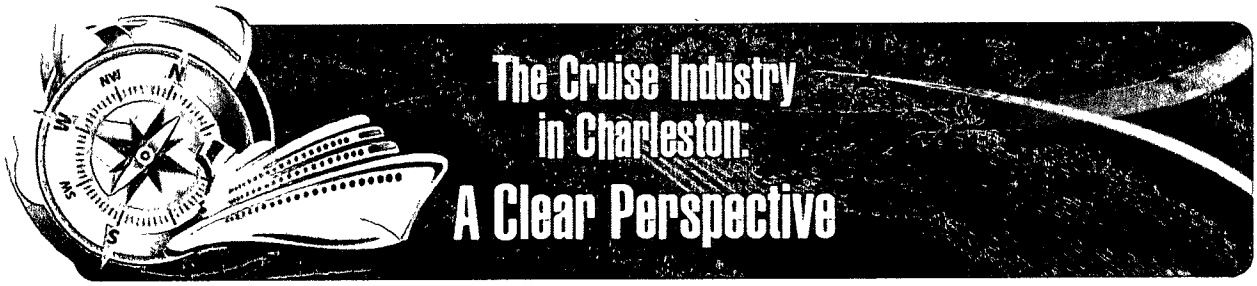
Introduction of Crotts and Hefner Review

A major concern of this research is to provide a better understanding of the economic impact of the cruise industry on the city of Charleston, the tri county area and the state of South Carolina. In order to reach a consensus about its value and impact it is extremely important for all parties to accept the estimates utilized when discussing the industry. The de facto data regarding the economic benefits of the cruise industry is the February 2010 report ***"An estimate of the economic contributions of the SC State Ports Authority's 2010 cruise ship activity to the region's economy"*** prepared by John Crotts and Frank Hefner, two professors in the School of Business at the College of Charleston. As noted by the title of the report, the data are ***ESTIMATES*** – not actual documented numbers. In fact, the report does not identify a single new employee who has been hired as a result of cruise ships visiting Charleston. Since the overall tourism business had declined dramatically in 2008 it is highly likely that firms already had capacity to accommodate new business without any new hires.

This is especially the case given that cruise ships were in port only about 69 days in 2010.

It is important to understand the nature of economic impact studies and the Crotts and Hefner study in particular. By conducting interviews with passengers on two Port of Call visits and one origination cruise in November 2009, the authors developed the spending patterns that were inputs for an analytical model IMPLAN (Impact Analysis for Planning). This model was used to generate estimates of direct and indirect impacts in terms of dollars and employment. In other words, using interviews with passengers for only three ships in one late fall month, the authors extrapolated values for all the other 16 Port of Call ships and 53 Carnival Fantasy cruises throughout the year. The estimated expenditures are listed in Table 3. For example the first row of the table indicates that 11,303 Port of Call visitors spent an average of $11.64 on tours while 76,334 Carnival Fantasy passengers spent only $2.45. The data in Table 1 are based on interviews and are representative of expenditures in other studies. The data in Tables 3 and 4 are the estimates of the number of **NEW** employees who would be hired to accommodate the increased spending generated by the visiting passengers. For example, the authors estimate that new expenditures on tours (scenic) of about $318,000 spread out on 69 days would result in the tour companies hiring 117 new full employees at a salary of $48,880. Basically, they are saying that $318,000 in new spending will result in $5,758,013 in salaries for new workers – not existing labor.

We find this conclusion by Crotts and Hefner to be an overestimate.



2. Economic Impact of the Cruise Industry
(continued)

TABLE 2 Breakdown of spending patterns used by Crotts and Hefner

Spending	POC	Passengers	Per Person	Origination	Passengers	Per Person
Tours	$131,531	11303	$11.64	$187,283.00	76334	$2.45
Retail	$207,112	11303	$18.32	$1,736,165.00	76334	$22.74
Food	$53,005	11303	$4.69	$415,059.00	76334	$5.44
Eating & Bev	$38,772	11303	$3.43	$118,637.00	76334	$1.55
Hotel	$0	11303	$0.00	$1,143,945.00	76334	$14.99
Auto	$0	11303	$0.00	$253,085.00	76334	$3.32
Taxis/ bus	$5,889	11303	$0.52	$101,234.00	76334	$1.33
Other	$52,514	11303	$4.65	$96,172.00	76334	$1.26

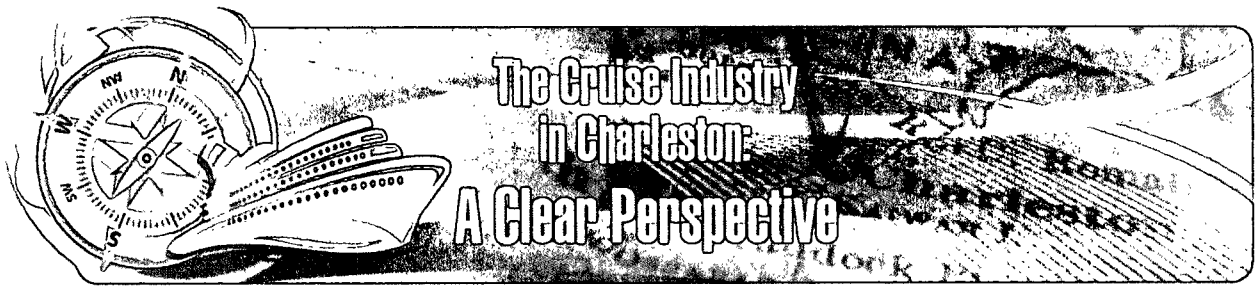
TABLE 3 Distribution of employment used by Crotts and Hefner

Distribution on Employment for 2010 Cruise Ship Impact Top Ten Sectors

Description	Employment	Labor Income	Output
Scenic and sightseeing transportation and support activities for transportation	117.8	$5,758,032	$8,106,397
Retail Stores - General merchandise	66.0	$1,809,645	$4,070,791
Wholesale trade businesses	39.8	$2,718,610	$7,231,954
Food services and drinking places	33.0	$630,225	$1,814,988
Retail Stores - Food and beverage	18.6	$564,210	$1,334,351
Real estate establishments	14.1	$259,537	$1,557,289
Hotels and motels, including casino hotels	12.2	$395,980	$1,162,344
Employment services	6.4	$171,915	$239,047
Retail Stores - Miscellaneous	5.8	$112,497	$217,004
Offices of physicians, dentists, and other health practitioners	4.8	$359,130	$594,588
Total of full-time jobs in the tri-counties across 440 economic sectors	407	$16,193,200	$37,024,340

Total State and Local Tax Impact (Tri County)

$3,483,113



2. Economic Impact of the Cruise Industry
(continued)

The economic impact estimates from this analysis have been widely cited. Unfortunately they have also been assumed to accurately represent the economic impact of the cruise industry on Charleston. For example the estimates were cited in the concurrent resolution by the South Carolina Senate and House (S 0968) in June, 2011. The joint resolution states:

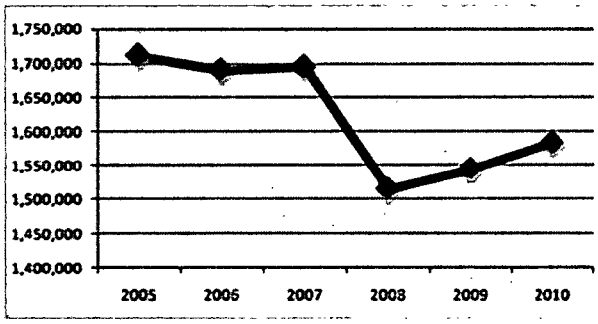
> Whereas, the cruise business generated $37 million for South Carolina's economy in 2010 and projected to generate 407 jobs in the Tri –county region, paying a total of $16,193,200 in labor income ;and Whereas, a 2010 survey of more than 1,500 embarking passengers showed that nearly one-third of Charleston's cruise passengers are South Carolina residents, more than one –third stayed more than one night in one of more than fifty different hotels across the area, one half ate in one of more than one hundred different restaurants and nearly forty percent shopping in resident –oriented retail stores, locally owned shops and tourist-oriented stores throughout the area;
>
> Whereas, South Carolina's cruise passengers are predominately couples traveling without children and these families have a median annual household income of between $100,000 and $149,999;
>
> Whereas, when a cruise ship embarks from Charleston, more than two hundred local residents are working directly in support of the operation including check in agents, parking attendants, longshoremen, and stevedores, security personnel and others;

It was not within the scope of our study to conduct another survey that could have validated the estimates. Furthermore, it is fair to assume that the authors would have preferred to have conducted the set of interviews with a more rigorous research design than the three ships they selected. Such a design would have assured the sample was stratified by season, hours in port, type of ship for the Port of Call visits (i.e. luxury or gaming), and day of the week. For such an important study it is unfortunate that more funds and time were not provided. Nevertheless,

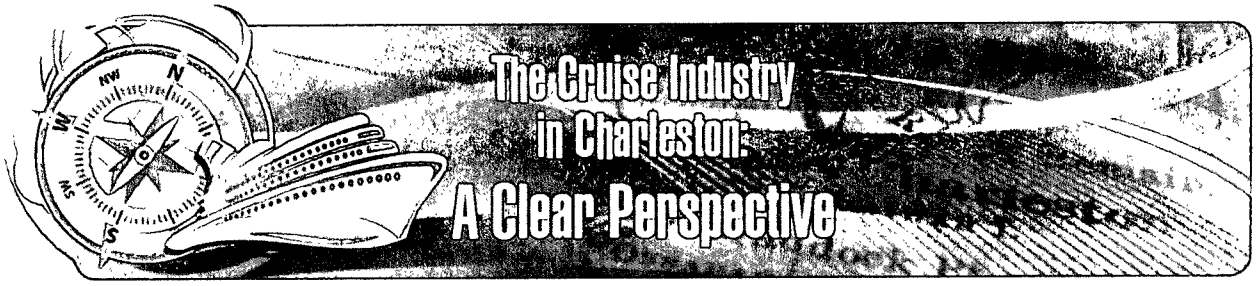
TABLE 4 Estimated salaries generated from Crotts and Hefner data

Sector	Emp	Labor Income	Salary
Scenic	117.8	$5,758,031	$48,880
Retail - general	66	$1,809,645	$27,419
Wholesale	39.8	$2,718,610	$68,307
Food	33	$630,225	$19,098
Retail - Food & Bev	18.6	$564,210	$30,334
Real Estate	14.1	$259,537	$18,407
Hotel	12.2	$395,980	$32,457
Employment Serv	6.4	$171,915	$26,862
Retail Stores -Mis	5.8	$112,497	$19,396
Health	4.8	$359,130	$74,819
Total	**407**	**$16,193,200**	**$39,787**

TABLE 5 Charleston Attraction Attendance



3% increase from 2009 to 2010

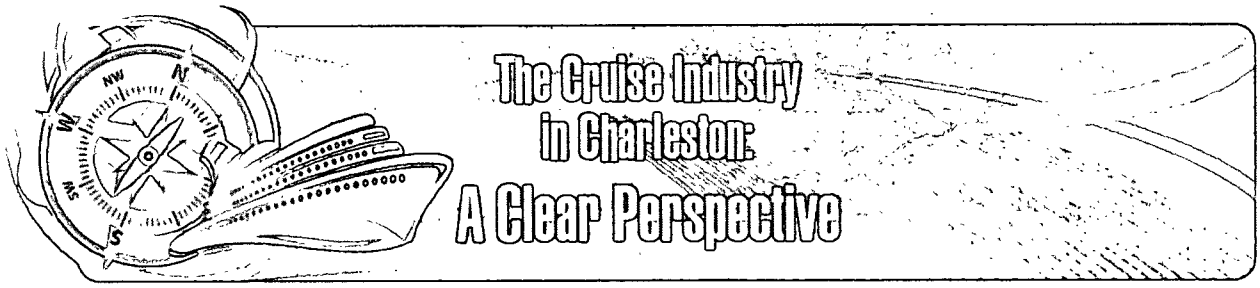


2. Economic Impact of the Cruise Industry
(continued)

the authors used the data they collected and input these numbers into the model.

The conclusions cited by the General Assembly raise several concerns such as:

- On the day of departure for the Carnival Fantasy there are probably 200 people working in support of the ship. Since there are only about 70 departures a year that equates to 14 weeks of work – these are part time jobs with no benefits.
- Most of these 200 part time jobs are likely to be hourly workers many earning a minimum wage.
- It is hard to justify that these 200 part time jobs on the 70 days of departure could be scaled to 407 full time jobs with a salary of $39,786-or the $16,193,200 in labor income cited in the resolution.
- The estimate that a third of the passengers are from South Carolina suggests that their expenditures have no net economic benefit to the state. (Eating in a restaurant in Charleston rather than Columbia has no benefit). In fact, these South Carolina families are a net loss of tourist dollars for the State. (They are spending their money on the ship or in the Bahamas.)
- Port of call visits must employ far fewer workers because there is no luggage handling, ticket sales or parking.
- Many of the hotels that cater to the cruise passengers are in North Charleston and Mount Pleasant.
- We do not know whether the off ship excursions are contracted on the Port of Call ship. If a carriage ride is contracted with the cruise line a large proportion of the reported expenditure never reaches the local provider.



2. Economic Impact of the Cruise Industry

(continued)

Overview of Method

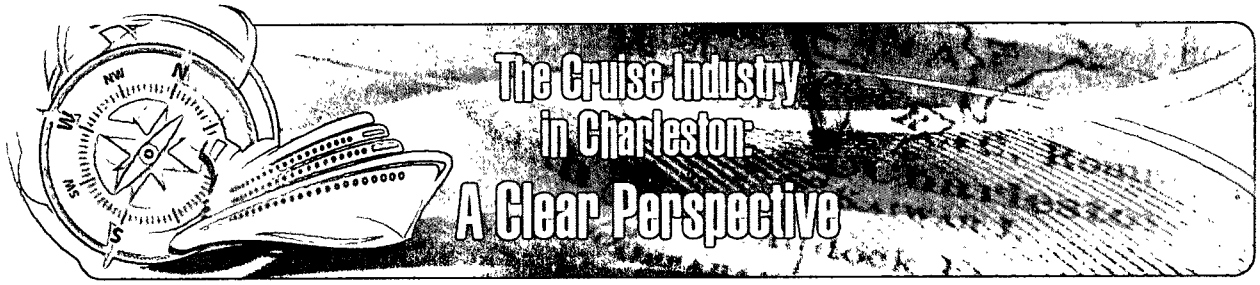
As noted above, it is reasonable to assume that the authors were greatly constrained by the resources and the deadlines required by the South Carolina State Ports Authority. Consequently, it is unfortunate that a more extensive set of interviews was not available or that any in-depth case studies were available. As a result, the authors were forced to use a limited set of interviews obtained from three ships and to assume that these results were similar for all the other ships during the year. Of necessity, this forced a bias to the sample. For example, ships in November 2009 were in port over the Thanksgiving holiday then they were likely to be more families and people who are willing to pay a higher price for a holiday cruise. Data from its own website indicates that fares on the Carnival Fantasy vary significantly throughout the year – with some off season fares as low as $200 for a five day trip.

Another important factor for the Port of Call cruises is the time in port. In some cases, the ship is in port for only eight to twelve hours and the time passengers have to leave the ship is only a portion of the time the ship is docked. This limited time only allows for a brief tour of the southern part of the peninsula and some shopping at the Market. Many of the Port of Call passengers don't have time for a dinner meal – and they have already paid for their meals on the ship. Our analysis indicates that a variety of ships use Charleston as a Port of Call throughout the year. Obviously the sample responses could vary considerably based on the specific ships and the length of stay.

The authors also made some assumptions about the direct and indirect impact of the industry. It would have been useful to conduct an interview with companies providing the services and to validate that, indeed, they are hiring new employees to meet the demand. For example, as seen in Table 4, they estimated that the cruise industry has generated 39.8 new full time employees in the wholesale sector each earning $68,000 for a net new payroll of $2,718,610. We suggest that this may be a substantial overestimate of the employment impacts. For example, cruise tourist spending in Charleston is spread out over an entire year, and over many industries, across numerous competitors. The result is that employment impact is not directly proportional to spending. An example demonstrates this effect. The average hotel has an employee at the front desk whether it is 50 percent or 100 percent full. Even if the tourism dollar doubles from a POC visit for this vendor, the employment would most likely stay the same. The technical reason is "economies of scale". In more common terms, it is due to the well-developed Charleston tourism economy.

The authors also made some assumptions about the direct and indirect impact of the industry. It would have been useful to conduct an interview with companies providing the services and to validate that, indeed, they are hiring new employees to meet the demand.

Carnival Corporation is a huge, vertically integrated business. It must arrange for supplies to be there on the day of departure. Research



2. Economic Impact of the Cruise Industry
(continued)

from other ports suggests that Carnival and other cruise companies purchase a small portion of their supplies from local vendors. With the assistance of its sponsor, the SPA, it would have been easy to validate their estimates or to report on some firms benefiting from the business. It would have been interesting to learn how the employees are occupied when the ship is not in port. ***We strongly recommend that such a follow up study regarding the supply chain be conducted.***

Issues that would justify a more extensive study

It is important for all stakeholders to reach some level of consensus about the economic impact of the cruise industry on the Charleston economy. Since the people living on the peninsula bear the brunt of the negative impacts (costs) they deserve to understand the positive factors (benefits). Consequently it is important to reach a consensus about the validity of the numbers. The following section addresses some specific questions regarding the Crotts and Hefner study that is the current de facto estimate of these benefits.

Does the study adequately address the costs associated with the cruise industry?

- The report does not factor at all the costs associated with the cruise industry in its analysis.
- It also does not describe how the economic impact will be distributed throughout Berkeley, Charleston, and Dorchester Counties. There is no discussion of the statistical techniques. The report simply says:

  The study area is the Tri-county local economy consisting of Berkeley, Charleston, and Dorchester Counties. Through various statistical techniques, IMPLAN localizes the impacts of spending to the study area.

Does the study accurately align benefits (and costs) along geographical and governmental jurisdictional boundaries, i.e., are the benefits and cost borne by the same groups/ populations/government jurisdictions?

- The report only discusses benefits which are estimated to be $8,159,071 per year ($5,552,496 by passengers and $2,606,575 by crew members).
- It does not discuss how the benefits would be distributed. It can be assumed that most of the jobs are located in the shops and restaurants within a walking distance of the terminal. This includes average purchases of $70 by crew members at local grocery stores, pharmacies and other shops.
- The C & H report suggests that the crew members do not make expenditures on food and beverages.
- The Port of Call visitors are estimated to spend a total of $43 per visit versus $66 for passengers originating in Charleston.
- C & H estimate that the average originating passenger will spend about $15 on hotel rooms. This level of spending on hotel rooms appears low and is inconsistent with regional room rates and is an

2. Economic Impact of the Cruise Industry
(continued)

additional reason to question the results of the study. It is not clear about where the hotel jobs might be located. However, all of the hotel stays are generated by passengers on the Carnival Fantasy and most of them arrive by automobile via I-26. Therefore, it is likely that many of the hotel stays will be at the numerous inexpensive hotels situated near the interchanges north of the City – not in the historic district. (See map of hotels offering free park and/or shuttle service).

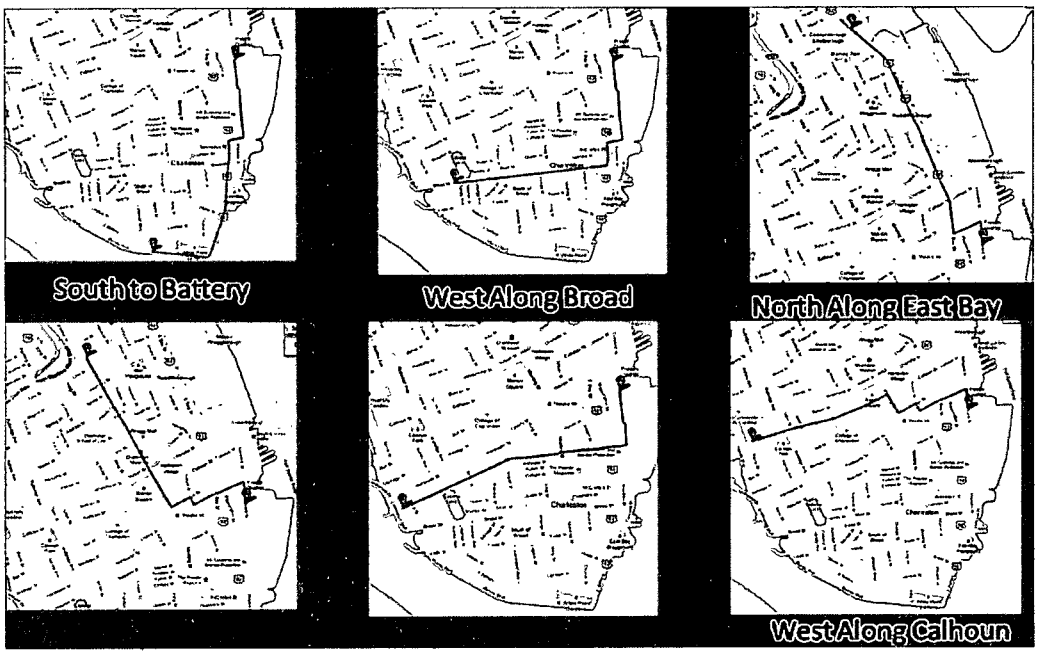
- Recent reports also indicate that there are no benefits to local farmers and it is very unlikely that the 2004 estimates for purchase of supplies by the cruise ships are still valid. They specifically estimated these figures to be $70 per Port of Call passenger and $137 for the Carnival Fantasy passengers.

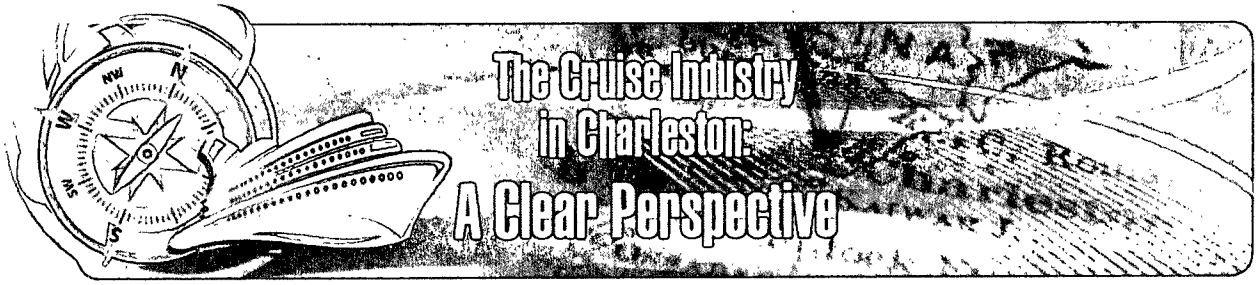
- Evidence from Alaska and elsewhere detailed in this report suggests that over time Carnival will establish vertical supply chains in which the supplies are provisioned though their established networks.

The C&H impacts in perspective with the rest of the Charleston economy and the entire tourism industry in the region.

- The cruise industry is very different from other forms of tourism in Charleston. The differences relate to the nature of Port of Call (POC) visitors and the much larger number of passengers who travel

FIGURE 1 30-Minute Walking Distances from Cruise Dock





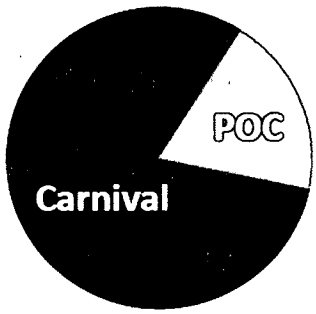
2. Economic Impact of the Cruise Industry
(continued)

to Charleston to embark one of the 70 Carnival Fantasy cruises.

- Based on an analysis of the 2011 and 2012 POC visits, the 21 ships in 2011 and the 14 scheduled in 2012 are timed to provide just a few hours in the city which thereby limits the passengers' ability to spend money and indicates that there is no impact on restaurants for dinner. The ships may be in port for an extended stay but the passengers have a smaller window of time to leave the ship.

FIGURE 2 Carnival-POC Passenger Comparison

- ■ 78% of cruise ships are Carnival
- □ 22% of cruise ships are Port of Call



- Only three ships in 2011 spent the night in Charleston and none are scheduled for an overnight stay in 2012. The average time in port in 2012 is scheduled to be just under 10 hours – See Figure 2. This is the entire time the ship is docked and the passengers have a smaller window of time to leave the ship.

- Some of these ships are rather small therefore the number of visitors is modest. These visitors have no impact on parking or hotels.

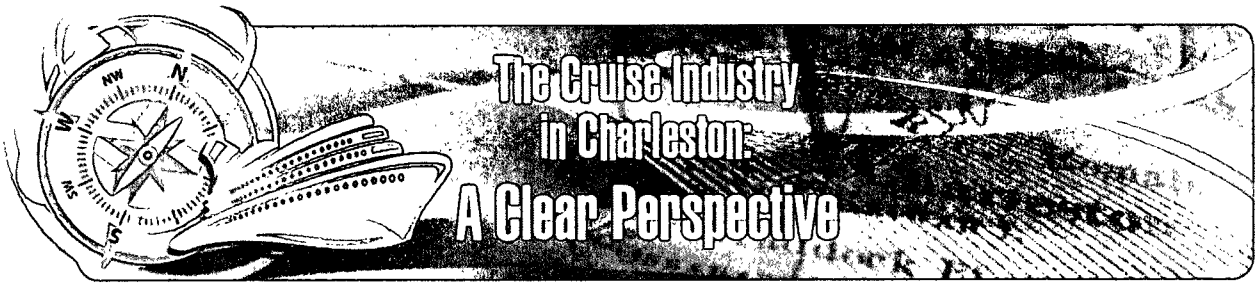
- Crew members from these ships may purchase items from local grocery stores and pharmacies, but these low wages employees are unlikely to spend much money in bars and restaurants.

- The origination passengers on the Carnival Fantasy are what are often considered "The consummate shopper – look for best cruise value; have taken an average of five cruises; know the cruise lines and ships; have an average age of 55 years".[12]

- For these passengers Charleston represents a port for embarking and disembarking on a five day, relatively low-cost (less than $100 / day) cruise for entertainment.

- Many of them are repeat customers and may have little interest in Charleston – just cruises.

- The Carnival Fantasy leaves at 4:00 PM and returns at 8:00 AM. The 4:00 PM departure allows for passengers to drive for approximately six hours during the day of departure. The 8:00 AM arrival allows for passengers to leave immediately for their journey home. They have most likely woken up very early that day to pack, be processed through security, and be ready to depart the ship. In addition, for those that have parked on SPA property, they must move their cars from the cruise lots to allow for the arrival of new passengers.



2. Economic Impact of the Cruise Industry
(continued)

- Given this schedule and the low fare nature of these cruises it is possible many of these passengers have no impact on the Charleston economy.

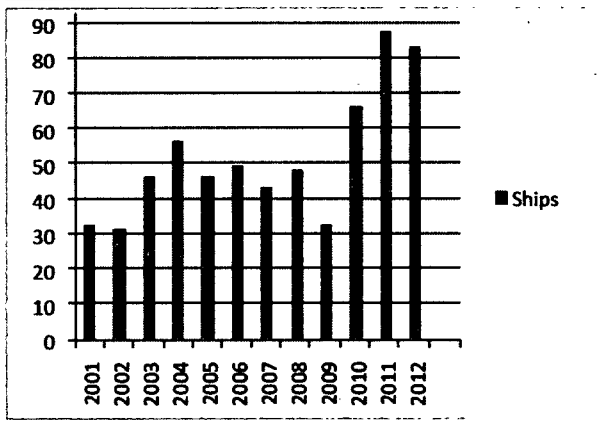
- The 4:00 PM (non –rush hour) departure time allows for considerable leeway in terms of arrival time. The 8:00 AM arrival time would suggest that considerable outbound highway traffic on I-26 would occur after 9:00 AM.

- Without a detailed passenger survey it is not possible to accurately estimate the size of their expenditures, however, the $66 per person figure proposed by C & H is a reasonable guess. It should be noted that this figure is much less than the traditional tourist who spends a night in a hotel and enjoys a dinner in a local restaurant in the historic district.

- The C&H study includes a graph of cruise ship visits that shows 67 ships in 2010 – the number of total ships increased to 88 in 2011, but is scheduled to decline in 2012 to 84 with only 14 Port of Call visits.

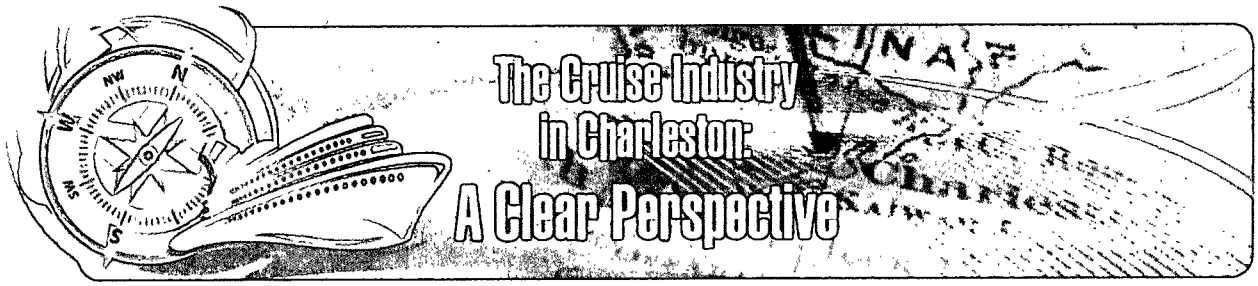
- The decline could be an indication that 2011 was a peak and the proposed limit of 104 cruise visits a year may never be an issue.

TABLE 6 Charleston Cruise Ships



- There is no reason to assume that another line would also use Charleston as a home port. Carnival is part of a huge multinational conglomerate and would not compete with itself.

- Carnival has a record of abandoning cities such as Mobile and Norfolk after they have built new terminal facilities.



2. Economic Impact of the Cruise Industry
(continued)

Compare the C&H projections and assumptions to actual data for the Charleston area (if more detailed, current data are available).

The C & H report included the following table:

TABLE 7 2010 Passenger Data

2010 estimated			
PASSENGERS	PORT-OF-CALL	Origination	Total
Number vessels	16	53	69
Passengers	17,000	94,240	111,240
% who visited Charleston	66.49%	100%	
% local residents	0%	19.0% (Calculated from 2004 estimates)	
Sub Total Passengers	11,303	76,334	105,543
Average per person local expenditure	$43.42	$66.31	
Total Direct (Passengers)	$490,789	$5,061,707	$5,552,496

- The scope of this project did not allow for the generation of any new survey data; therefore our analysis is based on a thorough review of numerous studies of the cruise ship industry and interviews with experts in the industry.
- As noted, the C&H report only deals with the estimation of economic benefits. It is based on a November 2009 survey of an unknown number of passengers and crew from only two Port of Call ships and one origination cruise.
- Using this data and a 2004 report on cruise ship expenditures, the authors made several assumptions to interpolate a number of economic impacts on employment and expenditures within traditional impact analysis. This is a very limited sample of ships and includes only those that arrived in the November 2009.
- The authors also rely heavily on the estimates of local spending by cruise ship companies from an undocumented 2004 study.
- We have no knowledge of who conducted this study, how it was conducted, whether it pertained to Charleston, or, most importantly, whether the data are valid for 2011.
- Based on a limited sample of responses from a few passengers and crew members and an undocumented estimate of cruise ship expenditures, the authors made the following basic assumptions that deserve further research.

2. Economic Impact of the Cruise Industry
(continued)

1. "66.49% will leave the ship" –

   This is probably a reasonable estimate for Port of Call visitors.

2. 100% of the origination passengers will "Visit Charleston"

   Given the times of departure and arrival, the logistics of parking and the desire to return home it is doubtful that Carnival passengers "leave the ship" to spend money in the City While they may sleep in a hotel or dine in a restaurant the night before departure they are unlikely to visit the market and other areas after they arrive. Figure 2 was taken at the Market on January 31, 2012 at 10:30 AM in the market after the Fantasy had arrived two hours earlier. There was no evidence of added shopping by arriving passengers.

3. According to the C&H study: "Currently 16 port-of-calls and 53 origination cruises have been booked at the SCSPA for 2010. Based upon the survey results, C&H estimate that of the passengers on ships that will make Charleston a port-or-call, 66.5% will leave the ship and visit the City which will amount to 11,303 additional tourists. Of these visitors, one-half will debark on escorted motor coach tours from the ship to tour the region's attractions while the other one-half will visit the city independently."

   Crotts and Hefner estimate that in 2010 an additional 11,303 additional tourists were added by the 16 Port of Calls. They estimate that 50% of these (5,651) will take a motor coach tour. A February 12, 2012 press release from the South Carolina Ports Authority

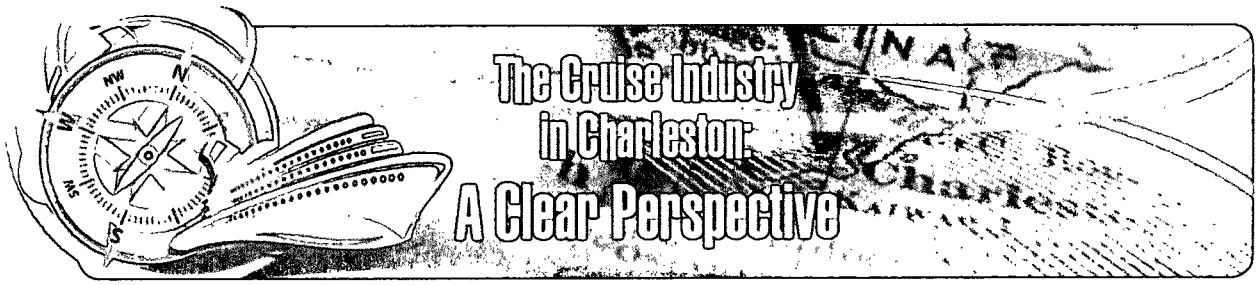
FIGURE 3 M&A, Inc., photo taken on January 31 2012, at 10:30 AM



"...it is doubtful that Carnival passengers "leave the ship" to spend money in the City While they may sleep in a hotel or dine in a restaurant the night before departure they are unlikely to visit the market and other areas after they arrive."

Public Relations Manager, "Charleston Welcomes First Cruise Port-of-Call of 2012," provides a specific account of the activities by passengers from the first Port of Call in 2012. The release states:

The 1,944 passengers on board the Oceana are visiting Charleston prior to making the trans-Atlantic crossing to Ponto Delgado, located in the Azores off the coast of Portugal. While in Charleston today, 35 percent



2. Economic Impact of the Cruise Industry
(continued)

of the passengers are participating in organized excursions to Lowcountry plantations and museums along with tours of the city.

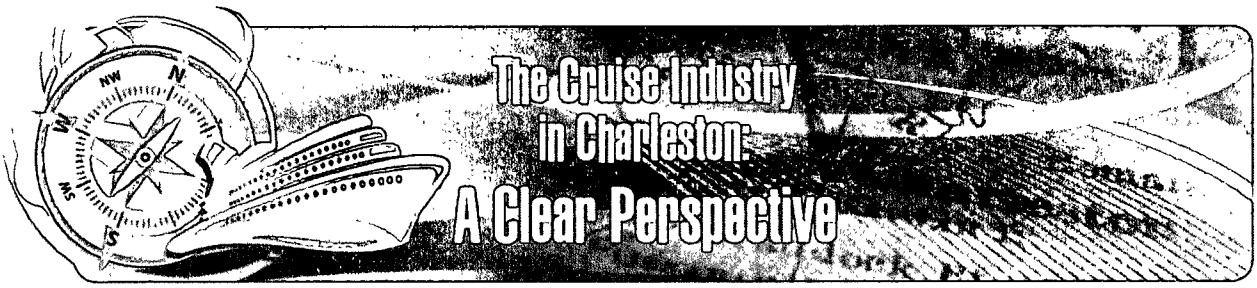
This means that 680 passengers are participating in a pre-arranged tour. While some of these excursions will involve a motor coach tour to a plantation, many of these will be carriage rides, walking tours, etc. It is important to put these numbers into perspective. In 2012, 14 Port of Call visits are scheduled for Charleston. At full capacity there will a potential of 17,794 passengers. Using the 35% participation rate there will be a potential of about 6,229 of these visitors participating in a variety of organized on-shore tours. All of these visits will occur on just 14 days. Three of the 14 visits will be by the Regent Seven Seas Navigator with a maximum capacity of 490 passengers. These visits will generate a total of about 171 additional tours on each of those three days.

This analysis suggests that Port of Call visits have a positive impact on tourism related activities in Charleston. However, these impacts will be confined to only 14 days in 2012 and are spread among a number of competing activities. Given the limited number of days and the range of firms involved, it is difficult to believe that the tour companies would have hired 117 new full time employees at a salary of $48,880 each, as Crotts and Hefner have estimated. It is much more likely that tourist oriented firms had existing capacity to absorb the increase in business on the Port of Call days.

4. According to the C&H study -"407 jobs paying a total of $16,193,200 in labor income. These jobs will average $39,786 in annual wage earnings"

This analysis suggests that Port of Call visits have a positive impact on tourism related activities in Charleston. However, these impacts will be confined to only 14 days in 2012 and are spread among a number of competing activities. Given the limited number of days and the range of firms involved, it is difficult to believe that the tour companies would have hired 117 new full time employees at a salary of $48,880 each, as Crotts and Hefner have estimated.

- *We question both the 407 total new jobs and the estimate of $40,000 per year salary.*
- *Using the table included in the C&H report we calculated the salaries for the different occupations. For example, C&H's estimate that the 39.8 employees in the wholesale sector earning $68,000 a year seem unrealistic.*
- *Furthermore, many of these questionable numbers are based on the assumption that the Carnival line is purchasing goods from a local supplier.*



2. Economic Impact of the Cruise Industry
(continued)

TABLE 8 2010 Estimated Passengers

	PORT-OF-CALL	Origination	Total
Number vessels	16	53	69
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% local residents	0%	19.0% (Calculated from 2004 estimates)	
Sub Total Passengers	11,303	76,334	105,543
Average per person local expenditure	$43.42	$66.31	
Total Direct (Passengers)	$490,789	$5,061,707	$5,552,496

Estimates of the spending per passenger

The numbers of $43.42 for Port of Call and $66.31 for originating passengers seem reasonable but are based on a limited sample.

5. **"Both groups of survey respondents were predominately couples (73.5%) traveling without children (86.4%) with median annual household income between $100,000 - $124,999. 44.3% were first time visitors to Charleston" –**

   We question that the demographics of the two groups are similar. Since we don't have any information about the two POC cruise ships surveyed, we cannot determine the similarities or differences between the Carnival cruise market and the POC visitors. We don't know whether the demographics are different in other seasons. For example, are there more children during the summer?

6. "How likely will you visit Charleston again within the next five (5) years," approximately four in five (79%) indicated they would likely do so. Similarly when asked "How likely will you recommend to your friends and relatives to visit Charleston," a high 90.4% indicated they would likely to do so."

   While a large percentage of the POC visitors are likely to obtain a positive view of Charleston, it does not directly translate to additional visits and it cannot be determined whether the visit was a deciding factor. The image of Charleston is reinforced by many other forms of publicity.

7. The C&H study estimates that 100% of the non-local Carnival passengers will spend $66.31 per person in Charleston (see Table 6).

   We doubt that each of the non-local passengers will be in Charleston long enough to spend $66. We believe that many of the Carnival customers drive to Charleston in time for the 4:00 PM departure drive home

2. Economic Impact of the Cruise Industry
(continued)

as soon as they debark at 8:00 AM. Therefore, the $5,061,707 figure for total direct expenditures seems inflated.

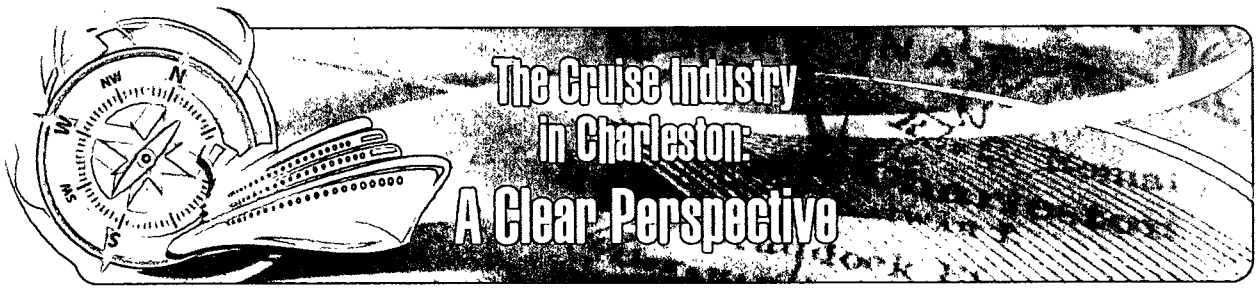
Summary – Review of Crotts & Hefner study

We conclude that the economic impacts estimated in the Crotts & Hefner study are substantially overstated. We draw this conclusion from the analysis in this section of the report --the highlights are as follows:

- C&H base their analysis on interviews with passengers for only three ships in one late fall month and then the authors extrapolated these values for all the other 16 Port of Call ships and 53 Carnival Fantasy cruises throughout the year.
- Using this data and a 2004 report on cruise ship expenditures, the authors made several assumptions to interpolate a number of economic impacts on employment and expenditures within traditional impact analysis. This is a very limited sample of ships and includes only those that arrived in November 2009.
- The authors also rely heavily on the estimates of local spending by cruise ship companies from an undocumented 2004 study.
- Together with the analysis of the supply chain model utilized by the cruise industry, the C&H estimates of local spending by the cruise industry are overstated.



If the City really wants to know the impacts of the industry, the City will need to generate detailed, direct survey data from vendors and visitors over an extended time period.



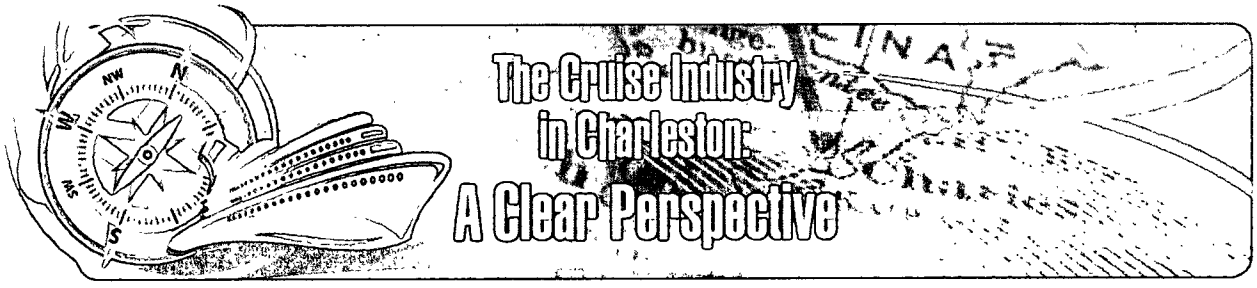
2. Economic Impact of the Cruise Industry
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2.3 The Cruise Industry in Relation to Overall Charleston Tourism

While a great deal has been made of the projected $37 million impact of the cruise industry on Charleston, this level of spending—even if it could be verified–is relatively minor in the overall tourism industry in Charleston. Dr. Bing Pan estimates that the total number of tourists in Charleston was over 4.2 million in 2010.14 The 150,000 or so cruise passengers represent about 3% of the total visitors. Dr. Pan also estimates that these 4.2 million visitors spent $3.03 billion in the area. That level of spending helps put the estimated $37 million spent by the cruise industry in better perspective. Based on Crotts and Hefner's estimates, the cruise industry represents about 1.2% of the tourism industry in the Charleston area.

Dr. Pan estimates that the average visitor spends $718 per visit. The average expenditure estimated by Crotts and Hefner was $66 per person for an embarking passenger. Based on our analysis, this estimate overstates the level of spending. However, even at this level, the spending by the cruise passenger is roughly 1/10th the level of spending by the average visitor to Charleston according to Dr. Bing Pan's estimated levels of spending.



2.4 Cruise Industry: A Global Supply Chain Model

The vice president of supply chain at any global cruise line starts the day thinking about the 10,000 to 20,000 meals – depending on the size of the ship – to be served at each one of the company's ships that day.[15] To put this in perspective, it is like coordinating 50 meals at every full-service restaurant in Charleston County each day.[16] This would be overwhelming to most businesses, but it is just another day in the cruise business.[17]

Each ship is typically considered a profit center and it requires a significant amount of logistical planning, teamwork, and information and forecasting technology to supply it through the day (let alone the entire cruise) until it arrives at its next Port of Call. The cruise industry's sophisticated supply chain is capable of delivering a variety of goods and services to all corners of the world in an efficient, cost-effective manner.

Charleston is the home port to a Carnival Cruise Lines ship. How does the Charleston port fit into the logistical supply chain of the cruise line? Very little is published about supply chain logistics of the cruise industry. One reason for this is that the logistics process is a critical part of the cruise business model and profit-making process. Therefore, to know the proprietary details of a company's supply chain is to know how the company makes a profit and how it competes. However, we are able to glean from third-party sources the basics of cruise line supply chain management and how the Charleston port fits into this process. Our analysis looks at strategy, supply chain logistics, and competition among ports of these very sophisticated and well-managed organizations. strategy, supply chain logistics, and competition among ports of these very sophisticated and well-managed organizations.

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Cruise: International Strategy of Vertical Integration

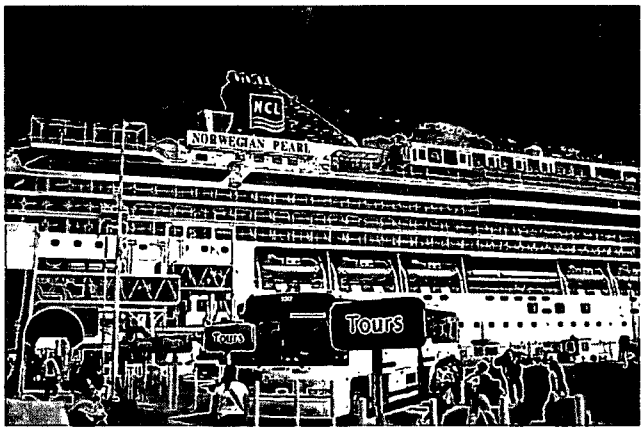
To understand the needs of the cruise industry supply chain we need to understand the basic structure of the cruise industry. The industry follows what is characterized as Maritime Law or Transnational Law. In other words, the ship makes its own law, since it is not ruled by any governmental body, until a vessel sails into "state" waters. This allows the industry to vertically integrate, enabling companies to create small profit centers. These profit centers carry over onto land-based operations in the form of tours, hotels, restaurants, and shopping centers. The industry is largely foreign-owned and pays little or no U.S. tax. (Klein R. A., 2003) Because

2. Economic Impact of the Cruise Industry
(continued)

they are primarily foreign ships, one of the few laws they do need to follow is called Cabotage Laws,[18] which reserve to U.S.-flag vessels the right to move passengers and cargo between U.S. ports.

The cruise industry hires J1 Visa[19] workers to work both on the ships and at their land-based facilities at below minimum wage rate for the cruise season. The implication is that direct, indirect, and induced impacts to the local community are significantly impacted downward, with profits flowing to the cruise lines based on ownership interests. It is best to consider the cruise lines like little cities, which supply themselves with all the goods and services they need to meet their customers' needs. To meet those needs, the industry focuses on controlling as many inputs as possible to ensure a favorable outcome both for customers and profit-making.

Cruise lines are typically thought of as a form of deep-sea passenger transportation to or from foreign ports,[20] but a significant portion of cruise revenue is made on shore-side excursions, and cruise lines actually own many such operations. Klein states that Holland American Line reported its per capita income increased by 73 percent due to shore excursions operations. As a result of vertical integration, the cruise industry is constantly shaving profits from local tour-and service-providing vendors, which can create a problem for the local economies that the ships visit. This integration process has spilled over into strategic partners such as travel agents, who will decrease commissions on cruise packages, especially as the industry brings more bookings in-house (Funk, 2011). This is a result of cruise lines' focus on four areas: (a) a greater variety of cruise ships, (b) a variety of potential itineraries, (c) choices regarding cruise durations, and (d) a plethora of activities onboard the vessel and in the areas visited as well (Vaggelas & Lagoudis, 2010). The design of the supply chain must meet the needs of each of these focus areas in a variety of geographies (Travel Talk-Middle East, 2011).



Supply Chain: Vertical Integration

The industry term "terminalisation" was coined to describe the way cruise lines integrate the vessel with the shore-based operations. They come together and become the focal point of the supply chain. The Vaggelas report states that land-based operations, sometimes islands owned or managed by the cruise line, provide value-added items such as duty-free shops, entertainment, accommodations, and restaurants (Dowling, 2006). Many of these are touted as tourist villages (Center on Ecotourism and Sustainable Development (CESD), 2006).

Even land-based tours are integrated into the cruise industry as these shore excursions are often sold by the cruise ship or travel agencies. They are convenient for passengers, 50 to 80 percent of whom buy an excursion in each port, and provide solid revenue to the cruise line. This

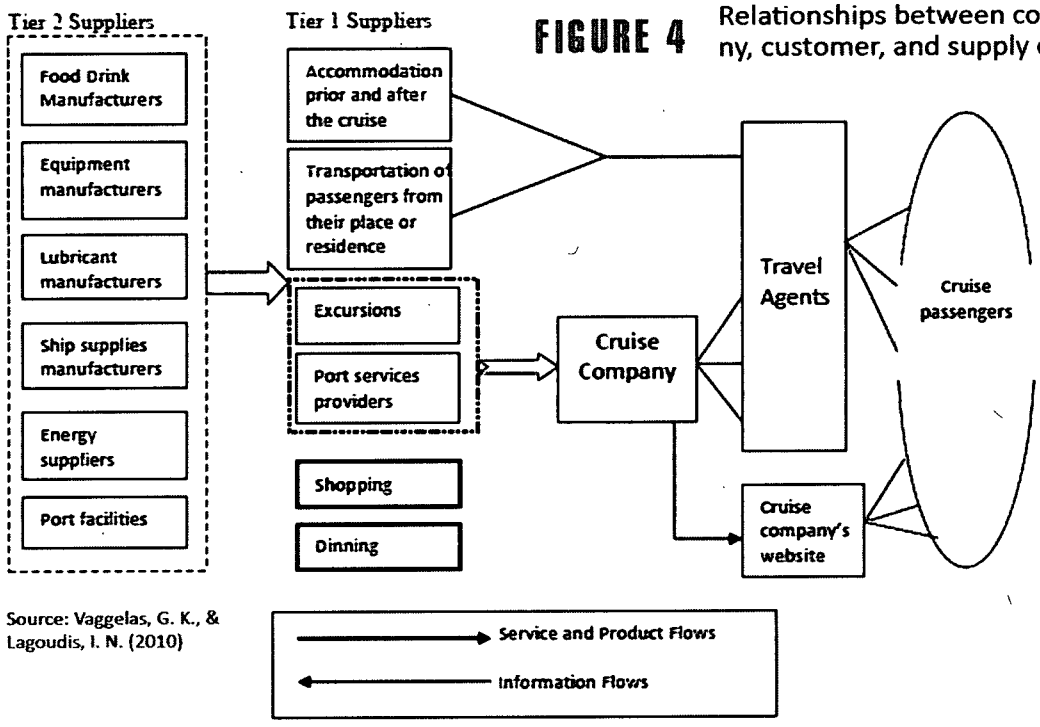
2. Economic Impact of the Cruise Industry
(continued)

again underscores the inconsistencies and variations in the data on local economic impacts from the cruise industry. It also demonstrates that if the City really wants to know the impacts of the industry, the City will need to generate detailed data collection in the City.

As little as one-half to one-third of the shore excursion price is paid to the person providing the excursion. It would appear that these may be small vendors, but in many cases they are large providers hired by the industry. "North American-based cruise lines generally use one of three companies to run their shore excursion programme: International Voyager Media, On-Board Media or the PPI Group. The concessionaires arrange the excursions, hire port lecturers and handle shore excursion sales" (Klein R. A., Turning Water into Money: The Economics of the Cruise Industry, 2006).

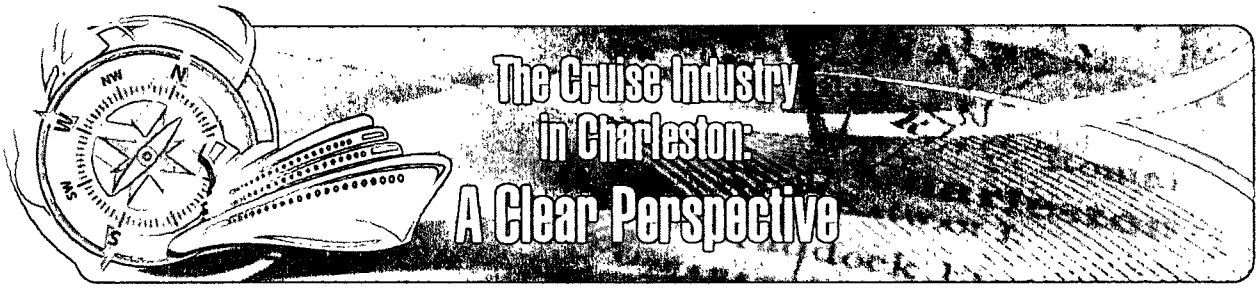
The supply chain thus incorporates more than just suppliers – it also provides services to customers. The supply chain is simple yet complex since it requires the company to coordinate both supplies and passengers, which need to arrive at a predetermined point at the same time. Below is a schematic redrawn by Vaggelas, which shows the relationships between company, customer, and supply chain.

Note in this schematic the Tier 2 suppliers are actually manufacturers. This is not a misprint. Based on the quantities needed, typically suppliers are large, integrated manufacturing operations with global reach. Tier 1 suppliers actually interface with the customer. These suppliers therefore are strategic in nature.



Source: Vaggelas, G. K., & Lagoudis, I. N. (2010)

FIGURE 4 Relationships between company, customer, and supply chain.



2. Economic Impact of the Cruise Industry

(continued)

Vaggelas has further broken down the above diagram, describing how the supply chain impacts service delivery and profit. The two basic criteria are risk and profit maximization:

TABLE 8 Profit Impact vs. Supply Risk Factors

Profit Impact	Supply Risk: Low	Supply Risk: High
High	**Leverage items** 3 *Ship's Electronic Equipment (3)* 3 *Machinery Equipment (6)* 3 *Hotel Consumables (4)* 3 *Ship repairs (6)* 3 *Lubricants (3)* 3 *Internet and Information Technologies (1)*	**Strategic items** 3 *Coach Services (1)* 3 *Tourist Agencies (1)* 3 *Insurance Services (1)* 3 *Classification Societies (1)*
Low	**Non-critical items** 3 *Cabin Stores (4)* 3 *Food Beverage (6)* 3 *Fuel Supplies (3)* 3 *Tools (4)*	**Bottleneck items** 3 *Pilot Services (7)* 3 *Towage Services (7)* 3 *Port Services (7)* 3 *Financial Services (3)*

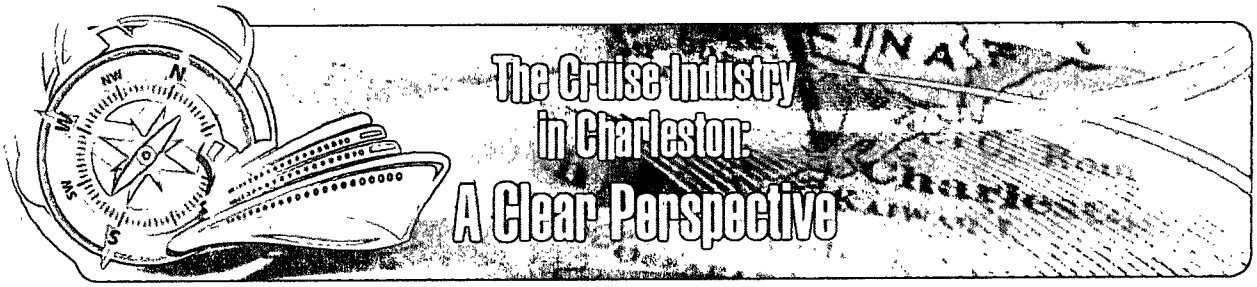
Source: Vaggelas, G. K., & Lagoudis, I. N. (2010)

The company focuses on long-term relationships with suppliers that provide high-risk and high-profit impact. With low-risk and low-profit impact, the industry focuses on cost.

Charleston, being a home port but a relatively small player – especially with Miami a few hours away – may compete in a few areas, such as ship repair services (leverage items) or tourist agencies (strategic).[21] It is unlikely that Charleston as a home port is able to compete effectively with low-profit (non-critical) margin items such as and food or beverage, with the exception of fresh food (milk, for example). The industry looks for opportunities to reduce costs through economy of scale purchases. Low risk/ low profit items fit this scenario.

One reason for this is the sheer volume of supplies needed. These items are typically sourced from regional players who are able to mass large quantities of supplies and move them to any location on a moment's notice, if necessary. Agility® Logistics is an example of a company that deals with the types of problems major logistics partners are required to solve.[22]

Finally, cruise lines' logistics include looking



for ways to grow by leveraging geography and economies of scale. One way to accomplish both of these goals is through mergers and acquisitions. Klein explains, "As just seen, reducing costs is as effective a means of improving the economic bottom line as is generating income. This has been a key force driving consolidation in the industry. There are clear benefits from economies of scale. Both Carnival and Royal Caribbean projected savings of $100 (US $'s) million a year from the synergies achieved by their merger with P&O Princess. Carnival's experience indicates that actual savings are exceeding expectations. There are a number of other ways that the industry has been effective in turning water into money." The industry continues to aggressively use all available management tools to minimize costs and maximize profits.

Logistics, Competition, and Ports

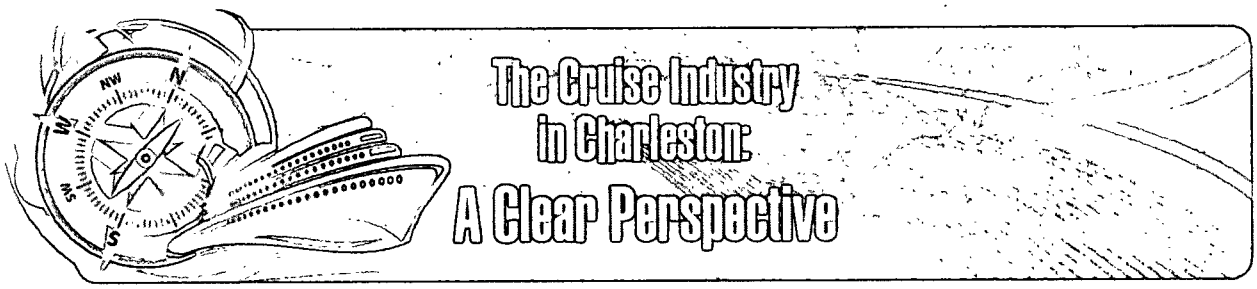
A business model that revolves around meeting the needs of the customer through superior service and logistical support provides the cruise industry with unique business flexibility. Like airlines, cruise lines are constantly evaluating their customers' likes and dislikes and making adjustments to accommodate those needs. The cruise industry is uniquely positioned, however, to exploit the ability to move freely and not invest directly in land-based operations as other modes of transportation (trains, coach buses, and airplanes) do. This ability to move and take their "city" and supply chain with them is what fuels port-to-port competition.

Competition among ports

The competition among ports to lure the cruise industry is well documented. Ports spend millions of dollars building facilities for cruise ships, and then compete for more cruise ships by lowering port use fees. That benefits an industry with a high level of flexibility (Klein R. , 2005). Klein goes on to point out that there are substantial risks in making these public investments, since the cruise line can (and does on a regular basis) choose one port over another as a result of a better offer, lower offer, or no-fee offer. Notwithstanding, in the background that offer is only accepted if it can be coupled with a better overall supply chain value that increases profit potential.

The Charleston port has already been caught in the web of one-upmanship, even though numerous examples demonstrate this mistake by others – most notably and recently in Mobile, AL--resulting in a passenger terminal now sitting empty. The press release announcement from Carnival is worth a closer look because it focuses on the fact that the supply chain (cost) is telling Carnival Cruise Lines to leave.

> *Unfortunately, we have not been able to achieve favorable financial results with this program. Although we have consistently filled the ship, it has been at lower relative pricing to the rest of our fleet. We have made every effort to drive higher demand and pricing through our sales and marketing initiatives and the deployment of a newer class of ship in 2009. However, we have not been successful in achieving a sustainable level of acceptable pricing.*
>
> *Additionally, the itineraries from Mobile require much higher relative fuel costs to operate and those fuel costs will become even more unfavorable with the implementation of the new ECA requirements starting in 2012.*[23]



2. Economic Impact of the Cruise Industry
(continued)

Note that the ships are full, but that the sum total of the supply chain (in this case they use fuel as the excuse) does not add up to an acceptable return on investment. Result: the ships have left Mobile completely. It is easy to point to this as a single case, but the scenario has happened time and again and could happen in Charleston at some point.[24] This is not to say that the cruise industry in particular hires bad or unethical managers. It does not. On the contrary, as an industry cruise lines are beholden to a business model that allows the corporation to be successful by leveraging maritime laws, tax advantages, supply chain, market position, and port-to-port competition to its advantage (TravelAge West, 2010).

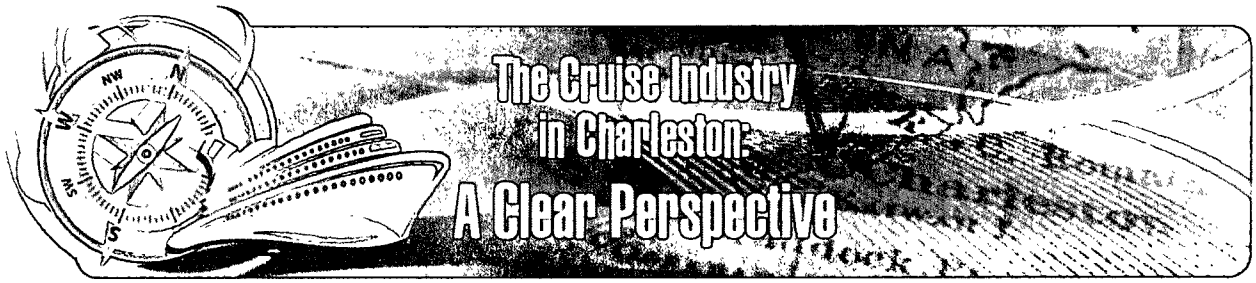
Unlike Boeing, MUSC, Blackbaud, Bosch, or even the Port of Charleston itself, the cruise industry takes its investment--the supply chain (including passengers, goods and services, infrastructure employment, and all other aspects of their business)--with it every time a cruise ship departs the port.

The natural reaction is to point out that Charleston is different, and it is by many objective measures. The latest positive news is that Charleston has the third best hotel in America![25] However, the city does not determine the success of the cruise industry. It is how well the supply chain (people and supplies) of the cruise industry fits both the Charleston location and industry profit expectations. The bottom line is that as soon as the cruise line supply chain identifies a better alternative, the cruise operator has an obligation to take advantage of it. The result looks like Mobile, San Diego, Vancouver, Norfolk, Nanaimo and other ports where cruise lines have suddenly left. It appears that it is best for the community to steer clear of cruise port competition and instead capitalize on its characteristics – attributes that are difficult to duplicate, guiding the cruise lines supply chain to the community's front port door and ensuring that the industry benefits the local economy as much as possible.

Rethinking Supply Chain Tourism

Each community needs to decide on the level of cruise tourism it wants to support. The cruise industry operates a business model that incorporates a supply chain focused on maximizing cruise industry profit by leveraging supply chain flexibility to place the "profit center" in the highest return on investment geography while maximizing tax advantages, foreign labor, and competition among ports armed with public dollars.

The business model the Charleston region is now forced to address is quite different from past economic development projects and requires a different approach for the local community to prosper. Unlike Boeing, MUSC, Blackbaud, Bosch, or even the Port of Charleston itself, the cruise industry takes its investment--the supply chain (including passengers, goods and services, infrastructure employment, and all other aspects of their business)--with it every time a cruise ship departs the port. Due to the volatile nature of the industry and its ability to transfer operations relatively easily, the cruise business does not invest in the ports for the long term.



2.5 Potential Revenues Generated by the Cruise Industry for the SPA

The SPA receives revenues from the cruise industry for services it provides. Based on information from the SPA, it is estimated here that the SPA receives about $10 million a year in fees and revenues from the cruise industry.

The SPA provided the following information when asked about the various fees they charge:[26]

Attached below is a summary of the types of SCSPA fees associated with a cruise vessel call in Charleston, some of which are specific to cruise ships and some of which apply to all vessels. As they may be under contract, this is not exactly what they pay, but I would say that it is illustrative and indicative.

PORT OF CHARLESTON TARIFF

Passenger fees:

Passenger Fee - $20.00 - per person

- *port of call (1 way fee)*
- *embark (1 way fee)*
- *debark (1 way fee)*

Passenger Fee – minimum - per call – if vessel does not load/unload passengers -- $1055.00

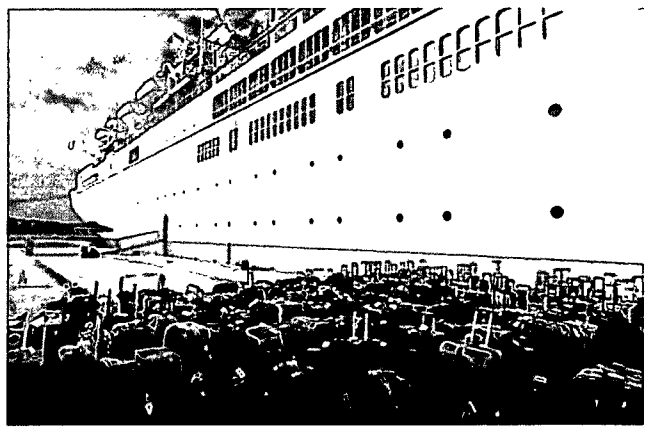
Vehicle storage fees are used for embarkation vessels:

Vehicle storage fees – vehicles up to 20 feet in length - $15.00 per day

Vehicle storage fees – oversized vehicles (RV's, campers) - $35.00 per day

Vehicle storage fees – valid handicap permit and ID – complimentary

Fee is multiplied by number of days of cruise – i.e., 5-day cruise = $75.00 fee per vehicle/standard size



General vessel related charges, some of which apply to cruise ships:

Fresh water supplies - per net ton - $5.85

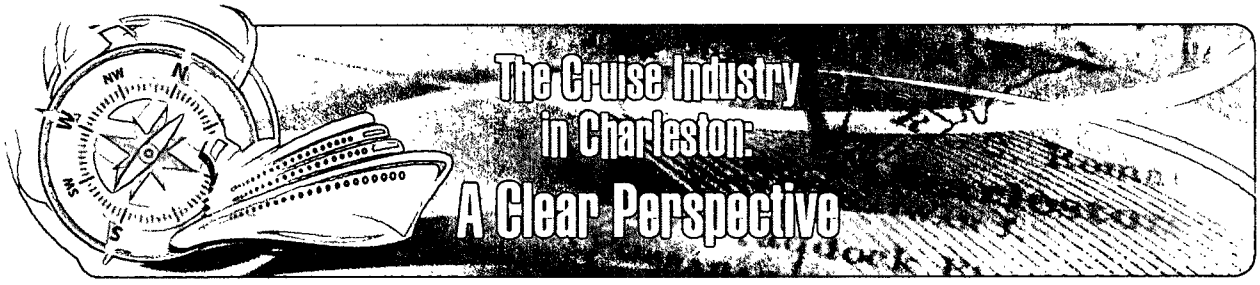
Fresh water supplies – minimum fee - per call - $185.00

Berth/dockage fees - per linear foot of ship – per 24-hour period or fractional day - $9.15

Security Fee/Ship - per linear foot of ship – per call - $2.90

Security Fee/Passenger - per person – per call - $5.00

Harbor Master Fee - per vessel call - $127.00



2. Economic Impact of the Cruise Industry
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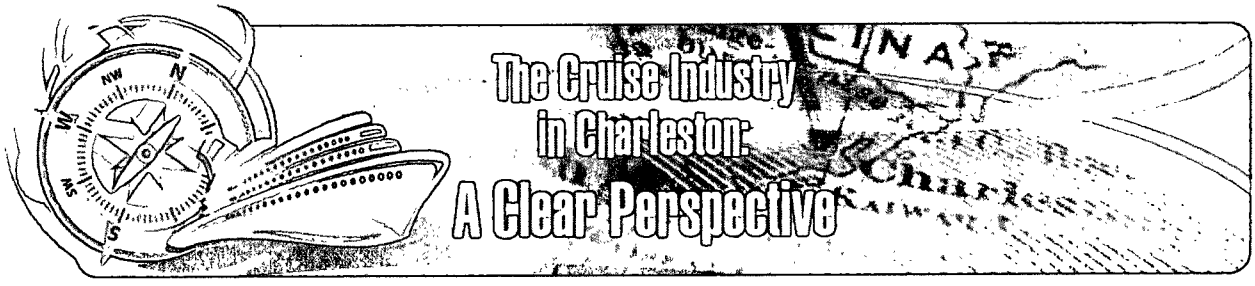
TABLE 10 Typical Cruise Ship Fees

Typical Carnival Cruise Ship	
Passenger Fees	$80,000
Parking Fees	$37,500
Fresh Water	$185
Berth Docking	$9,150
Security	$2,900
Security Passenger	$10,000
Harbor Master	$127
Fees Per Ship	$139,862
Annual Fees	$9,790,340
Typical POC Cruise Ship	
Passenger Fees	$20,000
Parking Fees	$18,750
Fresh Water	$185
Berth Docking	$9,150
Security	$2,900
Security Passenger	$5,000
Harbor Master	$127
Fees Per Ship	$56,112
Annual Fees	$785,568
Carnival Ships	**$9,790,340**
POC Ships	**$785,568**
Total Annual SPA Fees	**$10,575,908**

Based on this schedule of fees and the estimated volume of cruise ships in 2012, it is estimated that the SPA receives approximately $10.5 million in fees (See **Table 10**).

This estimate is based on the following assumptions:

1. 14 POC Ships with an average of 1,000 passengers = 14,000 passengers
2. 70 Carnival Ships with an average of 2,000 passengers = 140,000 passengers
3. Average stay for POC ships = 1 day
4. Average length of Carnival ships = 5 days
5. Average length of ship = 1,000 ft.
6. Average number of parked cars for 5 days = 500 cars



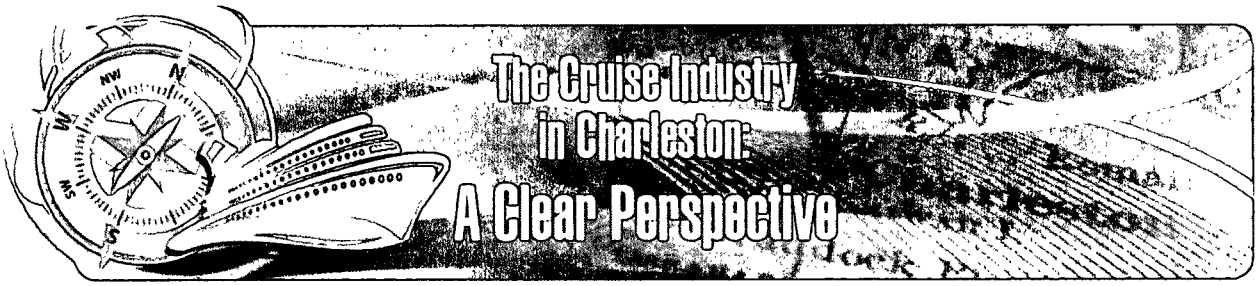
2.6 What Are the Risks Presented by the Cruise Industry for Charleston?

While there has been a great deal of attention paid to the potential positive economic impacts of the cruise industry on the City, there has been little discussion about the costs and risks associated with it. There are many costs associated with serving the visitors and passengers on cruise ships as there are with any visitors to the City. Estimating the costs of these services is beyond the scope of this analysis. However, it is strongly recommended that the City undertake such an analysis. This is especially important given that the City receives no revenues directly from the cruise ships or the SPA but is responsible for providing City services to the visitor.

The issue of balance is becoming more and more important. The capacity of the City to maintain its historic character and charm is a matter of balance between many competing stakeholders. One indicator of this balance is the number of visitors per year relative to the number of residents in the City. Based on population data from the US Census and visitor data from the Charleston Area Convention and Visitors Bureau, the number of visitors to residents has increased in recent years. In 2000, it is estimated that the ratio was 26:1 (2.5 million visitors to 96,650 residents). In 2010, it is estimated that this ratio has increased to 35:1 (4.2 million visitors to 120,083 residents), which reflects an increase of 35%. While the ratio of a perfect balance is not known, the Charleston area should monitor this balance carefully to avoid the possibility of reaching an unhealthy balance.

Perhaps the greatest risk of the cruise industry is that it becomes a negative influence on the historic "charm" of Charleston. As stated earlier, the average visitor staying in Charleston spends a longer time and more money than the typical cruise ship visitor or passenger. The major concern is that if the cruise business becomes too large, it could choke off and displace other visitors to Charleston. If the reputation/perception of Charleston is damaged in the national and international tourism market (even if the reality is different), the overall tourism industry in Charleston could suffer. It is unclear what the level of cruise activity would need to be to reach that "tipping" point. However, it is clear that the reputation of Charleston today in the industry is as high as it has ever been. Recent ratings by Conde Nast and other national and international tourism experts cite Charleston as one of the best places to visit in the country. The qualities and infrastructure that have produced this wonderful place did not happen by accident or overnight. Charleston has developed an extensive system of ordinances and regulations in the historic district that serve to protect the character and livability of the downtown area. However, the City's reputation could be harmed by the perception that is has been overrun by the cruise industry.

The issue of balance is becoming more and more important. The capacity of the City to maintain its historic character and charm is a matter of balance between many competing stakeholders.



2. Economic Impact of the Cruise Industry
(continued)

Charleston was recently placed on The National Trust for Historic Preservation on its 2011 endangered "watch list."[27] As the Trust stated:

> In the case of Charleston, expanding cruise ship tourism could jeopardize the historic character of the city, historic downtown Charleston and its surrounding neighborhoods. The Watch Status designation is accompanied by an offer from the National Trust to assist with finding a balanced solution that benefits the community and its rich cultural heritage.

The Trust added that:

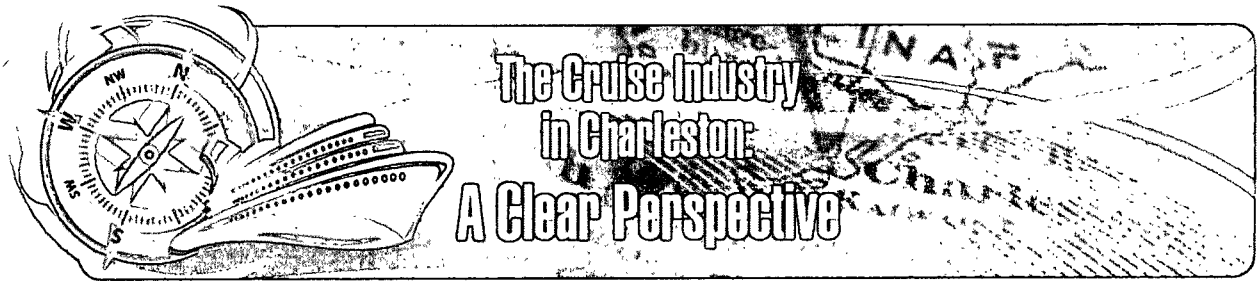
> While there are many proposals at play in the Charleston cruise tourism issue, including relocation of the cruise docking pier, the National Trust believes that defining enforceable limits on the size, number and frequency of cruise ships visiting the downtown piers is central to a positive resolution.

There is also the risk of the cruise lines leaving Charleston as quickly as they have come. Mobile, Alabama; San Diego, California; and Norfolk, Virginia are three recent cases of communities that spent millions of dollars to lure the cruise industry and built expensive new terminals – only to see the cruise companies leave their ports – leaving the communities holding the bag (and the bill) for the new multi-million dollar facilities.[28] There is certainly no reason to expect Carnival to do that in Charleston, but it did happen to two of Charleston's southern neighbors and there is no guarantee that it will not happen to Charleston.

Historic Charleston Foundation Mission:

"To preserve and protect the historical, architectural and cultural character of Charleston and its historic environs, and to educate the public about Charleston's history and the benefits that are derived from preservation."

HISTORIC CHARLESTON FOUNDATION



3. Summary and Recommendations

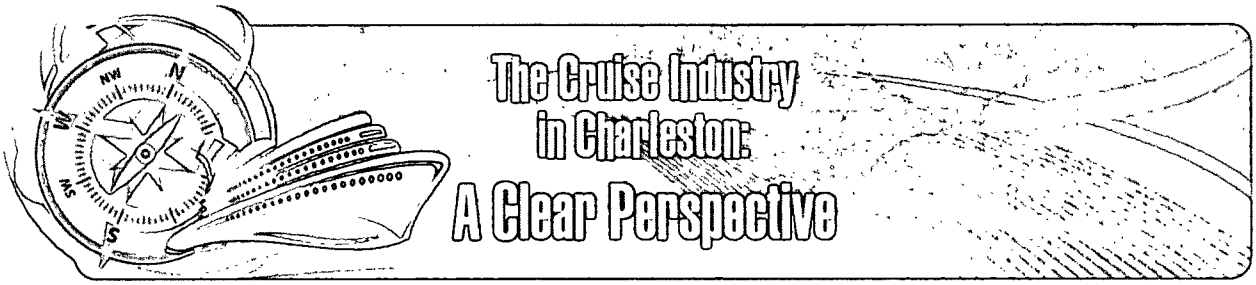
This is the first comprehensive study of how the cruise industry affects businesses, government, residents, and tourism in the Charleston region. It covers many facets of the cruise industry in detail, including the industry's economic impacts on the community, and their sophisticated business and operating model. The report confirms the complexity of the cruise industry and how it generates profits, as well as how its focus on meeting customer needs and profit goals can be a concern for communities that are either home ports or ports of call. Charleston is both.

This independent assessment reviewed more than 100 documents, focusing on a representative sample of literature about the cruise industry, how it operates and who it affects locally, nationally, and internationally. The goal of the report is to increase the Charleston stakeholders' understanding of the relationship a community can expect to have with the cruise industry.

The report begins with a detailed economic analysis and evaluation of the cruise industry's economic impact as recorded in a variety of cities, both national and international. This analysis includes sources from industry; industry experts; private consultants; universities; and local, state, and federal reports on the impacts of the cruise industry. It focuses on method of analyses, customer spending, and employment. We found a variety of methods that analysts used to calculate economic impacts. Estimates vary so widely that they create doubts as to the accuracy of reported cruise impacts (if, in fact, there are significant impacts at all) relative to the local-stay overnight tourism most communities depend upon. This wide variation also creates confusion for those interested in understanding the potential positive and negative impacts of the industry. After sorting through the variety of methods, some which clearly guess at spending, we focus on a concise presentation of spending impacts, allowing the reader to better understand the complex relationship between cruise customers and related community impacts. In this spending mix, the money seems to flow mostly to the cruise lines rather than to the businesses in the area. The bottom line is that the industry actually competes with the local community for the tourist dollar rather than stimulating the local economy.

Employment based on cruise tourist spending is an important issue, especially during a down economy or an economy that depends on the cruise industry. Our research indicates that employment is largely controlled by the industry, and that related land-based jobs (other than cruise industry employment) may actually be hard to find, and in some cases may negatively affect the local employment mix.

Employment based on cruise tourist spending is an important issue, especially during a down economy or an economy that depends on the cruise industry. Our research indicates that employment is largely controlled by the industry, and that related land-based jobs (other than cruise industry employment) may actually be hard to find, and in some cases may negatively affect the local employment mix.



3. Summary and Recommendations
(continued)

We would like to believe that the cruise industry has the best interests of its partner communities in mind, and it might. But the business model is designed to maximize profits through extensive use of vertical integration and supply chain management, which typically come into conflict with a community's desire to capture tourism dollars, maintain its core tourist attractions, and provide services to locals who are vested in the region.

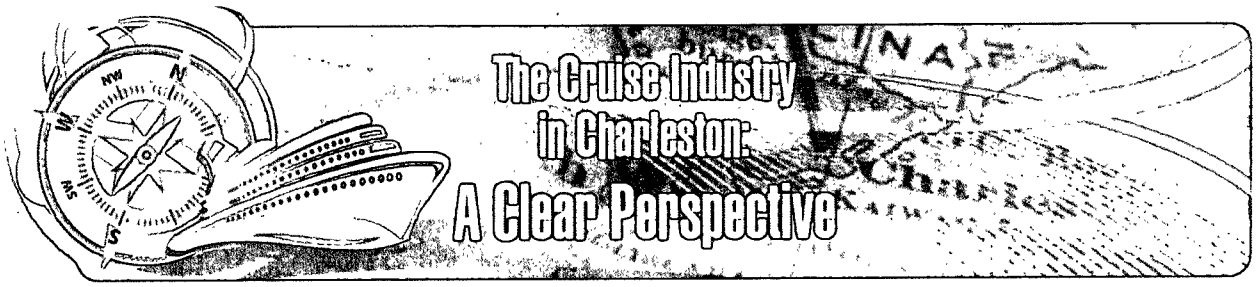
The report blends what is learned about cruise economic impacts with a focused and detailed analysis of a study Crotts and Hefner completed, which ties the cruise industry to economic gains in the Charleston region. Our analysis of this study provides significantly more information about how the cruise tourist dollars flow into a community, and to what extent. It evaluates method, geography, and spending calculations. It also identifies gaps in the study, resulting in a new picture of cruise customer spending. Unfortunately, our analysis of the Crotts study was unable to identify even one new full-time job outside the industry, contradicting even the most basic analysis.

We include discussions and analysis of sampling bias, insufficient data, and confusion about whether the impact monies flow to the cruise line or into the community. Our report does not develop its own economic impact analysis, as that is a separate process and requires primary data collection. Instead, it identifies clear issues with current research that creates reasonable doubt as to the role that economic benefits from the cruise industry play within the Charleston economy.

Within the research scope of this study, we dissect industry patterns, allowing us to analyze impact from a different perspective: by observing the industry's goals and interactions with its suppliers. We would like to believe that the cruise industry has the best interests of its partner communities in mind, and it might. But the business model is designed to maximize profits through extensive use of vertical integration and supply chain management, which typically come into conflict with a community's desire to capture tourism dollars, maintain its core tourist attractions, and provide services to locals who are vested in the region.

Vertical integration also generates unique vendor relationships, which form the foundation of the cruise industry's supply chain. We uncover how the industry is able to provide large volumes of supplies to support the tens of thousands of customers it interacts with each day. The industry's supply chain is reviewed in detail, including the national and international nature of its suppliers, the depth and flexibility of its vendors, and the efficiency of a system required to bring suppliers and customers together to form a cruise. From this process we infer that little is left over for suppliers in the local community, further reducing the benefits to local businesses.

It is clear that some ports gain from the cruise industry. However, it is also clear that these gains are in many cases reduced, and in some cases eliminated, by competition among communities (sometimes using public funds to attract the cruise industry).



3. Summary and Recommendations
(continued)

Based on this analysis, it is recommended that Historic Charleston Foundation undertake the necessary actions that are consistent with its mission to encourage the City to consider the following recommendations:

1. The City should create a separate citizens monitoring board/commission to oversee and provide advice to the City Council on issues related to the cruise industry. This monitoring board should be comprised of individuals representing the wide variety of stakeholders identified in this report.

   It is of utmost importance that the City, the SPA, and other stakeholders cooperate in a transparent, unified manner. All stakeholders need to work together. As a major stakeholder in the process, the City should become more involved with the negotiations with the cruise industry and the SPA. This study has clearly demonstrated the issue of non-alignment of costs and benefits associated with the cruise industry. Whatever positive economic impacts are generated by the cruise industry in Charleston, the vast majority are not felt by the downtown residents.

   There are a large number of stakeholders affected by the City's actions related to the cruise industry, and all of their voices need to be heard and incorporated in the City's actions. Since many of the downtown residents, neighborhood organizations, and preservation organizations feel the pressure from the cruise industry, they need to be given more oversight and monitoring so that they can feel like true stakeholders in the decisions being made by the City and SPA.

It is of utmost importance that the City, the SPA, and other stakeholders cooperate in a transparent, unified manner. All stakeholders need to work together. As a major stakeholder in the process, the City should become more involved with the negotiations with the cruise industry and the SPA. This study has clearly demonstrated the issue of non-alignment of costs and benefits associated with the cruise industry.

2. To protect the "goose that lays the golden eggs," the City should ensure that the cruise industry is managed and controlled like virtually all other attractions and activities governed by the City to the best of its ability.

   Perhaps the importance of managing the City's cruise tourism relative to other demands is best stated by Tim Keane, the Director of the Department of Planning, Preservation and Sustainability for the City of Charleston: "Charleston is a special place unlike anywhere in the United States and with the spring comes a tremendous amount of visitors. These visitors are very important to the city's economic growth, but are secondary to the residents of downtown Charleston".[29]

   Every aspect of tourism is carefully regulated by the City already and has ensured its success in presenting an authentic, high

3. Summary and Recommendations
(continued)

quality historic environment. Perception is everything and all the negative press, such as being placed on the Watch List by the National Trust and The World Monuments Fund can erode the City's top position as an international destination.

3. The City should undertake an extensive service level study to determine the resources it allocates to managing the costs of the cruise industry.

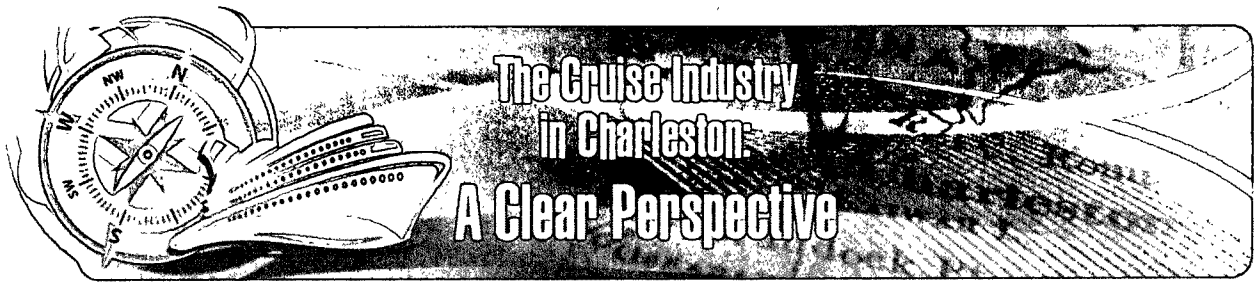
   The City is responsible for providing various services to its residents and visitors. To date, no detailed analysis has been done to determine what, if any, services are required by the cruise visitors. However, much discussion has been made of the "benefits" of the cruise visitors. It is recommended that for the City to be comprehensive in overseeing the industry, it should consider both the costs and benefits of the industry. Therefore, these costs should be evaluated by the City.

4. The City should negotiate with the SPA and cruise industry to impose a reasonable passenger fee to help offset costs that the City may incur serving the cruise industry. These funds could be used in the event of additional costs incurred by the City related to the cruise industry. In addition, the City could use some of these funds to create an "Infrastructure Fund" to offset the cost of infrastructure improvements that will be required for the redevelopment of the southern portion of Union Pier and the special initiatives presented in the Union Pier Concept Plan. Such improvements could benefit the cruise industry as well as other sectors of the local economy.

As stated earlier, there is a distinct non-alignment of benefits and costs associated with the cruise industry and the City of Charleston. A source of revenue to help the City pay for any costs associated with the industry would ensure that the residents of Charleston are not burdened with costs they do not generate.

Other uses of these funds could help offset costs for additional waterfront development planned by the City and the SPA. *The South Carolina State Ports Authority Concept Plan for Union Pier Waterfront*, September 2010, prepared by Cooper, Robertson & Partners, outlines several special initiatives that generated much excitement throughout the community.

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8. Summary and Recommendations
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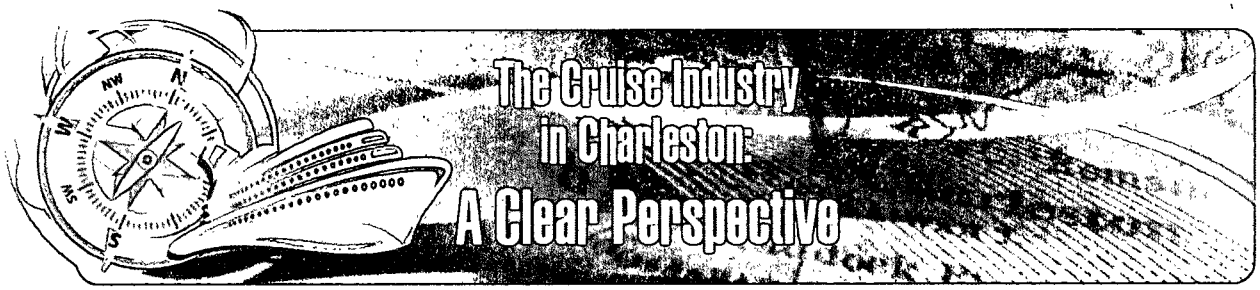
The four special initiatives of the Concept Plan are:

- Restoration of the historic public landing in front of the Customs House
- Restoration of the natural shoreline
- Restoration of Bennett's Rice Mill and creation of Rice Mill Park
- Creation of a pavilion for the history of the waterfront in a new Union Pier Park

All four of these special initiatives would have far-reaching positive impacts for the redevelopment of Union Pier for the city and its residents. It would be logical for the SPA to help fund some of the infrastructure improvements for this significant waterfront parcel to ensure that the private redevelopment is of the highest quality. This would be another way that local residents and businesses could perceive a more significant positive impact from cruise operations in Charleston.

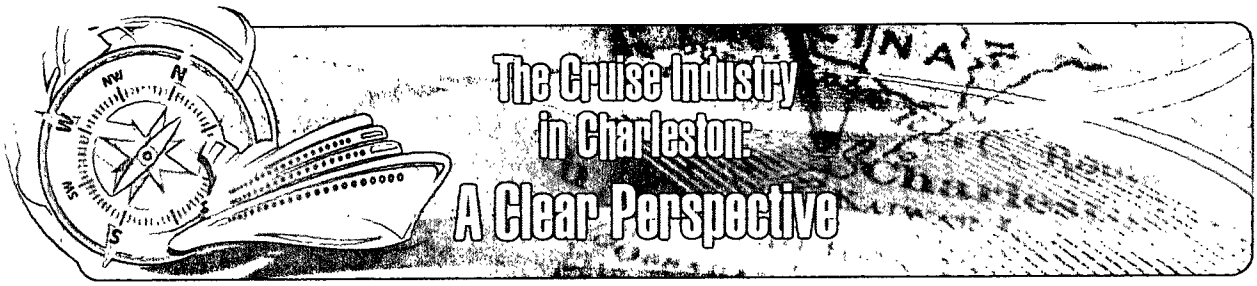
5. The stakeholders should sponsor a new economic impact study conducted by an impartial organization with real-time data. This study should obtain information that is representative of the entire spectrum of passengers throughout the year. It should also include an in-depth analysis of firms that may have hired new employees to meet the additional demand from visits by the cruise ships. Of particular interest would be a thorough understanding of the supply chain network.

   This recommendation is justified only if the City and the stakeholders really want to know exactly who benefits and how much they benefit from the cruise industry. While small sample surveys and speculative studies have been relied upon in the past to quantify the industry's impacts, the truth about the industry's impacts – good or bad – on the City of Charleston can only be determined with a comprehensive analysis based on extensive, real data collected from Charleston's residents, businesses and cruise passengers.



Endnotes

1. Experts included staff at the Charleston Area Convention and Visitors Bureau, Joseph W. Geldhof, Esquire, Juneau, Alaska, Ross A. Klein, Ph. D and others.
2. Crotts and Hefner, February 2010 report "An estimate of the economic contributions of the SC State Ports Authority's 2010 cruise ship activity to the region's economy", and The Impact of Cruise Ship Embarkations and Debarkations on Hotel Demand in Metro Charleston's Major Hotel Markets, January 1, 2009 - October 1, 2011, John C. Crotts Consulting, November 2011
3. Royal Caribbean to roll out new generation cruise ships." Travel Talk-Middle East 1 Apr. 2011. General OneFile. Web. 19 Sep. 2011.
4. The criteria used to narrow the number of reports reviewed included size of sample included in the report, completeness of the report, author of study, and whether the report addressed jobs creation, spending, geography and included only those studies that included a discussion of the research method used. Many reports were only partial analyses, were not sourced, and/or only covered one aspect of the industry.
5. CITY & FINANCE: Carnival makes a $1.3bn profit." Travel Trade Gazette UK & Ireland 24 Sept. 2010: 18. General OneFile. Web. 19 Sep. 2011
6. Dollars are not adjusted for inflation
7. "statistically significant" unlikely to have occurred by chance
8. "CARNIVAL CRUISE REPORT: Blue sea thinking or the future?" Travel Trade Gazette UK & Ireland 1 Apr. 2011: 6. General OneFile. Web. 19 Sep. 2011.
9. IMPLAN employee compensation is: wage and salary payments as well as benefits, including: health and life insurance, retirement payments and any other non-cash compensation.
10. See survey to South Carolina Ports Authority
11. http://articles.latimes.com/2011/jan/14/business/la-fi-1014-mexicocruise-ships-20110114
12. Cruise Ship Tourism, Edited by, Ross K. Dowling, Edith Cowan University, School of Marketing, Tourism and Leisure, Australia,
13. Experts included staff at the Charleston Area Convention and Visitors Bureau, Joseph W. Geldhof, Esquire, Juneau, Alaska, Ross A. Klein, Ph. D and others.
14. 2020 Economic Impact of Tourism on the Charleston Economy, Bing Pan, Ph.D., School of Business, College of Charleston, April 12, 2011, http://prezi.com/eit7xkf6u4_j/2010-impact-of-tourismon-the-charleston-economy
15. "Our supply chain process is a very streamlined process as we have to supply our ships worldwide producing 10,000 to 20,000 meals a day per ship, depending on the ship's size." "Unraveling the supply chain purchasing conundrum." International Cruise & Ferry Review Autumn-Winter 2010. General OneFile. Web. 10 Oct. 2011.
16. Total full service restaurants 406 (BLS-Charleston County 2010 2nd Qtr) TIMES 20,000 meals.
17. www.cruiseandferryreview.com (ArticleID=2695828&Issue=79655)
18. CABOTAGE LAW: Laws limiting a foreign company's right to transport passengers between two points in a country. Under the US Passenger Services Act, for example, only a US registered cruise ship can take passengers on an Alaska cruise from Seattle without stopping in BC. A ship not registered in the US must stop at a BC port in order to comply with US cabotage laws. Canada's cabotage laws similarly prohibit a foreign flagged vessel from operating BC-only cruises.
19. http://j1visa.state.gov/programs/summer-work-travel/
20. http://www.census.gov/epcd/naics02/def/NDEF483.HTM
21. Funk states "selling just three shore excursions and third-party travel insurance (the "fries") increased our earnings by a whopping 81%."
22. http://www.agilitylogistics.com/en/gil/pages/YS_Industry_Solution_Cruise_Line_Logistics.aspx
23. http://blog.al.com/live/2011/03/carnival_cruise_lines_cutting.html
24. Carnival has reduced the number of stops to Charleston for 2012
25. http://www.postandcourier.com/news/2012/jan/31/charlestons-wentworth-mansion-named-no-3-hotel-ame/
26. Based on data and information received via email from Byron Miller, SC SPA on 11.18.11.
27. http://www.preservationnation.org/travel-and-sites/sites/southern-region/watch-status-charleston-.html
28. See http://blog.al.com/live/2011/03/carnival_jumping_ship_from_mob.html; http://www.wvec.com/news/local/RoyalCaribbean-Cruise-Line-is-saying-good-bye-to-Norfolk-95194539.html; http://www.sdnews.com/view/full_story/9625087/articleWill-economy%E2%80%99s-choppy-seas--calm-for-cruise-shipindustry
29. "DiscoverCharleston.com, Balancing Charleston's Growth, Brandeis J. Price, http://www.discovercharleston.com/realestate/



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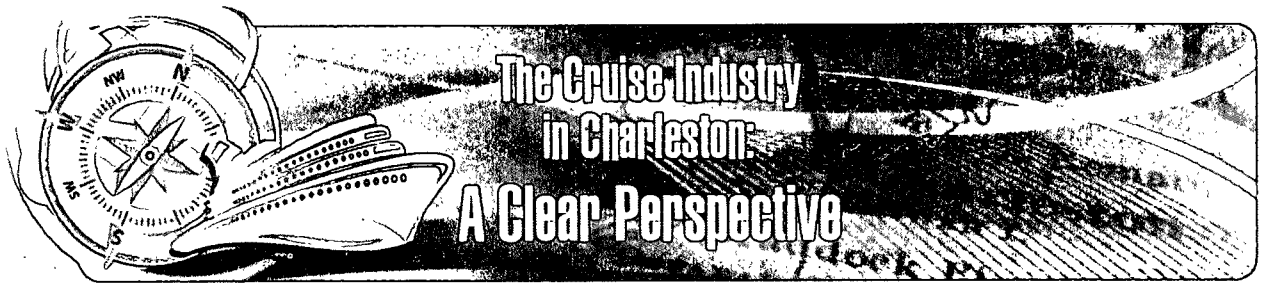
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Appendix 1

Analysis of 2011 and 2012 Cruise Schedules

Data compiled by the SC Ports Authority indicate that between 2001 and 2009, approximately 43 cruise ships visited Charleston. Since the Carnival Fantasy began operation in 2010 the number has increased to about 80 ships per year. It should also be noted that four fewer ships are scheduled for 2012 than in 2011. The Fantasy which uses Charleston as its home port represents about 70 of those visits each year. Analysis of 2012 schedule indicates that the number of port of call visits will be reduced from 21 to 14. ***Between 2001 and 2009 were port of calls then there has been a dramatic decline in port of call visits to Charleston.***

1. Basic Facts

2011 Total - 90 Cruises: 21 POCs and 69 Carnival Fantasy (77% of total ships)
2012 Total - 84 Cruises: 14 POCs and 70 Carnival Fantasy (84% of total ships)

- Between 2011 and 2012 the number of total cruise ships using Charleston will decline from 90 to 84 or 6.6 %
- The Carnival Fantasy that leaves at 4:00 PM and returns at 8:00 AM every five days
- The number of total cruise ships using Charleston as a Port of Call will decline from 21 to 14, or 33%
- Of the POC ships, nine are small (less than 1,100 passengers)
- The largest is the Crown Princess with a capacity of 3,080 passengers.
- In 2011 only three ships will dock overnight
- In 2012 none will
- In 2011 only eight ships will be docked to allow for dinner
- In 2012 only four ships will be docked to allow for dinner
- Parking is considered by the passengers to be well organized and relatively efficient and friendly
- Based on the Mobile, AL experience there are likely to be more than 150 hotel stays per ship.

It may be safely assumed that Carnival Corporation will not use Charleston for the home port for more than one ship. Carnival Corporation is a huge corporation with revenues of $14.5 billion in 2010 and 49.2 % of the total world market. It is comprised of eleven individual cruise line brands. Executive control of each brand is by geographical location, with Carnival Corporation controlling operations in North America, Carnival UK controlling operations in the United Kingdom and Costa Cruises Group controlling operations in the rest of Europe. P&O Cruises Australia is operated by Carnival UK as a sister company of P&O Cruises.

Appendix 1
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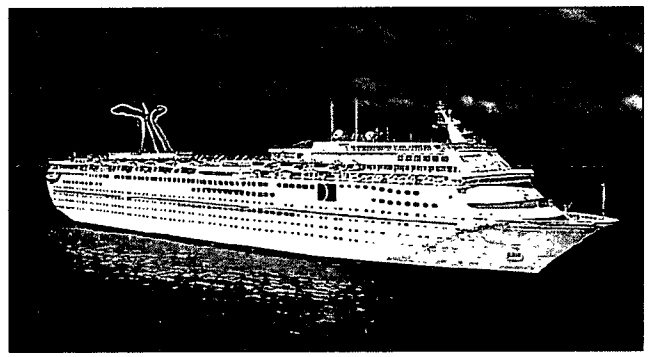
- AIDA Cruises, Germany
- Carnival Cruise Lines, United States
- Costa Cruises, Italy
- Cunard Line, United Kingdom
- Holland America Line, United States
- Ibero Cruises, Spain
- P&O Cruises, United Kingdom
- P&O Cruises Australia, Australia
- Princess Cruises, United States
- Seabourn Cruise Line, United States

2. Impact of Carnival Fantasy 2011 69 cruises; 2012 70 Cruises

Charleston is the home port for the Carnival Fantasy. It is the only cruise ship that uses Charleston for embarking or disembarking. The Fantasy operates five day cruises from Charleston through the Bahamas.

The typical itinerary is:

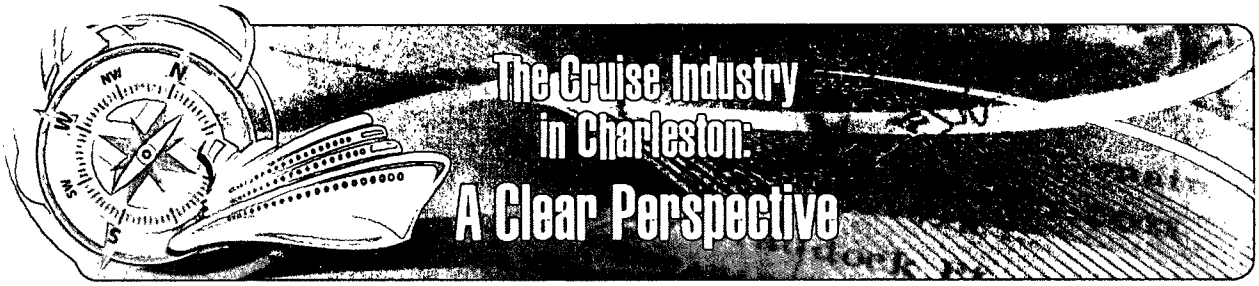
Day 1 Charleston, South Carolina -- 04:00 PM [Before Dinner]
Day 2 Fun Day At Sea -- --
Day 3 Freeport, Bahamas 08:00 AM 06:00 PM
Day 4 Nassau, Bahamas 07:00 AM 07:00 PM
Day 5 Fun Day At Sea -- --
Day 6 Charleston, South Carolina 08:00 AM – [Early morning]



These are low cost cruises for fares as low as $200

The ship has a crew of 920 and a capacity for up to 2,056 passengers

Analysis: This ship represents about 75% of the cruise traffic in Charleston and is the only ship that requires parking. The cruises leave at 4:00 PM and return at 8:00 AM. The 4:00 PM departure allows for passengers to drive for approximately six hours during the day of departure. The 8:00 AM arrival allows for passengers to leave immediately for their journey home. Given this schedule and the low fare nature of these cruises it is possible many of these passengers have no impact on the Charleston economy. The only impacts are parking for five days and increased traffic. The 4:00 PM (non –rush hour) department time allows for considerable leeway in terms of arrival time. The 8:00 AM arrival time would suggest that considerable outbound highway traffic on I-26 would occur after 9:00 AM.

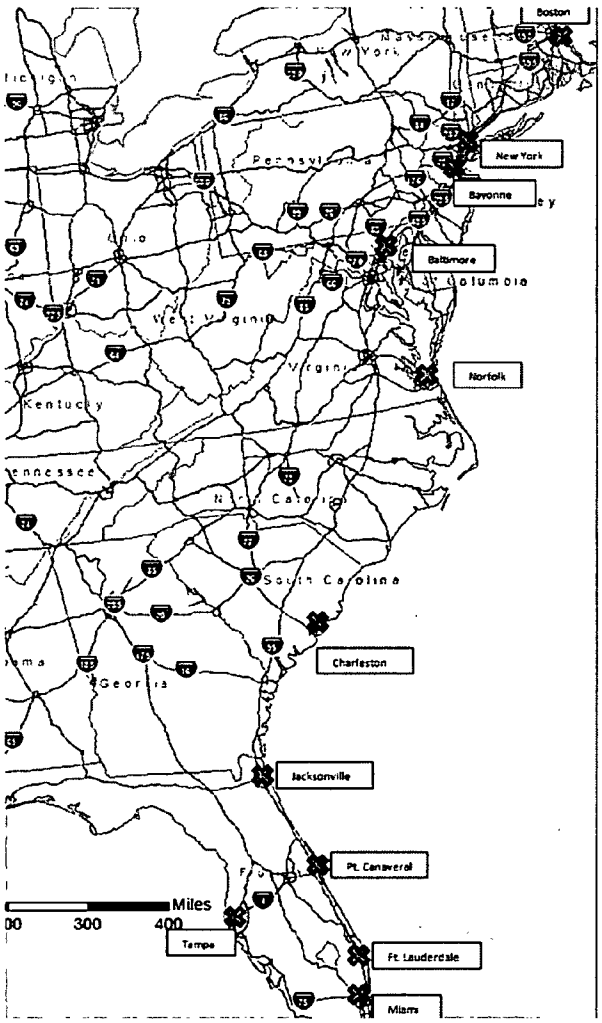


Appendix 1
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Geographic situation of Charleston as a Cruise Ship Port

The decision by a cruise line to visit Charleston as a port of call or as a home port is governed by several geographic factors. It may be assumed that Carnival Corporation's decision to use Charleston as the home port for the Fantasy was based on business factors including the fees for use of the port facilities and the relative location of the city to attach customers. Carnival decided that the best type of product to market from Charleston was an inexpensive five day cruise with ports of call in the Bahamas. This product is priced at about $600 (with off season discounts at $200). The ship leaves at 4:00 PM and arrives at 8:00 AM. With this price structure and schedule it is possible for passengers to drive to and from their homes without an overnight stay. The map of competing cruise ship ports (Figure A-1) illustrates the competitive position of Charleston to attract passengers from South Carolina, Georgia, North Carolina, Tennessee and Virginia. In fact, just as the Grand Strand is a favorite beach destination for visitors from Ohio, Kentucky, Indiana, Illinois and Michigan, Charleston is favorably situated to serve cruise passengers from those states.

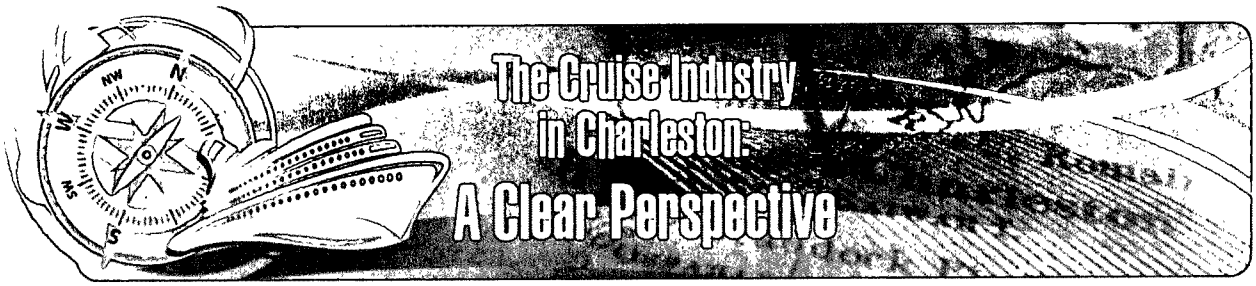
FIGURE A-1 Map of east coast ship ports



It should be noted that Baltimore is the closest year round alternative cruise port north of Charleston. Carnival has greatly reduced the cruises by the Carnival Glory from Norfolk. In fact it will only operate seven cruises in May and October of 2012. This further strengthens Charleston's competitive position.

While Charleston has an excellent competitive position with respect to attaching passengers seeking an inexpensive cruise, it is not well situated with respect to expansion of ports of call. Basically, the Bahamas represent the only destination within the desired short cruise duration. While Bermuda is an alternative it is much better reached by departing from Baltimore or further north. Similarly for cruises to the Caribbean, it is better to drive to Florida and depart from one of its five ports.

Therefore it appears that Carnival has made a good business decision to operate the Fantasy from Charleston and there would be little chance of expanding its role as a home port.



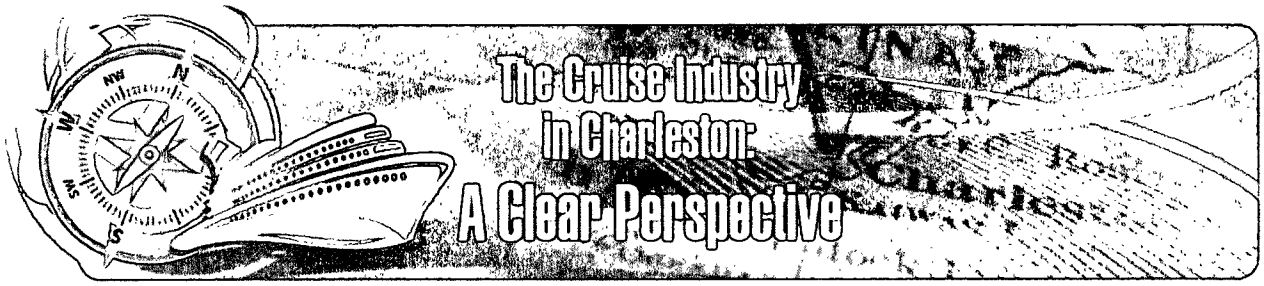
3. Analysis of port of call visits

2011 21 Visits – Three overnight
2012 14 Visits – No Overnight

In 2011, 21 cruises made by 15 different ships will use Charleston as a port of call. These stays were generally between 8:00 AM and 4:00 PM. Therefore, they are not generally in port for the dinner period. It may be assumed that these passengers disembark and visit areas within a 30 minute walk of the dock. This would easily extend to The Market, Battery, and King Street. They may take carriage rides, shop in the market and have lunch off the ship. In total these amount for a total of 298.5 hours or 12.5 days. Only three ships will spend more than 24 hours in port and dock over night. The longest stay of 77.5 hours is by the World Residen Sea which is a residential ship with 165 apartments. It may be assumed that the residents of this ship have an extremely positive influence on the City. They are likely to dine in restaurants and may take tours. Only eight ships were at the dock during the dinner period.

Several ships that have visited Charleston in 2011 and will visit in 2012 are considered luxury cruise ships. These include the Queen Victoria Cunard and the World Residen Sea which is actually a floating residence with 165 apartments. Two ships from the Crystal line have been awarded the "Best Large-Ship Cruise Line" for fifteen years by Conde Nast Traveler. The Seabourn Sojourn is all-suite, mid-size ultra luxury cruise ship, with suites ranging in size from 225 to 1,682 square feet.

<u>Other ships are considered small (less than 1,100 passengers)</u>
Columbus Hapag-Lloyd Cruises: 420 passengers
Columbus 2 Hapag-Lloyd Cruises Capacity 698 passengers
Crystal Symphony Crystal Cruises: Capacity: 922 passengers
Navigator Regent Seven Seas: Capacity: 490 passengers
Oceania Regatta Oceania Cruises 824 passengers
Princess Danae Classic International: Capacity Total Beds 707
Seabourn Sojourn Seabourn Cruises Capacity assengers 450
The World Residen Sea Capacity 165 Residences
Crystal Serenity Crystal Cruises Capacity: 1,080 passengers



Appendix 1
(continued)

Congested Times

Disregarding the trips made by the Carnival Fantasy with its five day turn around, there were four weeks with two or more port of call visits in 2011 and 2012.

2011
4/17 – 4/23 – 2 POC visits + 2 Fantasy
9/25 – 10/1 – 2 POC + 2 Fantasy
10/16 – 10/22 – 4 POC + 2 Fantasy
10/31 – 11/5 – 2 POC + 1 Fantasy

2012
10/21 – 10/27 – 1 POC + 2 Fantasy
10/28 – 11/3 – 2 POC + 1 Fantasy
11/4 – 11/10 – 3 POCs + 1 Fantasy

TABLE A-1 History of Volume 2001-2012

Ships	Year
33	2001
32	2002
47	2003
57	2004
47	2005
50	2006
44	2007
49	2008
33	2009
67	2010
88	2011
84	2012

FIGURE A-2 Cruise Ship Activity

Cruising through the Numbers

The State Ports Authority has agreed to a voluntary 104 ships per year limit, with no more than one ship in port at a time. Cruise opponents agree but want these voluntary limits to be enforceable. Here's the data on recent cruise activity:

YEAR	NUMBER OF CRUISE SHIPS
2003	47
2004	57
2005	47
2006	50
2007	44
2008	49
2009	33
2010	67
2011	88
2012	84 currently scheduled

SOURCE: Byron Miller, South Carolina State Ports Authority

2011 Cruise Activity

Ship Embarkations: 68 total by Carnival Fantasy*

Port-of-calls (20 total by 14 ships)

- *Alda Aura* & *Aida Luna* (Aida Cruises)*
- *Arcadia* (P&O Cruises)*
- *Columbus* (Hapag-Lloyd Cruises)
- *Crown Princess* (Princess Cruise Lines)*
- *Crystal Symphony* (Crystal Cruises)
- *Navigator* (Regent Seven Seas)
- *Oceania Marina* (Oceania Cruises)
- *Oceania Regatta* (Oceania Cruises)
- *Oriana* (P&O Cruises)*
- *Princess Danae* (Classic International Cruises)
- *Seaborne Sojourn* (Seaborne Cruise Line)*
- *The World* (ResidenSea)
- *Veendam* (Holland America)*

*Note: cruise lines owned by Carnival Corporation

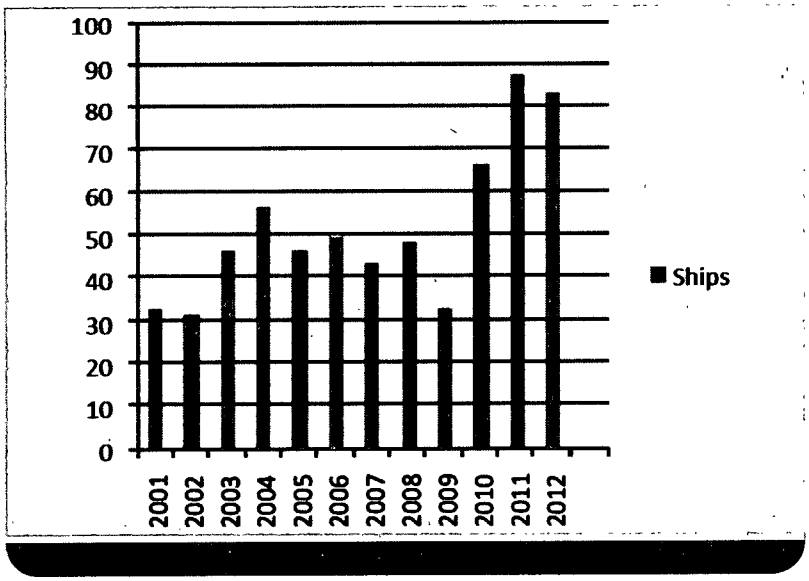
Source: CharlestonMag.com, January 2012

Geographic analysis of the Charleston as a port of call

Cruise ships that visit Charleston as a port of call generally originate in the Northeast and include the city as part of visit to major ports on the way to the Bahamas or the Caribbean. This is a limited market and may not see much growth in the future.

Appendix 1
(continued)

TABLE A-2 Charleston Cruise Ships



Analysis of Parking

Our initial assumption is that the vast majority of the passengers drive to Charleston and park at the facilities that have been established at the terminal. It may be assumed that fewer than 1,000 vehicles park at the facility. The parking fee is $15.00 per day - for standard vehicles up to 20 feet in length and $35.00 per day - for oversized vehicles over 20 feet in length (RV's, campers and busses)

The following is an quote from the Carnival website regarding their parking procedures:

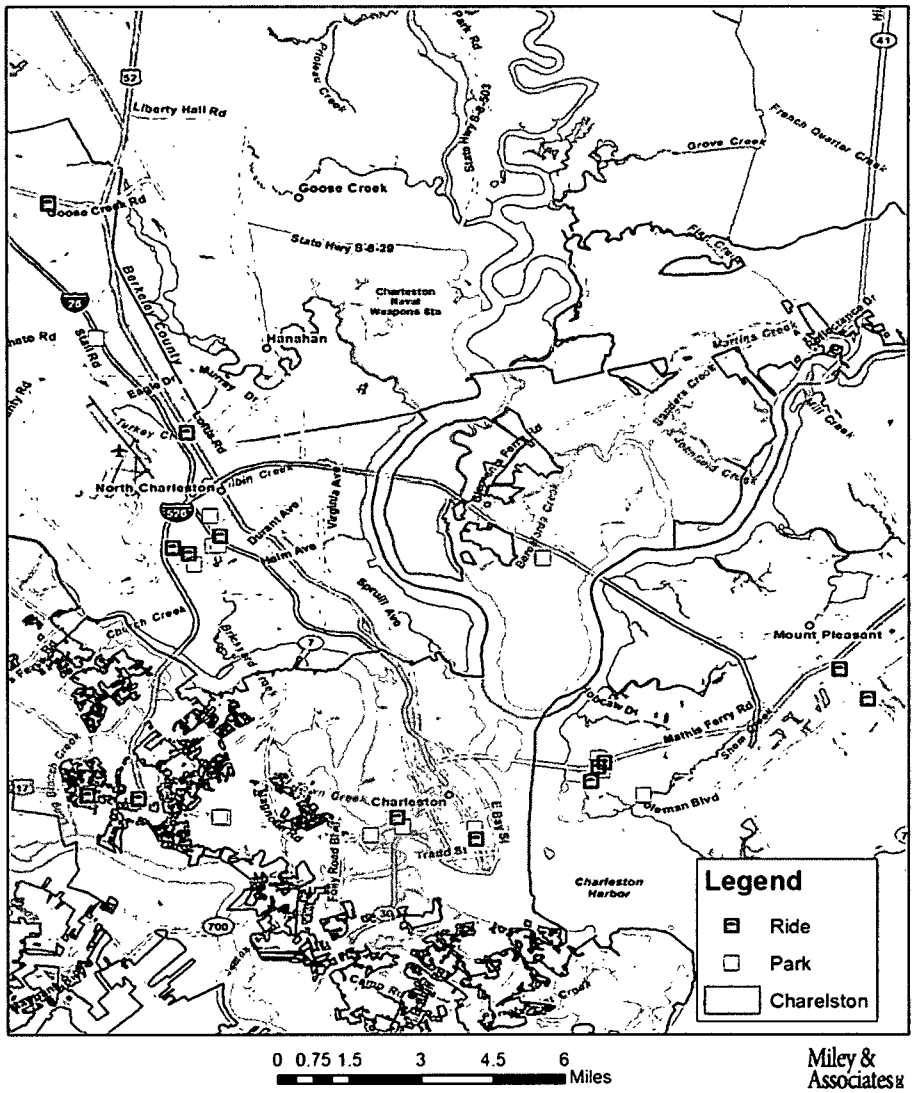
A complimentary shuttle service operates between the vehicle storage areas and the Passenger Terminal. The areas are just a few minutes from the Passenger Terminal, but the shuttle provides a comfortable way for passengers to arrive at the check-in locations. Handicap accessible shuttles are also available. Vehicle storage is available on port property, in a controlled access area available to cruise passengers - not the general public. The site is secured and patrolled by the Port Police during the cruise. The driver will receive a color-coded claim ticket that will help identify the storage area on the return date. Port Police will be stationed along the travel route to direct guests to the appropriate parking areas; shuttle bus service is provided between the parking area and the Cruise Ship Terminal. Indoor and outdoor parking areas. Luggage and vehicles will be accepted at the Union Pier Terminal starting at 12:00 noon, and continue to 3:30 p.m. —. All passengers and luggage must go to the Union Pier collection site first. Due to Port and U.S. Coast Guard security regulations, no check-through luggage will be accepted at the Cruise Ship Passenger Terminal. Secured parking on Port Property, patrolled by Port Police; limited access, available only to cruise ship passengers. www.port-of-charleston.com.

Appendix 1
(continued)

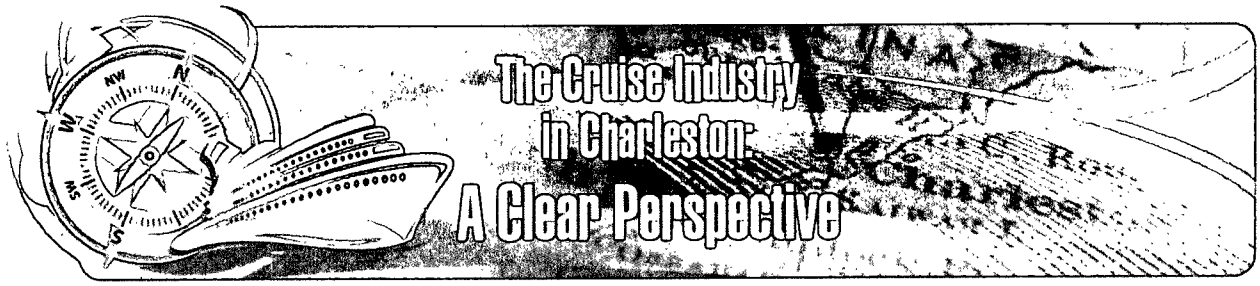
FIGURE A-3 Hotels and/or Transportation

(31 Offer Free Parking - 13 Also Provide Free Transportation)

Draft: Not for distribution,Miley and Associates, 11/18/2011



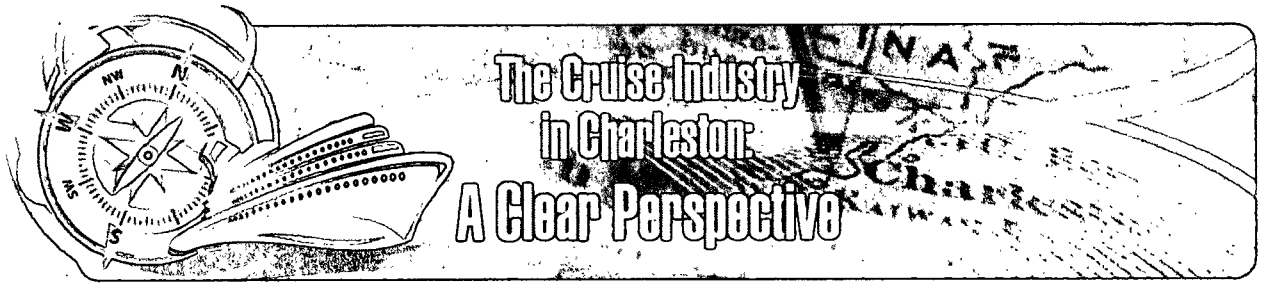
Source: thttp://www.charlestoncvb.com/visitors/special_offers/packages/stay/



Appendix 1
(continued)

TABLE A-3 Port of Call Activity 2012

Date	Day of Week	VESSEL AND SHIP LINE	ARRIVES/SAILS	ACTIVITY	Overlap	Same Week Sun - Sat	More than 2 per week Not Fantasy	Length of stay /hrs	Over Night	Dinner 1900hrs +	Capacity/passenger
10/25/2012	Thurs	Aida Aura Aida Cruises	0700 hrs /1600 hrs	Port of call				9	No	n	1,300
10/5/2012	Fri	Aida Luna Aida Cruises	0900 hrs / 1700 hrs	Port of call				8	No	n	2,100
2/27/2012	Mon	Artania Phoenix Reisen Cruises	1300 hrs/ 1900 hrs	Port of Call				6	No	y	1,200
11/19/2012	Mon	Columbus 2 Hapag-Lloyd Cruises	0800 hrs /2000 hrs	Port of call				12	No	y	698
5/6/2012	Sun	Crystal Serenity Crystal Cruises	0800 hrs / 1700hrs	Port of Call				9	No	n	1,080
11/2/2012	Fri	Crystal Symphony Crystal Cruises	0800 hrs /1800 hrs	Port of call		Yes		10	No	n	922
11/5/2012	Mon	Emerald Princess / Princess Cruises	0900 hrs /1800 hrs	Port of call		Yes	Yes	9	No	n	3,080
4/29/2012	Sun	Maasdam Holland America Line	0800 hrs /1600 hrs	Port of call				8	No	n	1,258
4/6/2012	Fri	Navigator Regent Seven Seas Cruises	0800 hrs /2000 hrs	Port of call				12	No	y	490
9/21/2012	Fri	Navigator Regent Seven Seas Cruises	0900 hrs / 1800 hrs	Port of call				9	No	n	490
11/6/2012	Tues	Navigator Regent Seven Seas Cruises	0900 hrs 1800 hrs	Port of call		Yes	Yes	9	No	n	490
11/7/2012	Wed	Norwegian Dawn Norwegian Cruise Line	0800 hrs /1800 hrs	Port of call		Yes	Yes	10	No	n	2,224
2/2/2012	Thurs	Oceana P & O Cruises	0800 hrs/1700hrs	Port of Call				9	No	n	2,016
10/30/2012	Tues	Seabourn Sojourn Seabourn Cruises	0800 hrs /2300 hrs	Port of call		Yes		17	No	y	450
	Total Number of POC's 14						Average Stay	9.8	Number	4	



Appendix 2

Questions and Answers from the SPA

October 25, 2011

Hello Byron:

I appreciate your offer to help us with our work for the Historic Charleston Foundation. We are making substantial progress. However, we are still collecting data and we hope the SPA can help. Would you be able to provide us with the following?

First, do you have a recent annual report you can send me. We are interested in the overall volume of the SPA, the number of ships, the volume of containers, the number of SC companies using the SPA, etc. Also, any additional information you think might be helpful for us to have that will help us demonstrate the statewide impact of the SPA.

In addition, we have the following questions/data requests:

1. SPA financing the new Union Pier terminal

    a. Will the funding for the new terminal be provided by the SPA via revenue bonds, GO bonds, reserve funds through operating, excess bonds funds from a previous issue?
    b. Will there be a guarantee by any cruise line to underwrite the financing either through traditional underwriting or via a guaranteed number of passengers or ships?
    c. Is the terminal renovation contingent on a contract with one or more cruise line?
    d. Is the renovation of the terminal a requirement by a cruise line to embark and disembark passengers in Charleston?
    e. Will any cruise line make direct payments to finance the new terminal?
    f. Will any cruise line have any ownership in the new terminal or will they have any lease arrangements with the SPA for the use of the terminal or other facilities?
    g. If the cruise line volume declines, who will be required to pay the debt service on the outstanding bonds used to finance the new terminal?
    h. Are the bonds used to finance the new terminal full faith and credit bonds of the State of South Carolina?

2. Does the SPA collect/charge any of the cruise lines a head tax per passenger and if so, what are those fees?
    a. Are there other fees that SPA charges the cruise lines such as wharfage fees, pilot fees, charges for potable water, fuel, etc.?
    b. If the SPA does not charge any fees now, does it have plans to do so in the future?
    c. If the SPA charges any fees, does it share any of these fees with any other entity such as the City, County, and State?

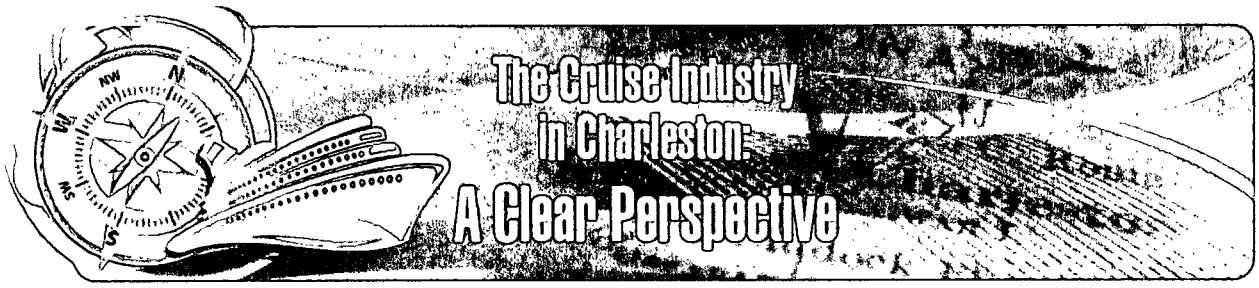
d. Does the SPA provide any financial incentives (such as reduced fees) to the cruise lines based on thresholds met by the cruise lines, such as number of ships or number of passengers?
e. What additional fees, charges or taxes, if any, does the SPA envision collecting with regard to cruise vessels or their passengers and how does the SPA intend to allocate those revenues?

3. What are the fees per vehicle that SPA charges for parking at the current terminal and what will the fees be with the new terminal?
   a. What are the total parking fees generated per year for the last 3 years from terminal (cruise line related) parking?
   b. Does the SPA own the parking facility?
   c. Does any cruise line own or rent the parking facility?
   d. Are parking fees charged by the SPA or the cruise line(s)?
   e. If the cruise line charges the parking fees, are the fees included in the price of the cruise ticket or in addition to the cruise ticket?
   f. Does the SPA pay any commission or other type of payment to the cruise lines as a percentage of the income generated by the parking fees, taxi services, etc.?
   g. If there is additional infrastructure needed, such as traffic lights, traffic turns and waiting lanes, will the SPA or City be required to pay for them?

4. We have several questions regarding employment:

   a. Who will employ the individuals handling baggage for passengers? Will these be employees of the cruise lines, a local government employee or independent contractors? Will the same employees or contractors handling baggage during the parking and transfer operations also be responsible for loading baggage aboard the vessels?

   b. Do you anticipate utilization of other employees or contractors to provide goods or services to cruise vessels calling on Charleston, e.g., delivery of groceries, refuse collection and line-handling activities? If so, what other direct employment activities do you anticipate related to cruise operations in Charleston?



d. How many are employed on an FTE annual basis and what is the average hourly wage and how many hours per year is the average worker working on cruise line activities? If they are not employed by SPA, are the contractual employees of SPA? If they are contract employees, what is the average wage and how many hours per year do they work on cruise related activities?

b. Are the tie up/un-tie workers employees of the SPA, contract employees of the SPA or employed/hired by the cruise lines? How many are employed on an FTE annual basis and what is the average hourly wage and how many hours per year is the average worker working on cruise line activities? If they are contract employees, what is the average wage and how many hours per year do they work on cruise related activities?

c. Are there any employees directly employed by the SPA working at the cruise terminal currently and if so, how many, and what is the average wage? Are they employed full time (annual) for cruise line activities?

d. What has been the number of employees (on an FTE basis) directly employed by the SPA from 2000 -2011? How many contract employees during this time?

e. How many longshoremen are currently working for SPA and/or the cruise line related to cruise industry? What is the average wage paid to them?

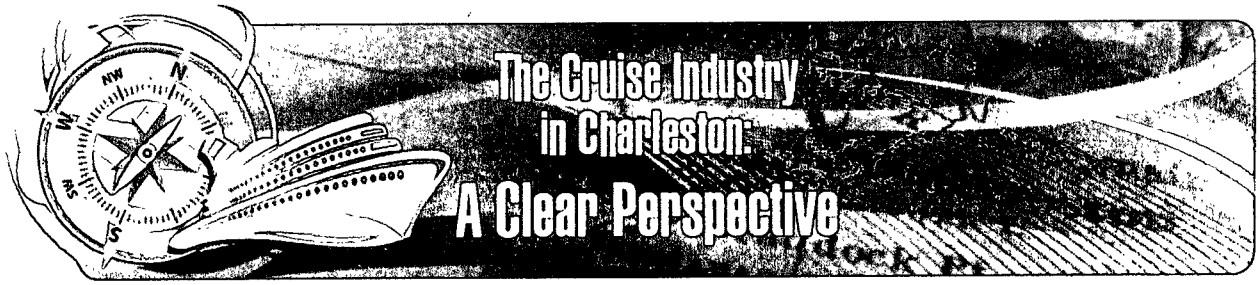
As you can imagine, everyone is very interested in the results of our analysis. The information you can provide will help us demonstrate the important role that the SPA plays in the economy of Charleston and the State.

Time is of the essence and we would appreciate anything you can do to facilitate our requests.

Do you think you could provide this information to us within the next two weeks?

We appreciate your help.

Please call or email if you have any questions.



Appendix 2
(continued)

These questions were presented to Byron Miller of the SPA and the SPA responses (provided to M&A on 11.18.11) are provided in BOLD text.

1. SPA financing the new Union Pier terminal

   a. Will the funding for the new terminal be provided by the SPA via revenue bonds, GO bonds, reserve funds through operating, excess bonds funds from a previous issue?

      Funding for the new terminal is a 100% responsibility of the Ports Authority, and it is already secured. The cruise terminal was included in a revenue-bond issuance in December 2010. These bonds and the interest on them are a responsibility of the Ports Authority -- not the City, the state or their taxpayers.

   b. Will there be a guarantee by any cruise line to underwrite the financing either through traditional underwriting or via a guaranteed number of passengers or ships?

      See (a.) above.

   c. Is the terminal renovation contingent on a contract with one or more cruise line?

      See (a.) above.

   d. Is the renovation of the terminal a requirement by a cruise line to embark and disembark passengers in Charleston?

      We have an urgent need to provide better facilities, meeting the security requirements and commercial expectations. We initially considered renovating the existing cruise terminal facility, but were encouraged to study the entire Union Pier site. The resulting plan will result in the relocation of cargo operations – including 200 cargo ships a year, rail and truck traffic – off Union Pier.

   e. Will any cruise line make direct payments to finance the new terminal?

      See (a.) above.

   f. Will any cruise line have any ownership in the new terminal or will they have any lease arrangements with the SPA for the use of the terminal or other facilities?

      See (a.) above.

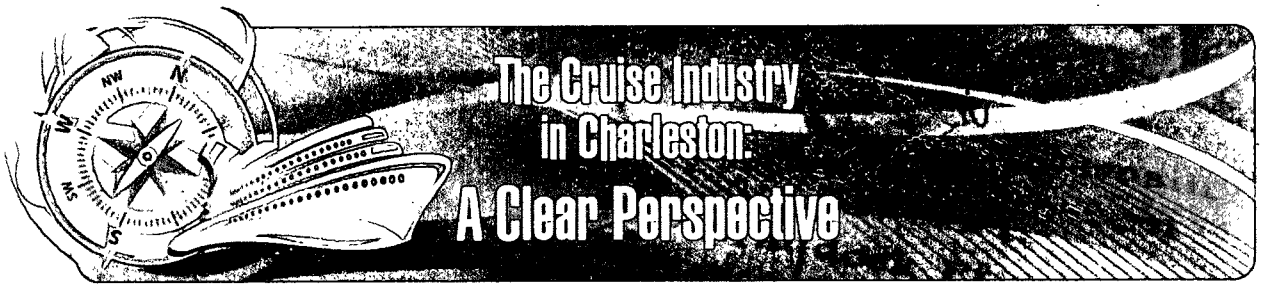
   g. If the cruise line volume declines, who will be required to pay the debt service on the outstanding bonds used to finance the new terminal?

      See (a.) above.

   h. Are the bonds used to finance the new terminal full faith and credit bonds of the State of South Carolina?

      See (a.) above.

2. Does the SPA collect/charge any of the cruise lines a head tax per passenger and if so, what are those fees?
   a. Are there other fees that SPA charges the cruise lines such as wharfage fees, pilot fees, charges for potable water, fuel, etc.?
   b. If the SPA does not charge any fees now, does it have plans to do so in the future?
   c. If the SPA charges any fees, does it share any of these fees with any other entity such as the City, County, and State?
   d. Does the SPA provide any financial incentives (such as reduced fees) to the cruise lines based on thresholds met by the cruise lines, such as number of ships or number of passengers?
   e. What additional fees, charges or taxes, if any, does the SPA envision collecting with regard to cruise vessels or their passengers and how does the SPA intend to allocate those revenues?



Appendix 2
(continued)

The Ports Authority's contracts with its customers are marine terminal service and non-tariff agreements. These are obviously sensitive competitive data, which are protected and exempt from disclosure under S.C. law. However, all of the tariff charges associated with the cruise business can be found in section 34-405 of our terminal tariff: http://www.scspa.com/Resources/tariff/8_Charleston_Tariff.pdf

Attached below is a summary of the types of SCSPA fees associated with a cruise vessel call in Charleston, some of which are specific to cruise ships and some of which apply to all vessels. As they may be under contract, this is not exactly what they pay, but I would say that it is illustrative and indicative.

PORT OF CHARLESTON TARIFF

Passenger fees:
Passenger Fee - $20.00 - per person
- **port of call (1 way fee)**
- **embark (1 way fee)**
- **debark (1 way fee)**

Passenger Fee – minimum - per call – if vessel does not load/unload passengers – $1055.00

Vehicle storage fees are used for embarkation vessels:
Vehicle storage fees – vehicles up to 20 feet in length - $15.00 per day
Vehicle storage fees – oversized vehicles (RV's, campers) - $35.00 per day
Vehicle storage fees – valid handicap permit and ID – complimentary
Fee is multiplied by number of days of cruise – i.e., 5-day cruise = $75.00 fee per vehicle/standard size

General vessel related charges, some of which apply to cruise ships:
Fresh water supplies - per net ton - $5.85
Fresh water supplies – minimum fee - per call - $185.00
Berth/dockage fees - per linear foot of ship – per 24-hour period or fractional day - $9.15
Security Fee/Ship - per linear foot of ship – per call - $2.90
Security Fee/Passenger - per person – per call - $5.00
Harbor Master Fee - per vessel call - $127.00

Appendix 3

Demographic and Housing Analysis

As part of this research we conducted a detailed analysis of the population and housing characteristics for sixteen census tracts that comprise the peninsula of the city of Charleston (Figure 1). The data were compiled from the 2010 Census of Population and Housing. Since there were a considerable number of changes in the numbering and alignment of census tracts between the 2000 and 2010 decennial censuses we utilized the comparison developed by the *New York Times*. http://projects.nytimes.com/census/2010/map

2010 Census Tracts

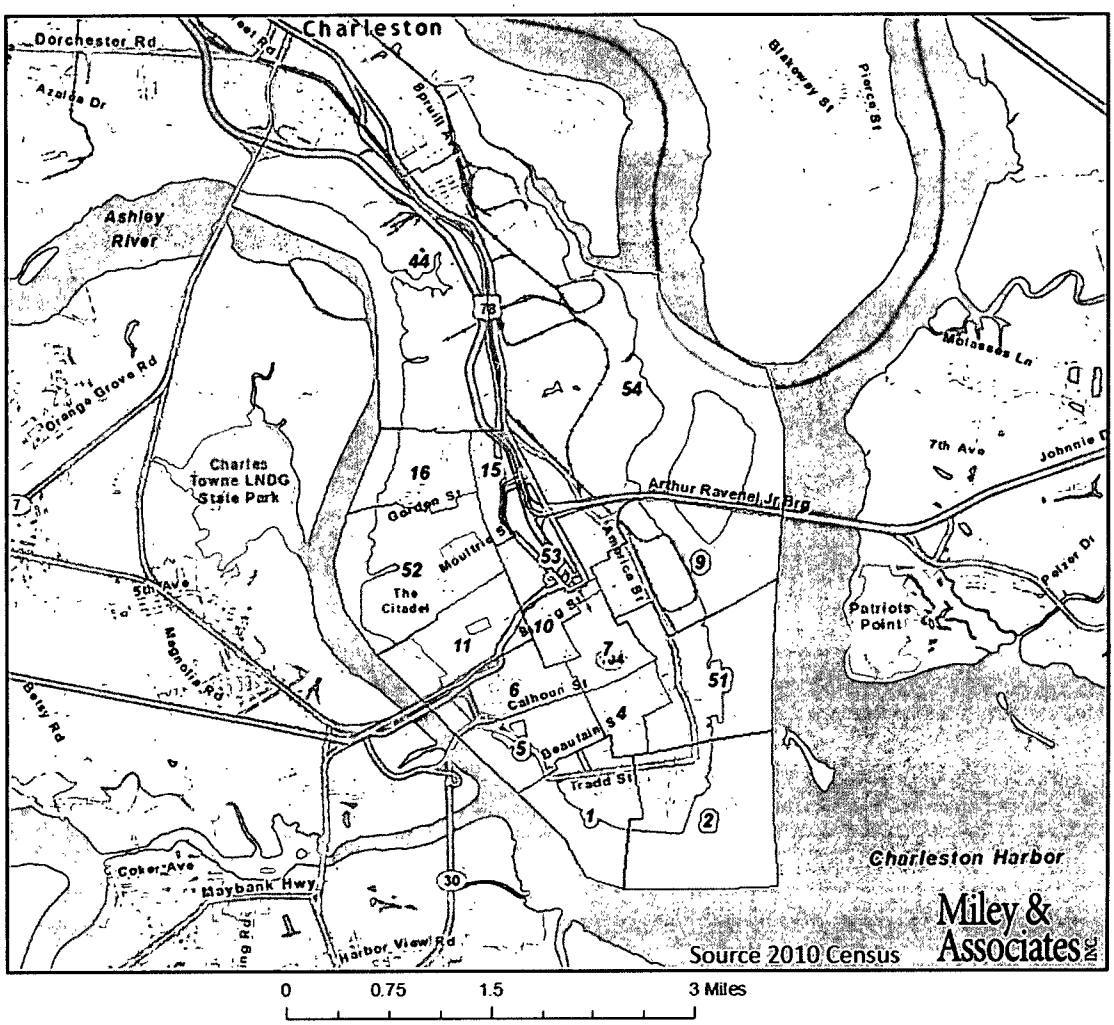


FIGURE C-1 2010 Census Tracts for Peninsula

The 2010 Census data indicate that the total population of the peninsula declined by 464 people from 37,050 in 2000 to 36,586. The map of population change (Figure C-2) demonstrates that there was a considerable loss of population along the east side of the peninsula. The loss of 256 people occurred in the census tract 9 near the construction of the Ravenel Bridge. Population gains occurred in the center of the peninsula, north of Calhoun Street.

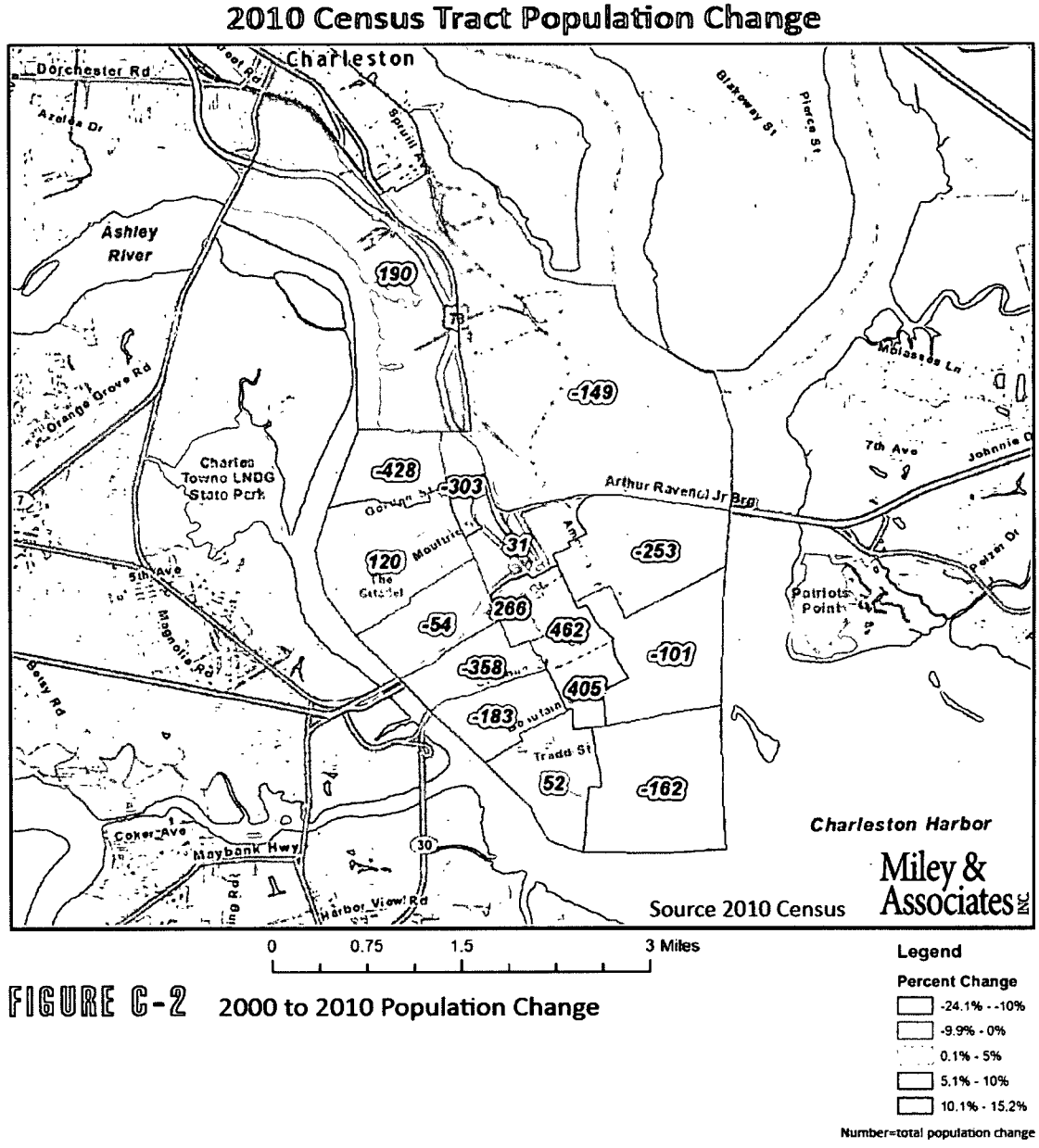


FIGURE C-2 2000 to 2010 Population Change

Appendix 3
(continued)

During this period the percentage of white population increased from 45.2 % to 57.6% while the black population declined from 51.8 % to 38.9 %. Together these two groups represented 97% of the population in 2000 and 96.5 % in 2010. The map of racial distribution (Figure C-3) illustrates an almost uniform decrease in the proportion of white population from the Battery northward. In the northern census tracts, with the exception of those near The Citadel and the Ashley River, the white population is 30% or less.

2010 Per Cent White Population

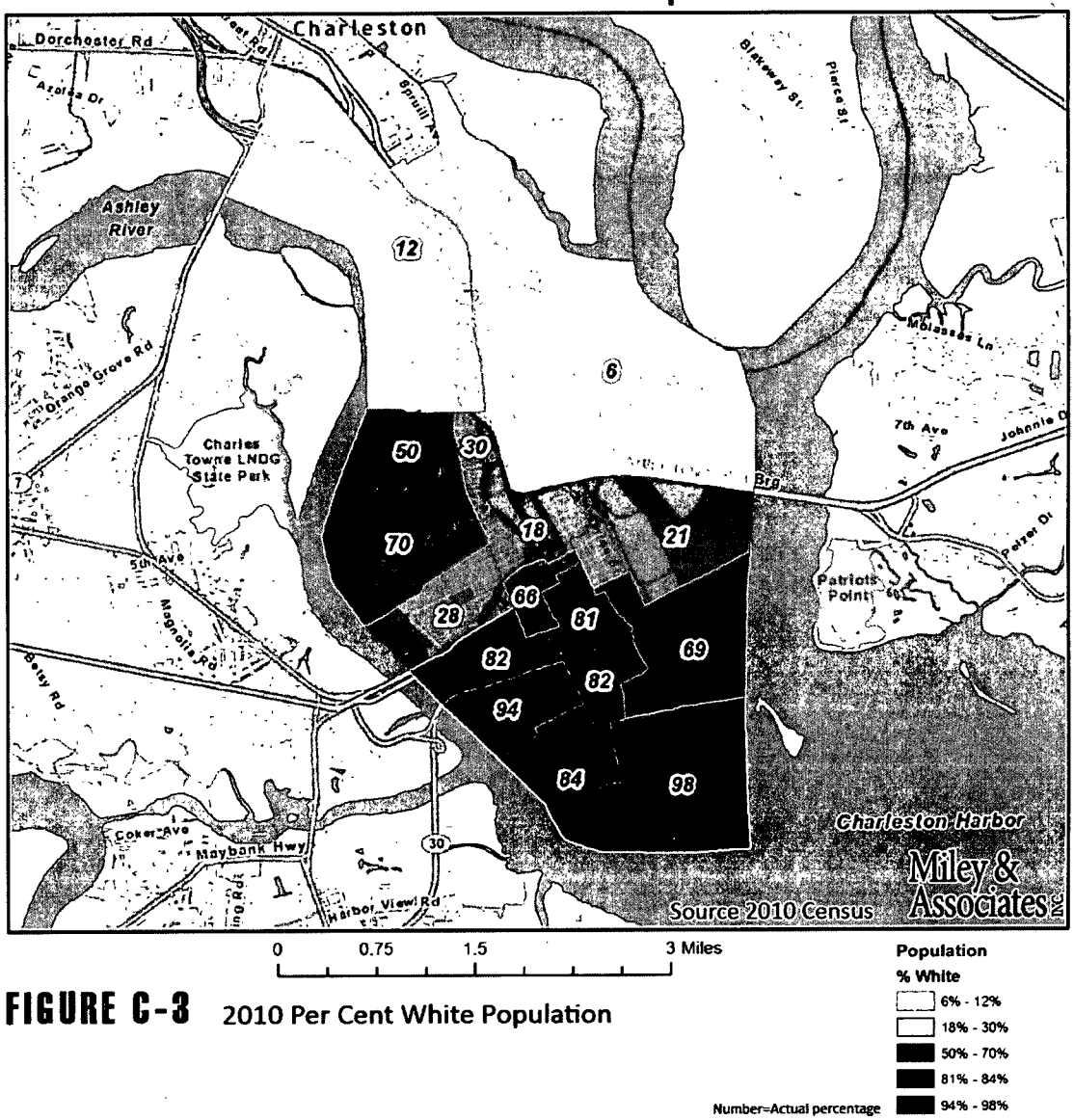


FIGURE C-3 2010 Per Cent White Population

Appendix 8
(continued)

During the same period the number of housing units declined by 53 from 18,002 in 2000 to 17,949 in 2010. In 2000 13.5 percent of the housing units were vacant. This increased to 15.5% in 2010. The map of occupied housing units (Figure 4) clearly indicates that decline in housing units near the new bridge and the Battery. In fact, Census Tract 2 that coincides with the Battery witnessed a 57.7% increase in the vacancy rate and a 7.7 % decline in occupied housing units since 2000 (Figure C-4). These data are clear evidence of the rate of absentee ownership south of Broad Street.

2010 Per Cent Change in Occupied Housing Units

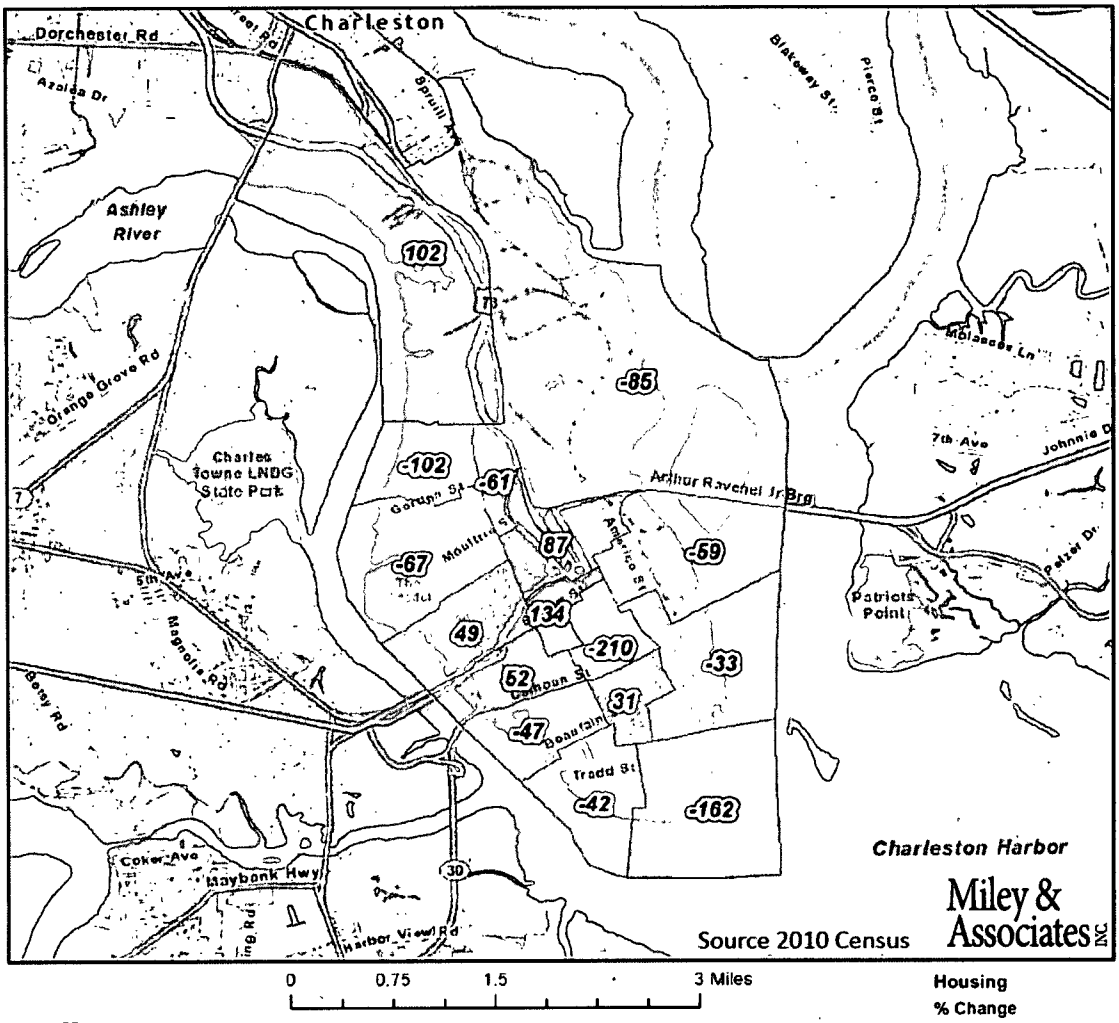
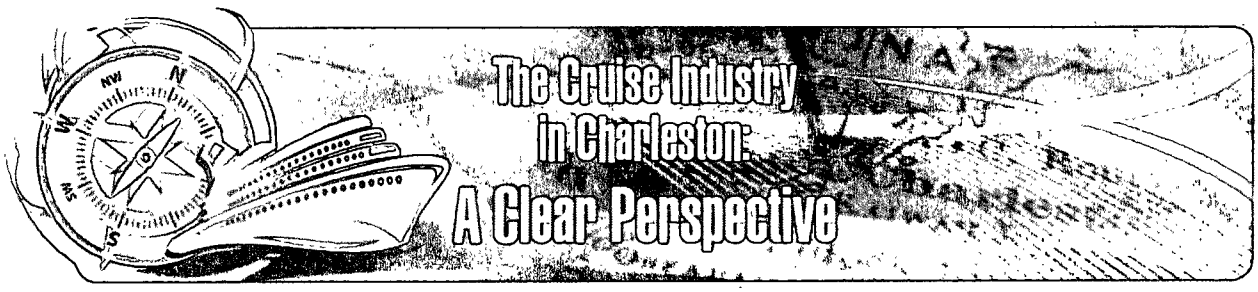


FIGURE C-4 2000 to 2010 Change in Occupied Housing Units



Appendix 3
(continued)

The following maps and tables represent an overview of the changing demographic and housing characteristics of the census tracts on the peninsula of Charleston. They were generated from the interactive mapping system for the 2010 census data that has been created by the *New York Times* (http://projects.nytimes.com/census/2010/map) and GIS data analysis from the Census data.

Tract 1

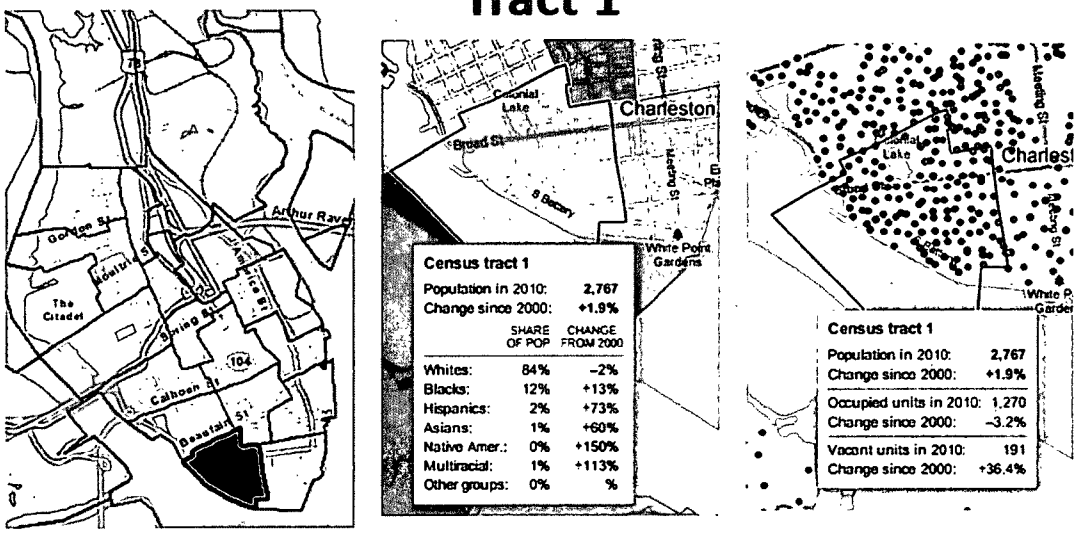


FIGURE C-5 Census Tract 1 Demographic and Housing Characteristics

Tract 2

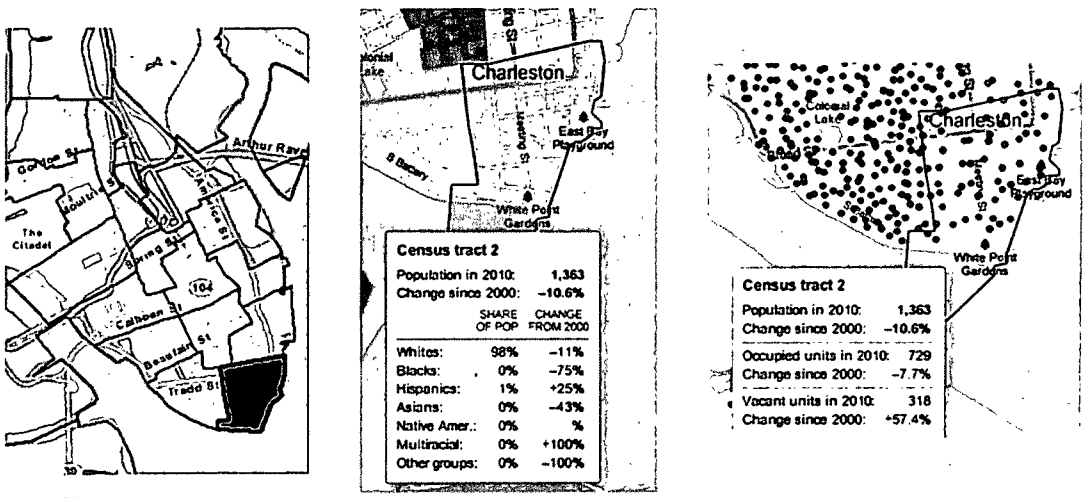
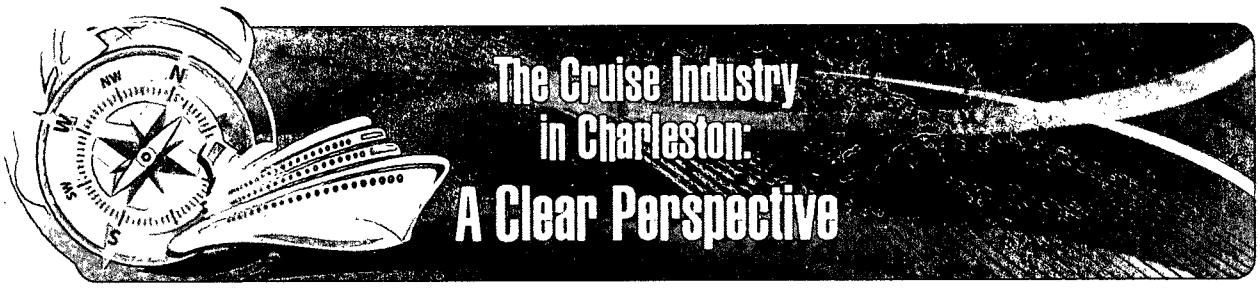
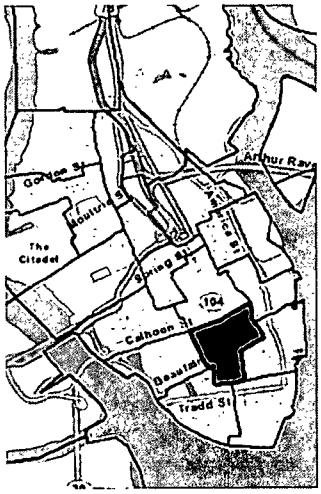


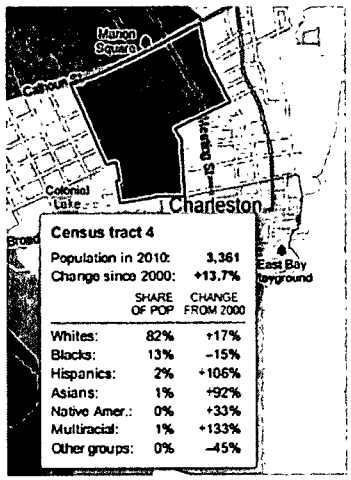
FIGURE C-6 Census Tract 2 Demographic and Housing Characteristics



Appendix 8
(continued)

Tract 4





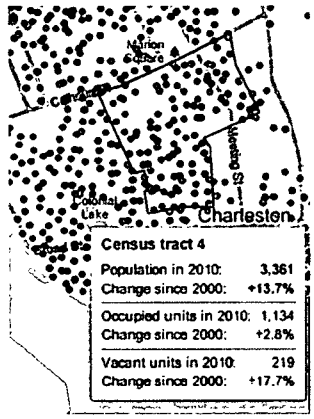
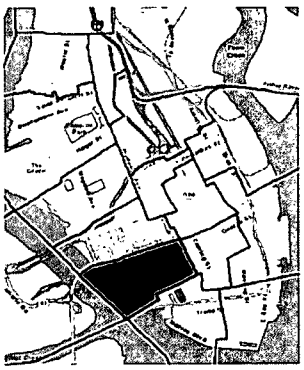
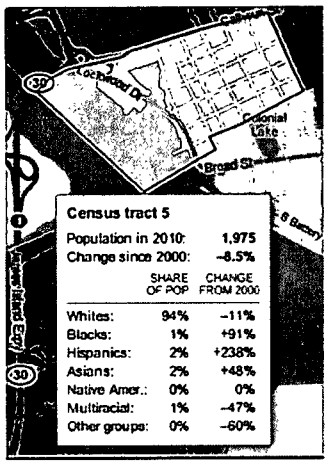


FIGURE C-7 Census Tract 4 Demographic and Housing Characteristics

Tract 5





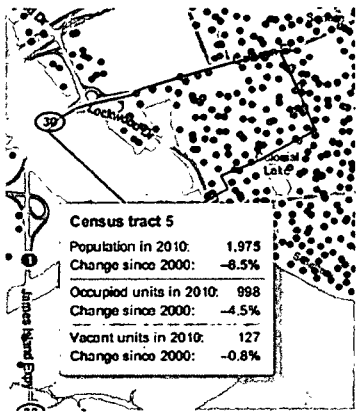


FIGURE C-8 Census Tract 5 Demographic and Housing Characteristics

Tract 6

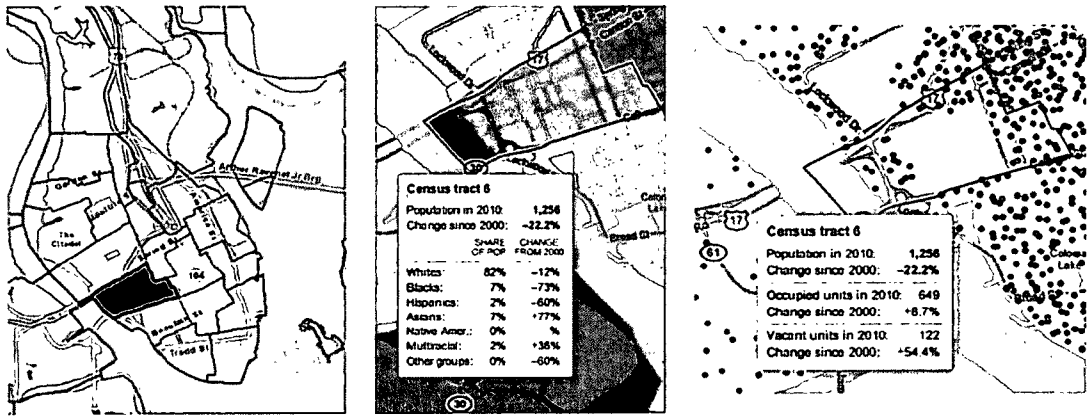


FIGURE C-9 Census Tract 6 Demographic and Housing Characteristics

Tract 7

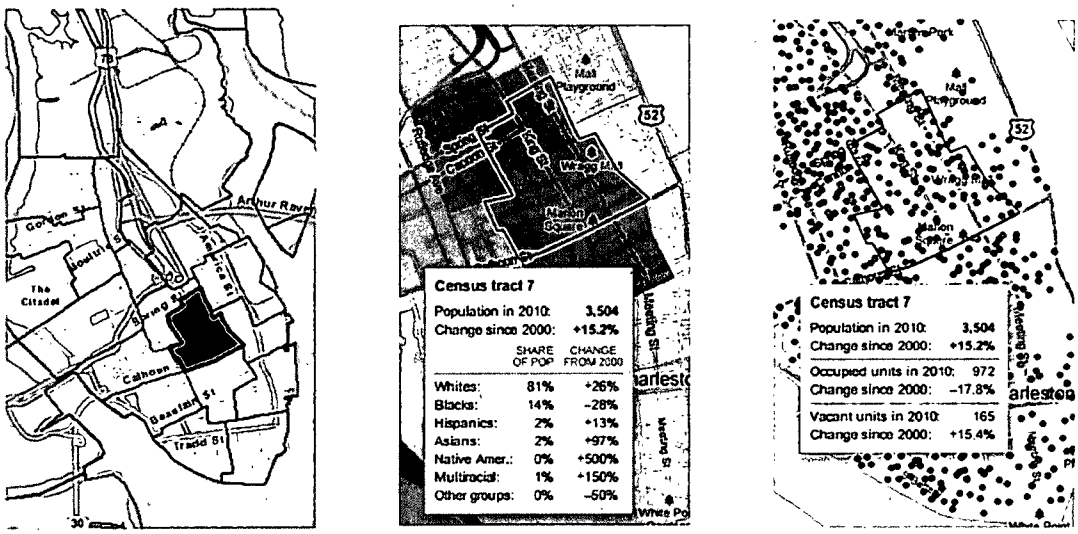
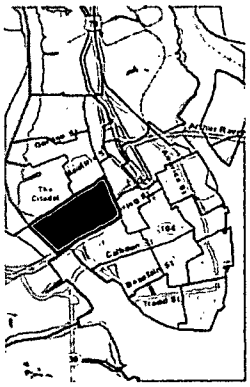
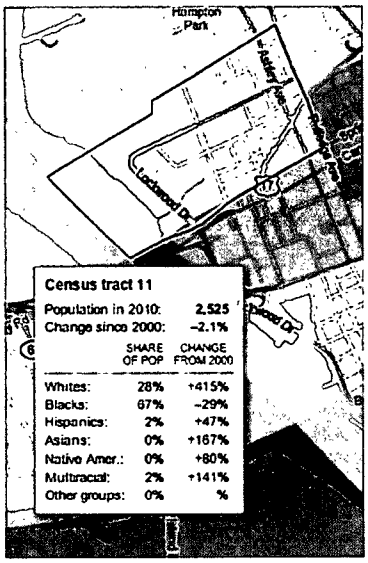


FIGURE C-10 Census Tract 7 Demographic and Housing Characteristics

Appendix 3
(continued)

Tract 11





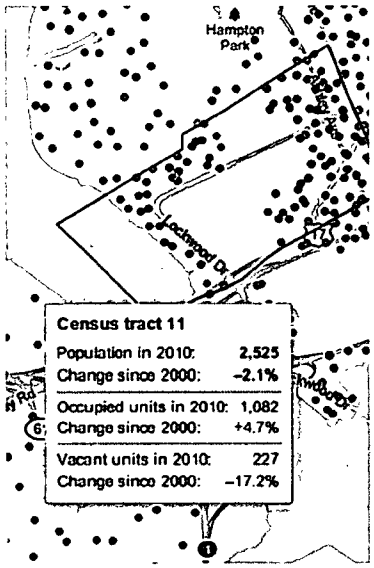
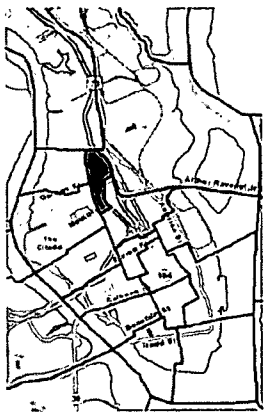
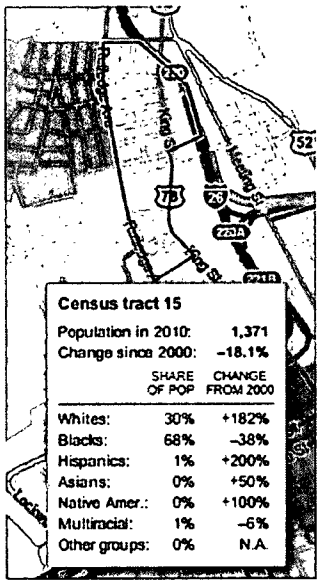


FIGURE C-13 Census Tract 11 Demographic and Housing Characteristics

Tract 15





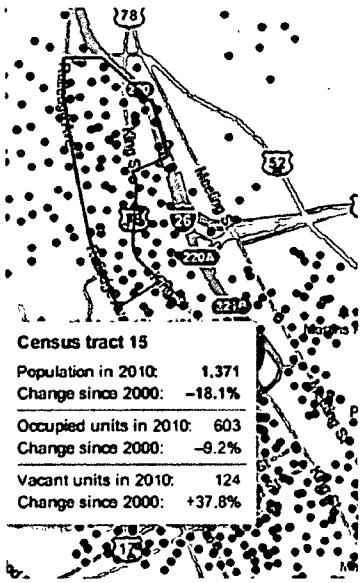


FIGURE C-14 Census Tract 15 Demographic and Housing Characteristics

Tract 16

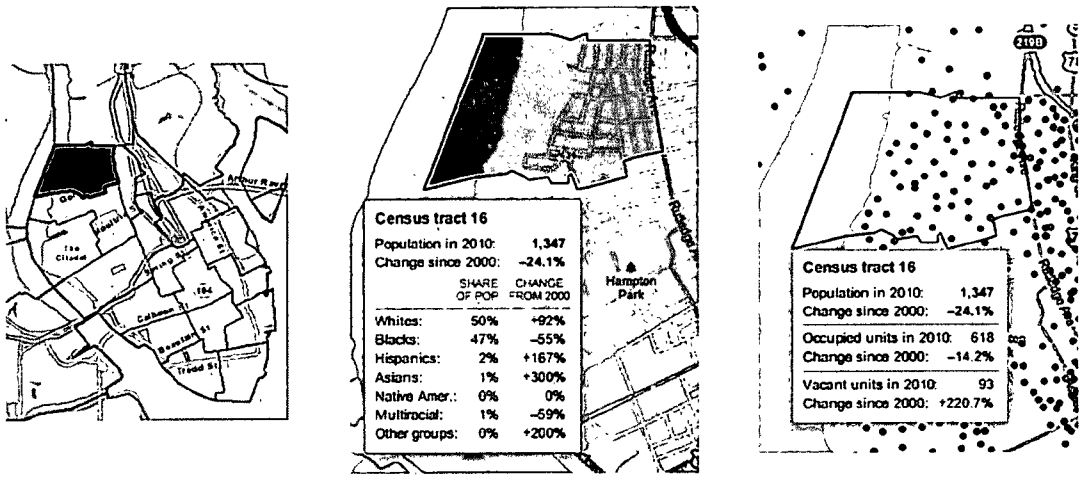


FIGURE C-15 Census Tract 16 Demographic and Housing Characteristics

Tract 44

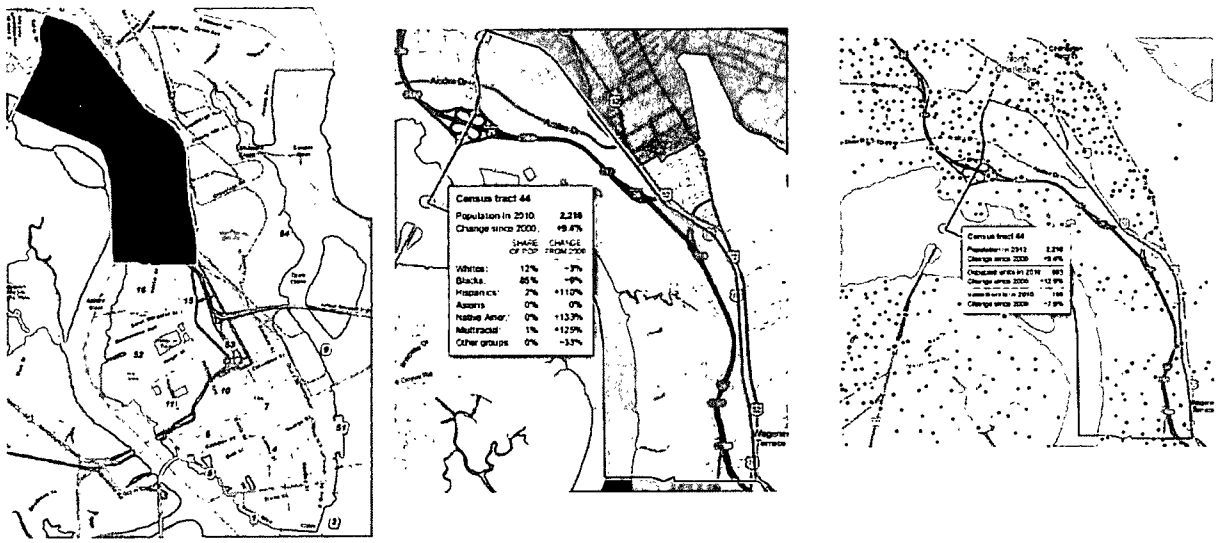


FIGURE C-16 Census Tract 44 Demographic and Housing Characteristics

Appendix 8
(continued)

Tract 51

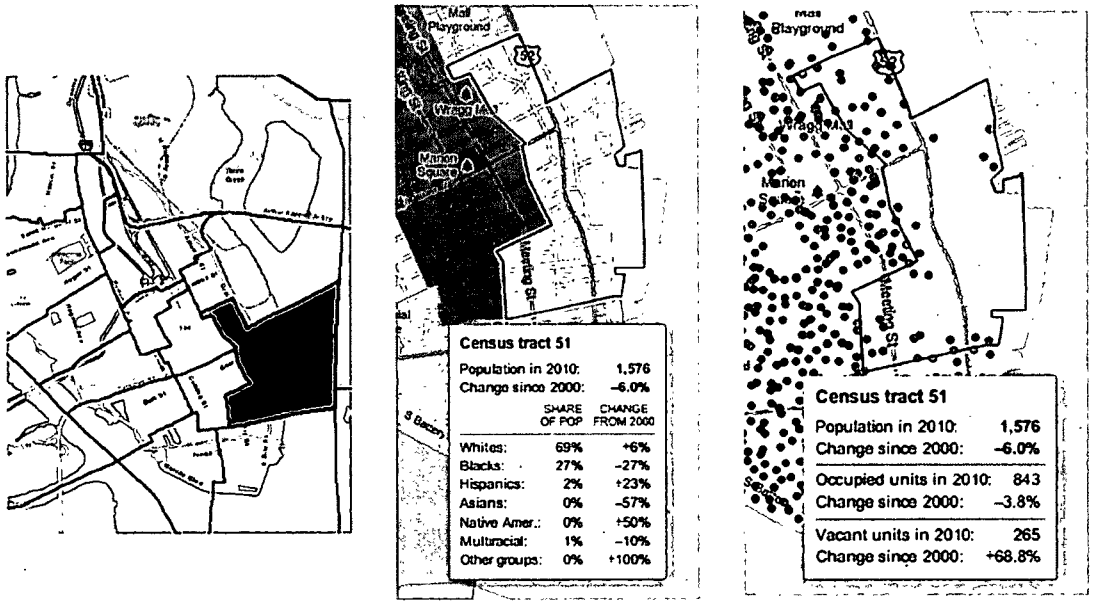


FIGURE C-17 Census Tract 51 Demographic and Housing Characteristics

Tract 52

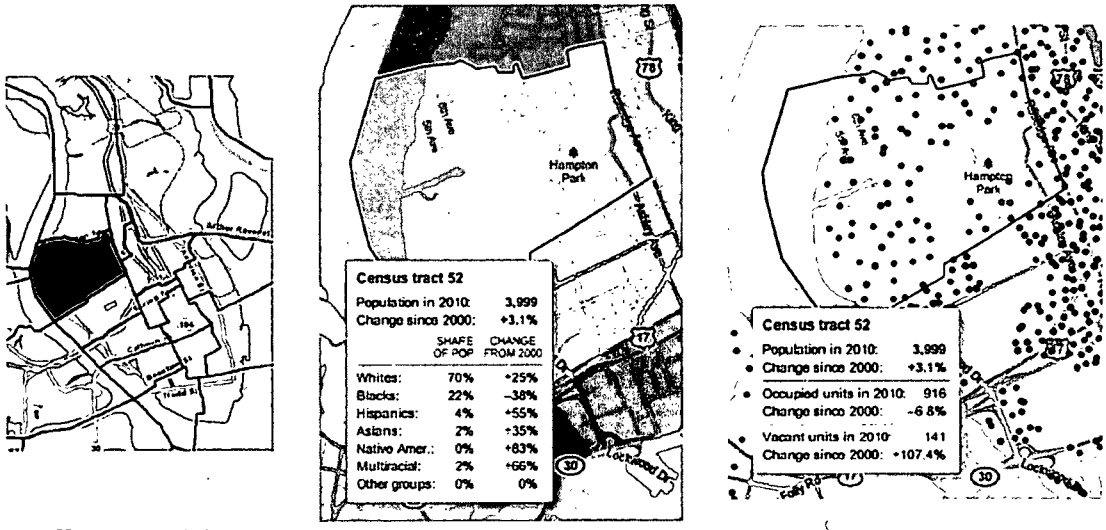
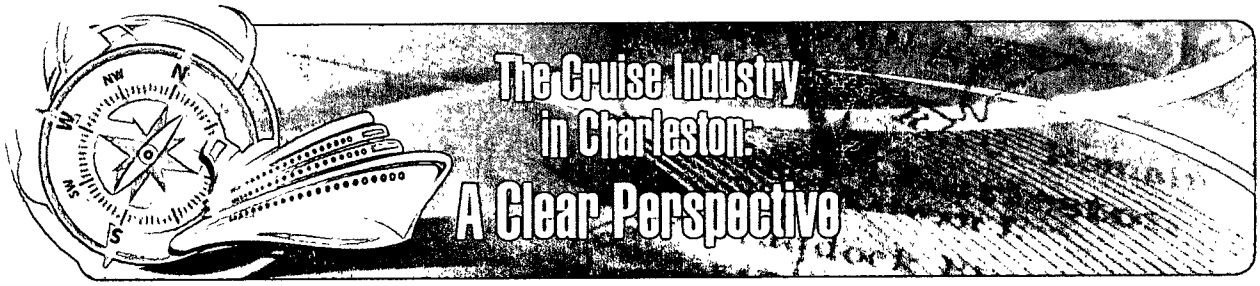


FIGURE C-18 Census Tract 52 Demographic and Housing Characteristics



Appendix 8
(continued)

Tract 53

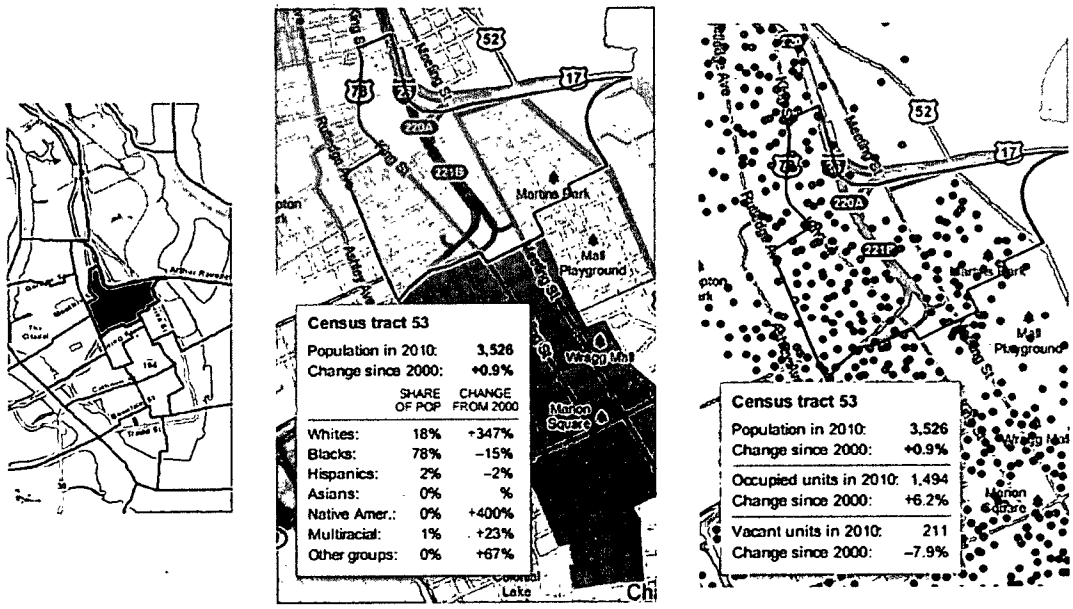


FIGURE C-19 Census Tract 53 Demographic and Housing Characteristics

Tract 54

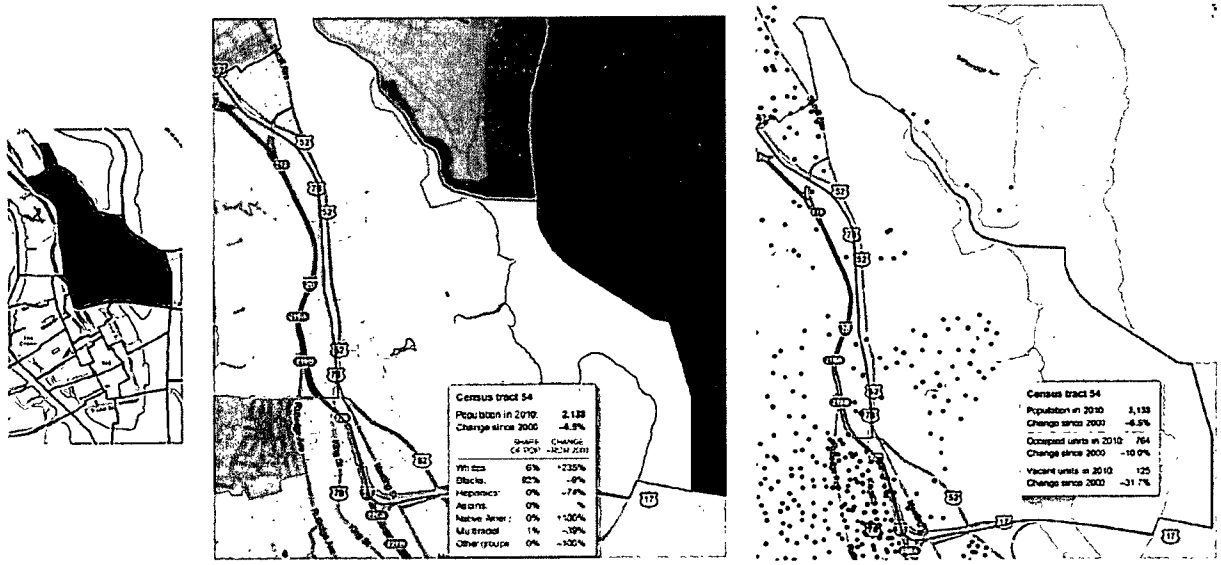


FIGURE C-20 Census Tract 54 Demographic and Housing Characteristics

Appendix 3
(continued)

Tract 55

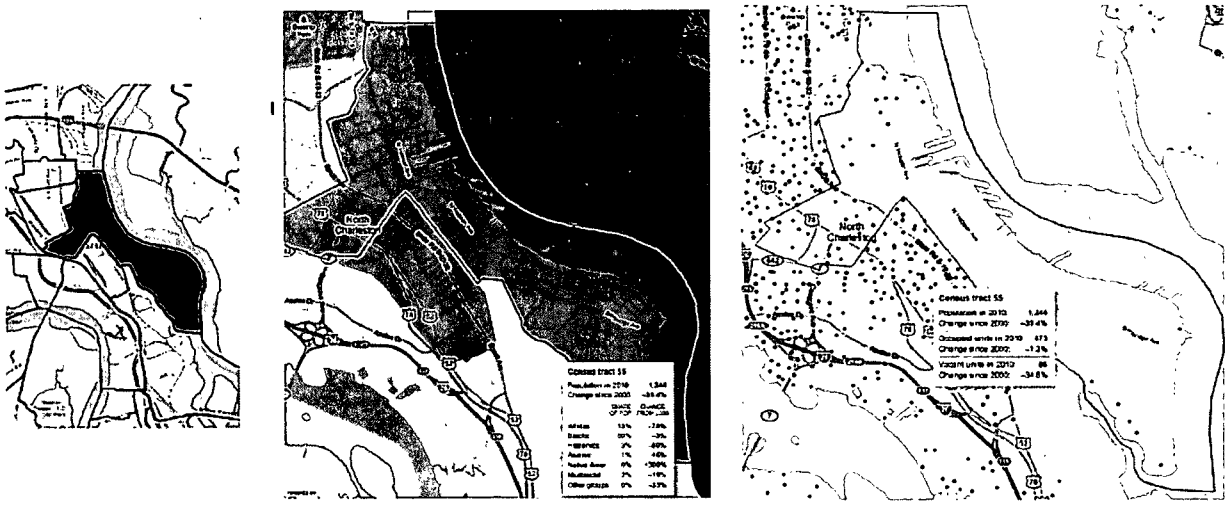
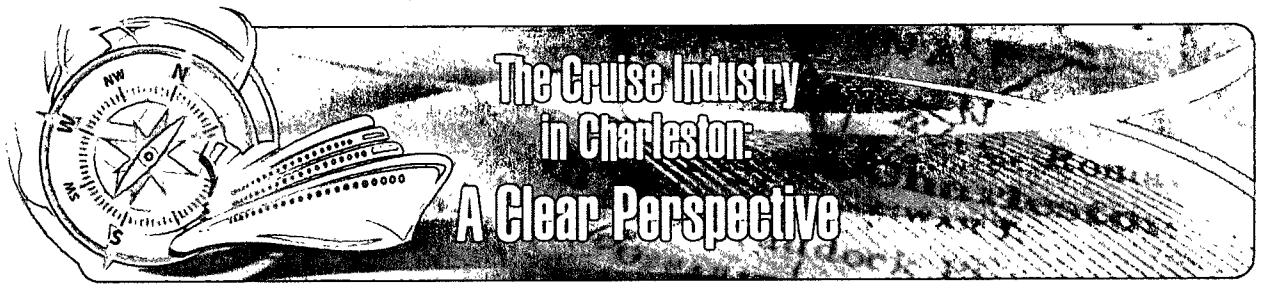


FIGURE C-21 Census Tract 55 Demographic and Housing Characteristics



Appendix 4

Legal and Related Issues

Review of Legal and Related Issues relating to the operation of cruise ships in Charleston

Summary

While the purpose of this report is to "conduct an independent and objective study to evaluate the economic impacts of cruise terminal operations," it is impossible to ignore the issues surrounding the regulation of the cruise ship industry in the City of Charleston. As noted in a recent issue of *Charleston Magazine*.

> Most of Carnival's cruise patrons have no idea that the convoluted maze they 've just driven through is symbolic of the complex issues the local cruise question has raised. Most are probably clueless that outside the chain-link and barbed –wire fence that surrounds Charleston's Union pier, there's a heated controversy afloat, with billboards sparring, a lawsuit pending and letters to the editor flying

There appear to be three primary issues:

1. Charleston's being placed by The National Trust for Historic Preservation on its 2011 endangered "watch list." As the Trust stated:

In the case of Charleston, expanding cruise ship tourism could jeopardize the historic character of the city, historic downtown Charleston and its surrounding neighborhoods. The Watch Status designation is accompanied by an offer from the National Trust to assist with finding a balanced solution that benefits the community and its rich cultural heritage.

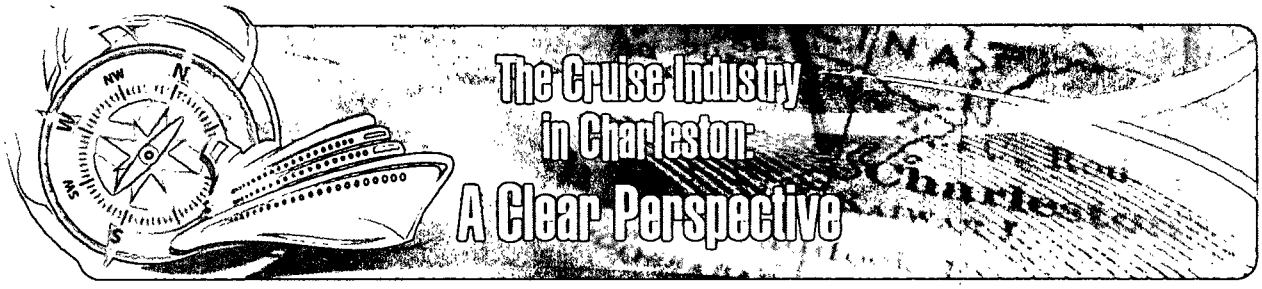
2. A June 13, 2011 law suit brought by the Historic Ansonborough Neighborhood Association, Charlestowne Neighborhood Association, Coastal Conservation League, and Preservation Society of Charleston filed suit against Carnival Corporation, D/B/A Carnival Cruise Lines. This lawsuit charges that Carnival Corporation is guilty of the following:

- Unlawful Use Within Light Industrial Zone District
- Violation of the Accommodations Zoning Ordinance
- Violation of the Old City Height District Ordinance
- Violations of View Corridor Provision
- Violation of Sign Ordinance
- Noise Ordinance
- Private Nuisance
- Public Nuisance

On August 22, 2011 this lawsuit was challenged by the Carnival Corporation, the City of Charleston and the South Carolina Ports Authority.

The petitioners filed a petition for original jurisdiction requesting "the SC Supreme Court to exercise its original jurisdiction with respect to the attached lawsuit recently commenced in the Court of Common Pleas for the Ninth Judicial Circuit by respondents." As it states:

> Due to the time sensitive nature of this dispute and the enormous, potential adverse commercial and economic impact at stake, Petitioners respectively request the Court to conduct an expedited review of matters contained herein in furtherance of the public interest.



Appendix 4
(continued)

On January 17, 2012 The South Carolina Supreme Court agreed to hear complaints brought by local residents, preservationists and an environmental group over Charleston's expanded cruise industry

3. City Council Ordinances that have not incorporated suggestions from local nonprofit citizens groups

On September 14 2011 the Charleston City Council approved by an 8-3 vote an ordinance that supports the cruise industry and stipulates that it would require a public hearing process if the States Ports Authority wants to accept more than 104 cruise ships a year. According to the *Post and Courier*:

> But critics said the mayor's ordinance, which outlines a public hearing process should the State Ports Authority want to accept more than 104 cruise ships a year, doesn't go far enough. The Historic Charleston Foundation drafted one with more binding limits, but council members never put it up for a vote. Seventeen residents, mostly preservation and neighborhood leaders, urged council to defer the mayor's ordinance or also pass the foundation's proposal -- or something like it.

Report on Issues

The following material has been assembled to provide a statement of facts regarding these issues.

1. Quality of life issues

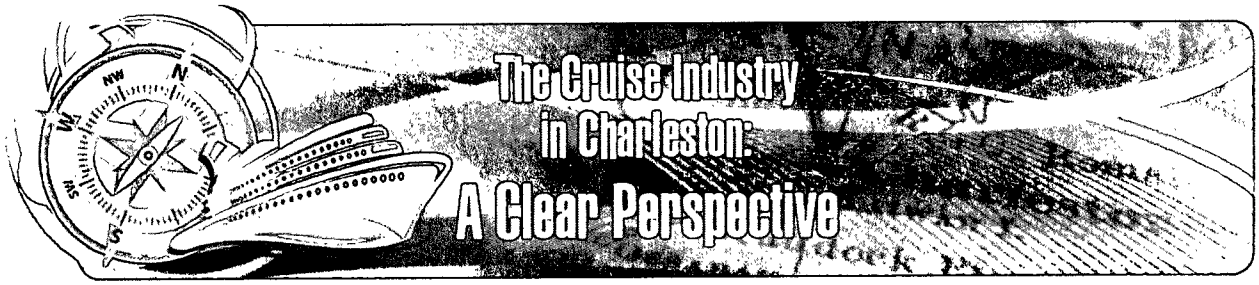
1.1 The National Trust for Historic Preservation placed Charleston on its 2011 endangered "watch list."
http://www.preservationnation.org/travel-and-sites/sites/southern-region/watch-status-charleston-1.html

In 2011 The National Trust for Historic Preservation stated:

> For the first time in its history, the list of America's 11 Most Endangered Places has been supplemented with a site placed on "Watch Status": the city of Charleston. The Watch Status means that a specific threat to a historic site appears to be growing, but can be avoided or controlled through collaboration and innovation. In the case of Charleston, expanding cruise ship tourism could jeopardize the historic character of the city, historic downtown Charleston and its surrounding neighborhoods. The Watch Status designation is accompanied by an offer from the National Trust to assist with finding a balanced solution that benefits the community and its rich cultural heritage.

Along with the new passenger terminal will come the demolition of older warehouses in the same area and the dedication of much of the Union Pier property to redevelopment, including restoration of natural waterfront and establishment of public green spaces and private commercial and residential units,. Rail operations in the area will cease. The City's Board of Architectural Review has given conceptual approval to the terminal design.

While there are many proposals at play in the Charleston cruise tourism issue, including relocation of the cruise docking pier, the National Trust believes that defining enforceable limits on the size, number and frequency of cruise ships visiting the downtown piers is central to a positive resolution. The National Trust wants to play a construc-



tive role in addressing this issue by offering its assistance in three ways:

- **Helping sponsor a Tourism Impact Study for Charleston.** The study would provide a deeper understanding of the economic, social and cultural impacts that current tourism and the increased levels of cruise traffic will create on the historic peninsula of Charleston. The study should be commissioned by parties with an interest in the issue, including the City, preservation organizations and the state ports authority. The National Trust's participation can provide assurance that the study responsibly reflects the concerns of all parties. In addition, the National Trust plans to support such a study with a grant to help defray costs.

- **Funding an Enforcement Authority Legal Review.** The National Trust can bring its significant legal resources to better understand the issue of authority in setting enforceable limits on cruise tourism. Precedents from other coastal communities, role and scope of potential city ordinances and state regulation and oversight are all considerations in the complex process of setting cruise limits. Parties engaged in this issue will ultimately need to understand what legal basis exists for management of cruise tourism levels. The National Trust can play a useful role in helping clarify the options available.

- **Launching a Community Forum on Cruise Tourism.** The National Trust plans to tap into its social networking and online presence to encourage continued discussion of the cruise tourism issue, both within the Charleston community and interested public audiences.

The National Trust believes that a positive, solution-oriented approach to the issues surrounding the city of Charleston is the only viable solution.

1.2 *Charleston Magazine* January 2012

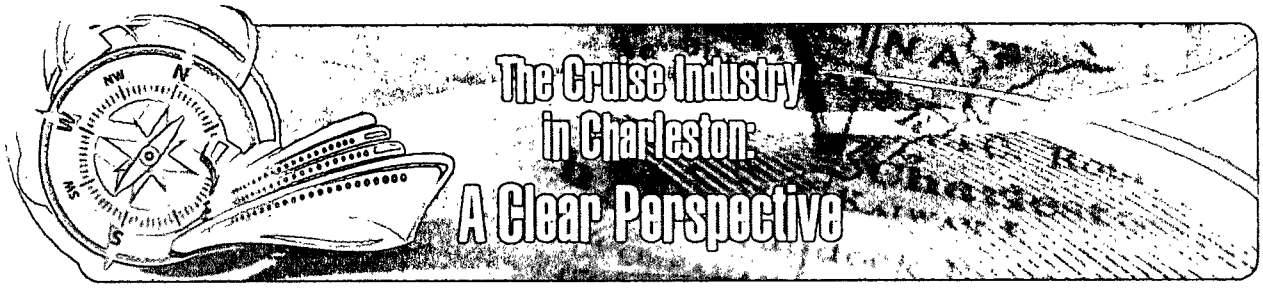
The January 2012 issue of *Charleston Magazine* included the following list of concerns:

EPA Clean Water Act and International Maritime Organizations (IMO) International Convention for the Prevention and Pollution from Ships MARPOL set environmental standards for water/ air emissions for cruise ships.

The cruise lines international Associations (CLIA) adopted cruise specific standards that meet or exceed the federal and international regulations, these are voluntary, i.e. no agency enforcement.

The EPA requires gray water, sewage, and ground up garbage to be discharged further than three miles from land. Cruise ships that embark from Charleston have voluntarily agreed to discharge gray water when the ship is more than 12 miles from shore according to the SPA.

The industry has a history of regulatory non-compliance. One example: in 2001 and 2003 Carnival paid settlements fees of $18 million and $200,000 respectively for improper oil bilge discharge and ballast water issues See cruisejunkie.com for additional infractions.



Appendix 4
(continued)

Other ports and states, such as Alaska, unsatisfied with CLIA's "trust Us" voluntary regulations, have passed more stringent laws, including mandating in –port use of shore power to reduce air pollution.

In March 2010, the IMO adopted new North American Emission Control Area (ECA) standards effective 2015, which are expected to reduce sulfur and particulate matter emissions by 85%.

1.3 Shore side Plug in power

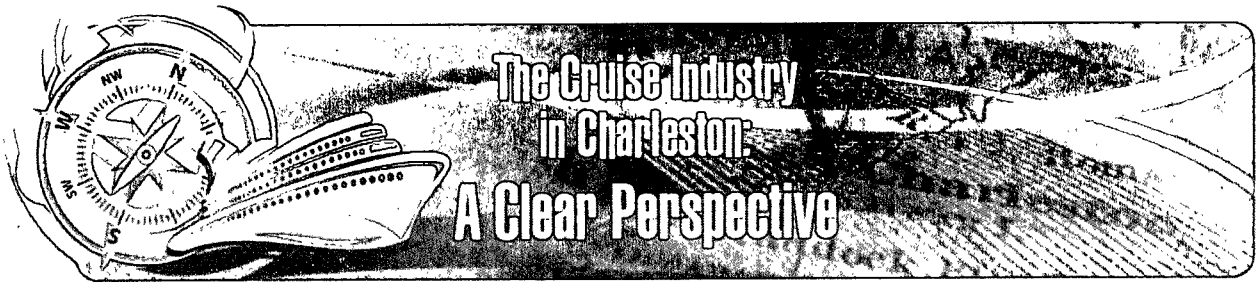
http://www.postandcourier.com/news/2011/jun/10/more-cruises-more-health-risks/

Three local physicians, Dr. Frederick E. Reed Jr., Dr. Thomas B. Harper III and Dr. William H. Lee presented shore side plug in power as a possible solution to some of the air quality issues. In a June 10, 2011 article in the *Post and Courier* they wrote:

> Our economy cannot afford shutting shipping down, but we can concentrate on mitigating big offenders such as cruise ships because their impact is closest to neighborhoods like Ansonborough, Mazyck-Wraggborough and the East Side. Downtown residents already report pervasive black soot on porches and exteriors.
>
> Shoreside or "plug-in" power should be our first line of defense against cruise ship air pollution.
>
> Carnival has already committed to shoreside power in a number of places. Just recently, New York City Mayor Bloomberg announced that Brooklyn's cruise terminal will be the first port on the East Coast to have shoreside power. The neighborhood residents immediately adjacent to the New York cruise terminal are plagued by high rates of asthma.
>
> According to the relevant environmental impact study for Brooklyn's consideration of shoreside power, a "large cruise ship burning diesel fuel emits more than 1,600 tons of air pollutants annually" and switching to shoreside power "would eliminate nearly 1,500 tons of carbon dioxide, 95 tons of nitrous oxide and 6 1/2 tons of diesel particulate matter annually.
>
> Now the New York Ports Authority is working with the EPA and Carnival to share the cost of installing the power source. Carnival will invest in retrofitting its visiting ships to allow plug-in.
>
> This measure has already been in force in San Francisco, Juneau, Seattle, Vancouver, Los Angeles and San Diego. Los Angeles even goes a step further, powering its shoreside facilities with solar panels.

In addition to plug-in power, Charleston should also require cruise lines to burn low-sulfur fuel. Carnival proudly asserts that its ships burned low-sulfur fuel in California before it was required by law. Carnival also boasts it "uses low-sulfur fuel in Glacier Bay National Park (Alaska) and Venice (Italy), though not required by law."

With other cities taking simple, common-sense steps to safeguard human health, Charleston should not be left behind. Whether the new terminal goes to Columbus Street, stays at Union Pier or even moves to Patriots Point, health protective measures are an essential part of city governance.



2. The Law Suit

On June 13, 2011 Historic Ansonborough Neighborhood Association, Charlestowne Neighborhood Association, Coastal Conservation League, And Preservation Society Of Charleston filed suit against Carnival Corporation, D/B/A Carnival Cruise Lines.

According the official document (Case No. 11-CP – 10 -4139) in Court of Common Pleas, State of South Carolina, County of Charleston

"In this Complaint, Plaintiffs allege that Defendant Carnival Cruise Lines ("Carnival") is violating numerous laws that protect Charleston's historic assets and environment from uncontrolled and incompatible cruise industry operations, and that Defendant's enterprise and its impacts are comprise an injurious nuisance. At base, Defendant Carnival is conducting an intensive cruise accommodations business in downtown historic Charleston as if the enterprise were beyond the reach of laws that other businesses and citizens must, and do, obey. Defendant is discharging pollutants from its vessel the Carnival Fantasy into Charleston Harbor without permits required by South Carolina pollution control law. Further, defendant is conducting Charleston's single largest accommodations business in an area where accommodations and deepwater transportation are not allowed. The crowds, pollution, and traffic associated with these unlawful operations create a nuisance for Charleston citizens. This lawsuit aims to protect Charleston's neighborhoods, families and the environment by having Defendant Carnival play by the longstanding rules and norms that have made - and make - Charleston a wonderful place to work, live, and visit. Relief sought includes a declaration that Defendant is not above local laws as well as injunctive relief to obtain compliance with those laws and to abate the nuisance caused by Defendant's operations."

The plaintiffs have claimed that Carnival Corporation is guilty of the following:

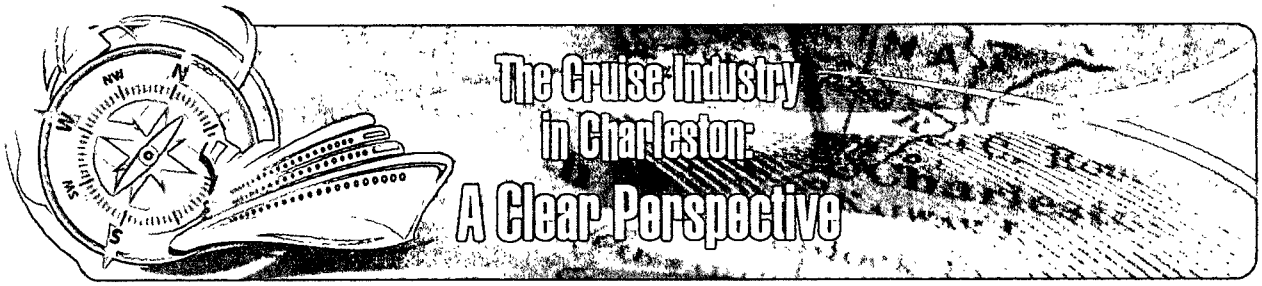
- Unlawful Use Within Light Industrial Zone District
- Violation of the Accommodations Zoning Ordinance
- Violation of the Old City Height District Ordinance
- Violations of View Corridor Provision
- Violation of Sign Ordinance
- Noise Ordinance
- Private Nuisance
- Public Nuisance

WHEREFORE, Plaintiffs respectfully request that this Court enter judgment as follows:

A. Issue a declaratory judgment in Plaintiffs' favor adjudicating the illegality and unreasonableness of Defendant's use of Union Pier Terminal and surrounding areas and attached structures for cruise operations as set forth above.
B. Enjoin further violations of the law by Defendant Carnival;
C. Abate cruise operations that constitute a nuisance;
D. Award Plaintiffs such other and further relief as the Court may deem just and proper.

Counter suit

After the suit was filed, the city and the State Ports Authority intervened on the side of Carnival. They asked the Supreme Court to take immediate jurisdiction saying the lawsuit threat-



Appendix 4
(continued)

ens the maritime commerce making it a matter of statewide public interest.

August 22, 2011 Carnival Corporation, South Carolina Ports Authority and City of Charleston v 2011 Historic Ansonborough Neighborhood Association, Charlestowne Neighborhood Association, Coastal Conservation League, and Preservation Society of Charleston.

According to the official document (Executed Petition for Original Jurisdiction, the State of South Carolina in the Supreme Court). http://www.scspa.com/EXECUTED%20PETITION%20FOR%20ORIGINAL%20JURISDICTION%20.pdf

The petitioners filed a petition for original jurisdiction requesting "the SC Supreme Court to exercise its original jurisdiction with respect to the attached lawsuit recently commenced in the Court of Common Pleas for the Ninth Judicial Circuit by respondents."

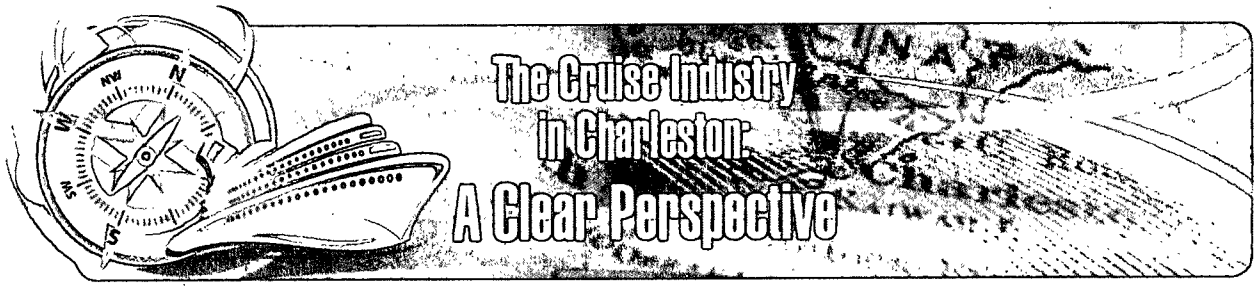
> In the Common Pleas action over which this Court's original jurisdiction is sought, Respondents seek a declaration that calls by cruise vessel at Charleston are illegal and unreasonable and should be enjoined. Although the legal challenges in this action are directed toward passenger cruise calls, most of the legal challenges apply to all cargo operation at SCSPA port terminals on the Charleston peninsula and at least two of the legal challenges implicate every cargo vessel which calls at any SCSPA port terminal in the State. Due to the time sensitive nature of this dispute and the enormous, potential adverse commercial and economic impact at stake, Petitioners respectively request the Court to conduct an expedited review of matters contained herein in furtherance of the public interest.

Since about May 2010 the Carnival Fantasy has made approximately eighty cruises from Charleston, taking roughly 185,000 passengers on cruises to Bermuda and various points in the Caribbean.

To finance the improvements to Union Pier, SCSPA bonds have been issued and sold with proceeds generating approximately $35,000,000. A key component of the Union Pier improvement is the continuation of long term and predictable commercial, ocean – going cruise vessels, calls at Union Pier and the income stream produced thereby. Toward this end, SCSPA and Carnival Cruise lines had made process toward a long-term contract under which Carnival would regularly call at Union Pier during the contract term. Carnival has, however, expressed strong reluctance about proceeding with an agreement in the face of litigation challenging the right of cruise vessels to use Union Pier. Without Carnival's long-term contractual commitment, the Union Pier improvement plan will not be viable.

The concurrent resolution notes that , among other benefits, Carnival's cruise calls pumped $37,000,000 into South Carolina's economy in 2010 alone, are projected to generate 407 jobs in the tri-county region and have resulted in the payment of $26,193,200 in labor income.

Although the majority of the attached Complaint consists of lengthily narrative indicting the cruise ship industry in general, the gist of



it is that Carnival vessels cannot legally call at Union pier because those vessels (a) violate the Charleston City Zoning Ordinances; (b) discharge into the South Carolina waters incidental to their operation without the benefit of permit issued by the SC DHEC and (c) constitute a nuisance.

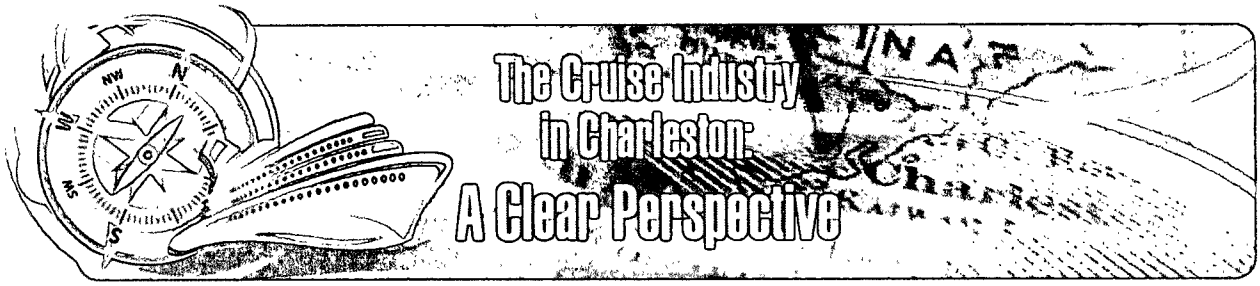
In sum, Respondents purport to represent the historic peninsula City at large (Coastal Conservation League and Preservation Society of Charleston) including the neighborhoods south of Broad Street and nearby Ansonborough which between them contain over three thousand residents. Given the type of injury claimed and the number of residents supposedly represented the Respondents clearly lack standing to assert a nuisance claim. Only a public authority may do so. Indeed, the public authorities most interested in pursuing public nuisance charges, the City of Charleston and the State, have unanimously resolved that the vessel calls decidedly are not a nuisance but rather a great benefit to the public good of the City and State, supra.

On January 17, 2012 The South Carolina Supreme Court agreed to hear complaints brought by local residents, preservationists and an environmental group over Charleston's expanded cruise industry.

3. Proposals offered by nonprofit organizations that were not incorporated into the City's Ordinance passed on September 14, 2011

3.1 Coastal Conservation League Proposal
http://coastalconservationleague.org/projects/cruise-ships-in-charleston/Jan 31, 2012

- A cap of 104 ships annually. The SPA asserts that this is the maximum number of ships the cruise market will support. This number should be codified.
- A ship size limit of 3,500 passengers. The SPA states that no ship larger than this will call on Charleston. We have asked for a binding agreement confirming this commitment.
- An enforceable agreement between the City and the cruise lines stating that no waste will be discharged closer than twelve miles from land. The cruise industry's trade association has made this promise verbally. It should be written and verifiable.
- Shore side power at the new terminal. Other major cruise destinations around the country include electric plug-ins, allowing ships to turn off their engines. Charleston should have the same.
- Shuttle service and offsite parking combined with a parking garage, to eliminate the need to devote 9 acres of prime waterfront property to a surface parking lot.
- Enforcement of the City's noise ordinance.
- A fee to offset the costs to the City of managing cruise visits. Currently, the City of Charleston receives no income whatsoever from visiting ships.



Appendix 4
(continued)

3.2 Historic Ansonborough Neighborhood Association (HANA) proposal

1) Amend the City ordinances that govern tourism businesses to include the cruise industry within the regulation of the Tourism Commission;

2) Execute an agreement between the State Ports Authority (SPA) and the City limiting the number of embarkations/disembarkation to two ships per week, each ship with a maximum of 3,500 passengers;

3) Update the 1996 City Master Plan and traffic plan for peninsular Charleston to reflect not only the increased traffic generated by the cruise ship industry, the new hotel and residential buildings and the proposed re-alignment of certain streets, but also the already approved redevelopment of Ansonborough Field.

3.2 Preservation Society of Charleston
http://www.preservationsociety.org/issues/2012-01-20-statement-cruisesuit.pdf
The Society also outlined a list of Ten Recommendations for Sustainable Cruise Ship Tourism, which included:

- Limiting the number of cruise ships and passengers on a daily and annual basis.
- Reaffirming SPA commitment to abide by local zoning ordinances.
- Establishing a remote parking facility.
- Directing pedestrians away from Ansonborough.
- Banning "late departure" offerings by cruise lines.
- Creating a Marine Passenger Fund.

Objectives:

1. The quality of life of the citizens of the City should be the primary factor in weighing any decisions that are made about the cruise ship industry and the Union Pier property Tourism and the local economy flourishes when the citizens of the city are pleased with how it is managed.

2. Maximum transparency and public input are essential for ensuring that future plans for the cruise ship industry and the Union Pier property consider potential negative impacts before future contracts are signed. Written commitment, timely public release of relevant documents and the use of impartial data (economic impact, traffic, etc.) should be the basis of decision making.

3. Reasonable regulations are the responsibility of the City of Charleston to ensure that the cruise ship industry is managed in the same way that all other tourist – related industries (pedicabs, walking tours, carriage tours) have been regulated. While imperfect, tourism management regulations are an essential tool for minimizing negative social and cultural impacts.

4. Appropriate redevelopment of the Union Pier property should be integrated ino the existing fabric of the City of Charleston in order to enhance the sense of place that distinguishes our historic district with appropriately scaled new construction, compatible uses, quality

materials and the protection and preservation of existing historic resources. This should include a reconsideration of the present accommodation overlay as it related to the property and the final location of a new terminal.

5. Stabilization and restoration of the Bennett Rice Mill Façade should not be contingent on any future cruise ship contract or Union Pier redevelopment plan. It is urgent that the at risk physical condition of this historic façade owned by the State Ports Authority be addressed so that this unique piece of industrial architecture can stand as a testament to our collective commitment to the historic legacy of our city. The SPA should consider placing a historic preservation easement on the façade.

Gurley at City Council

The Preservation Society of Charleston believes that the proposed amendment to the City's Tourism Management Ordinance to address cruise tourism is an important first step toward a workable regulatory framework. It codifies a process that provides valuable public input into future city council resolutions regarding the future growth of the cruise tourism industry. While not perfect, we feel that the proposed ordinance can be strengthened with the inclusion of specific criteria against which requests for increases in the scale or frequency of cruise tourism can be measured, so that the community can expect an objective and holistic analysis. Additionally, the Tourism Commission should be given the authority to negotiate an annual cruise visit calendar that avoids overlap of cruise visits with major community events.

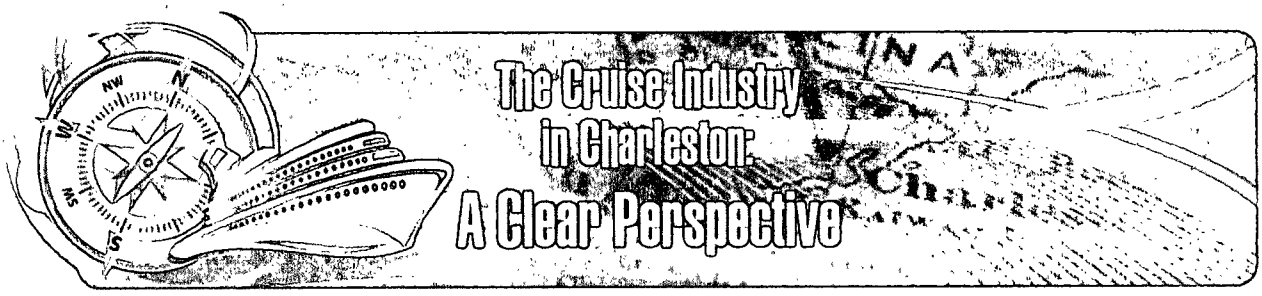
In order to balance concerns expressed by our organization and others in the community, we also believe that opportunities exist to amend the city's Zoning Ordinance to provide enforceable mechanisms to protect against unchecked future cruise tourism growth and to deal directly with challenges presented by traffic congestion and excessive surface parking at Union Pier.

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3.3. Review of the Historic Charleston Foundation Actions

http://www.historiccharleston.org/preservation/issues.html?id=126

Over the past two years the Historic Charleston Foundation has established ad hoc committees, conducted its own assessments, conducted public forums and commissioned independent studies to reach a reasonable consensus regarding a balanced approach for managing the cruise industry in Charleston. Over this period it has offered several statements regarding its perspective on the industry and proposed specific recommendations pertaining to the regulation of the industry.



Appendix 4
(continued)

Facts & Findings

a. **HCF's position on Cruise Ships and Union Pier should be consistent with its mission:**
To preserve and protect the historical, architectural and cultural character of Charleston and its historic environs, and to educate the public about Charleston's history and the benefits that are derived from preservation.

b. **HCF strongly supports the SPA and its core work.** It also recognizes that the Port is a vital economic engine for the entire state. Concern for the impacts of the cruise ship industry does not indicate a broader concern with other aspects of the SPA. We need to emphasize that these are two very distinct issues.

c. **Downtown residents, especially those living on the east side of the Peninsula and below Calhoun, feel the greatest impact.** This is in-part because Washington and Concord Streets make up a very important north-south corridor, and the existing terminal is near Harris-Teeter, a primary grocery store for downtown residents.

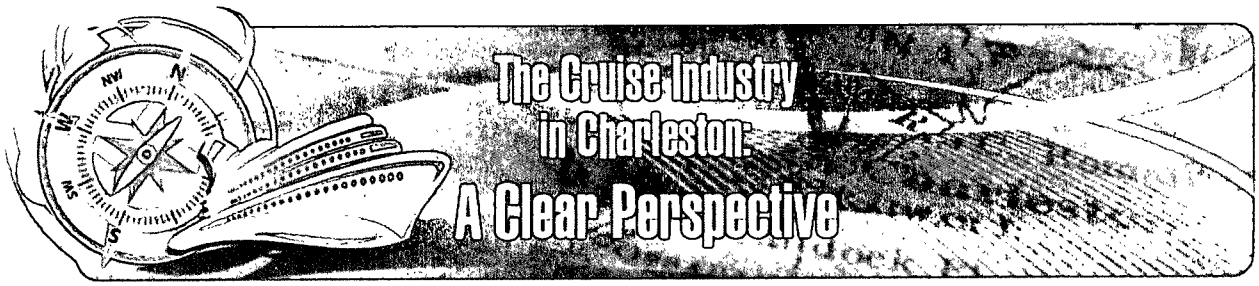
d. **The SPA's statement, "no more than two ships per week,"** was derived from a 52-week average, i.e. no more than 104 ships per year. As the cruising "high season" occurs mostly in the fall and spring, the approximately 90 ships scheduled for 2011 will mean a greater concentration of ships than the community was led to believe during those months of the year. The 2011 cruise ship activity and its impacts must be measured and monitored - objectively and creatively - so that the impacts - good and bad - can be determined.

e. **Last winter 2011, SPA moved its BMW operations** from Union Pier to the Columbus Street terminal; this allowed for the removal of the freight train south of Columbus Street and its requisite street closings. Also, the queuing, luggage drop-off, and parking for the embark/debark cruise passengers will be more efficiently handled on SPA property. This has been the first step towards mitigating some of the impacts of the cruise ships.

f. **The Union Pier Concept Plan** includes some great ideas for extending the urban fabric to the water's edge and increasing public access. It does not provide details about future land use and development options, short or long term. There is little discussion of how it will advance the overall quality of life and economic development of the site itself and the surrounding community. Since this is public land, there is great opportunity for a more detailed vision, especially for the non-maritime areas. Current market conditions indicate that realistic nonmaritime redevelopment options for Union Pier may take many years. This contributes to the uncertainty of how and when the Concept Plan will be implemented.

g. **HCF's strength in negotiating with the City and the SPA** will come from using the tools it has successfully used in the past to address large scale developments, including Charleston Place Hotel. These include participation in the regulatory review process, community outreach, and dialogue.

h. **The City has a responsibility to manage the cruise ship sector,** as it manages all businesses and other sectors of the tourism



industry. There does not currently appear to be any regulations of the cruise sector. Cruise ship operators should operate under rules and regulations just as all other tourism businesses.

Based on these findings, HCF's action plan includes three key components:

- The city should establish, if called for, regulations and ordinances that balance the economic interests of the cruise industry with citizens' quality of life. The city, in cooperation with SPA, should require all cruise lines calling on Charleston to comply with these regulations and ordinances.

- HCF will hire a qualified consultant, at its own expense, to independently monitor and analyze cruise visits in 2010 and 2011 to assess their environmental, economic and quality of life impacts. It will use findings from this independent study to develop its advocacy positions regarding the cruise industry.

- HCF will provide the resources to support a transparent, community-driven planning process to create a vision for the optimal redevelopment of the Union Pier property and cruise terminal. HCF will provide the financial resources to have an acclaimed team of experts study the property and publicly present their findings and recommendations in a public forum to be held in early spring 2011.

Proposed Plan of Action

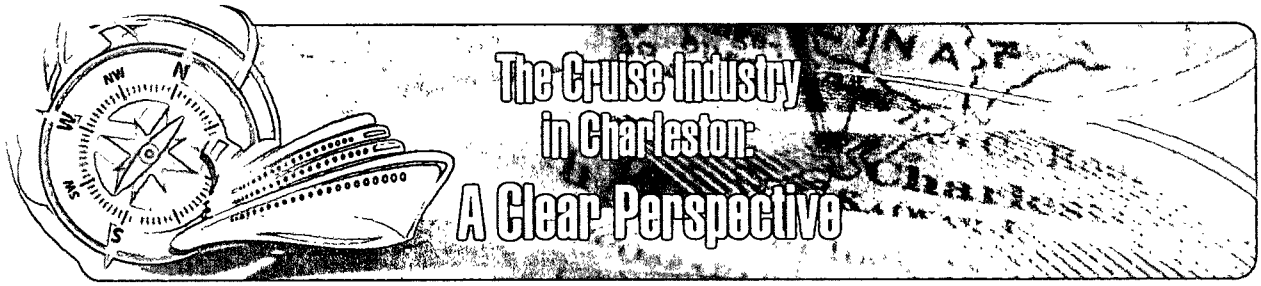
Objective: The Foundation's objective is to identify a pro-active, solutions-based process for building upon the opportunities Union Pier's development affords and resolving potentially adverse impacts created by the cruise ship industry. HCF aims to lead the community in a collaborative manner that strengthens relationships among all partners, specifically the City and its elected officials, the SPA and its board, and community residents and businesses. The following proposed three-pronged approach aims to address the legal, land-use, and quality of life issues by providing objective information and a compelling vision of opportunity.

1. Cruise Industry. The City must manage the cruise industry in a manner that is consistent with the City's ongoing efforts to appropriately balance the demands of tourism and commerce against the protection of history, culture, the environment and other factors contributing to the quality of life.

To that end, HCF will advocate that the City and its Council consider all means at its disposal, including, if necessary, enforceable ordinances that would sufficiently account for scale, capacity, frequency of visits, traffic and other considerations.

This will require study, review and amendments to the tourism management ordinance and guidelines. We propose that once appropriate regulations are developed, the City, working with the SPA, require that all the cruise lines calling on Charleston comply with such regulations.

2. Monitoring Impact. HCF will hire a consultant to independently monitor, document, and analyze the 2010 and 2011 cruise visits to objectively assess the legal, land-use, and quality of life impacts—both positive and negative. This would include a survey of residents, visitors,



historic sites and businesses (including hotels and restaurants) followed by a measurement of agreed-upon key indicators. The findings from this study will help the City adopt and/or modify the local regulations. The City and other community organizations should use this information to advocate for an appropriate regulatory framework before the SPA negotiates new cruise contracts.

3. Building the Vision. HCF supports a transparent, community-driven planning process to determine the optimal redevelopment plan for the entire Union Pier property including the Cruise Ship Terminal.

To stimulate our community's best thinking, HCF sponsored an acclaimed team of experts to visit and study the Union Pier property, then to publicly present their findings and recommendations in a public forum held in May 2011.

HCF would continue the process after the forum to help establish an overall redevelopment Vision for Union Pier.

The trustees adopted, unanimously, the following resolution and proposed plan of action to:

1) Encourage the City to regulate the impacts of the cruise industry in a manner consistent with the City's ongoing efforts to appropriately balance the demands of tourism and commerce with the protection of history, culture, the environment, and other factors contributing to the quality of life.

2) Lead a study of impacts to independently monitor, document, and analyze cruise visits and objectively assess the environmental, economic, and quality of life impacts.

3) Host a transparent, community-driven forum in which the Foundation sponsors a team of experts to visit and study the Union Pier property and offer their findings publicly.

March 2011 the trustees adopted the following resolutions:

1) To call upon the City to require the State Ports Authority (SPA) to move development plans through and abide by the decisions of the Board of Architectural Review (BAR) and the Board of Zoning Appeals (BZA) and that the City and/or any other relevant governing entity implement immediate, reasonable written and enforceable regulations on the cruise industry.

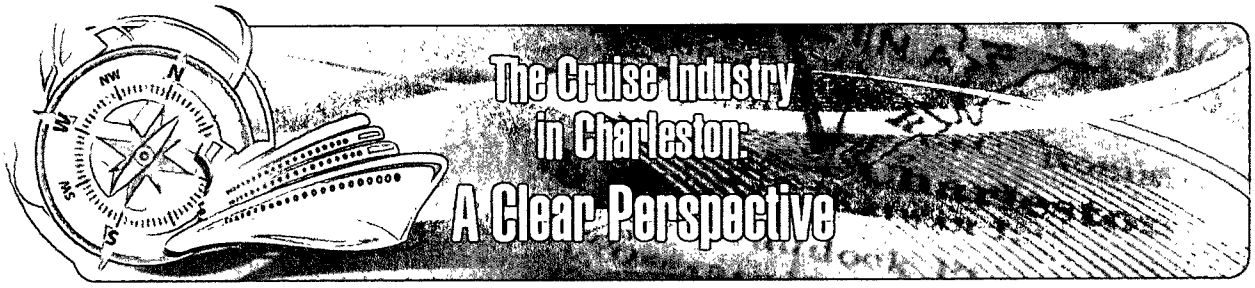
2) To call upon the SPA and the State of South Carolina to present an overview of the analyses of alternatives regarding the cruise ship terminal.

The Foundation was most pleased when the SPA agreed, in June, to submit the Union Pier development plans to the BAR.

April 13, 2011 the HCF Trustees Approved Two Resolutions for Union Pier and Regulation of the Cruise Industry

The first resolution ratified the Board's support for two actions:

- That the City take all necessary actions to ensure that any construction or renovation of the proposed cruise terminal building, and additional related or



subsequent development on State Ports Authority (SPA) owned property within either the Old and Historic District or the Old City District, be required to move through and abide by the decisions of the Board of Architectural Review (BAR) and the Board of Zoning Appeals (BZA).

- That the City and/or any other relevant governing entity implement immediate, reasonable written and enforceable regulations of the cruise industry. Such regulations must be reviewed and modified from time to time by City Council and/or that governing entity with the input of the community.

The second resolution calls upon the SPA and the State of South Carolina to present an overview of the analyses of three alternatives regarding the cruise ship terminal: (a) cruise operations as they exist today, (b) sale of the southern portion of Union Pier for private development and the redevelopment of the cruise terminal at the north end (i.e., the current SPA proposed scenario), and (c) the complete sale of the entire Union Pier property. The overview should be completed and made available to the public prior to a commitment to any specific action.

August 14 , 2011

While the City's authority to regulate is not unlimited, the Foundation's comprehensive legal assessment shows that local governments may regulate landside impacts created by maritime activities, as long as they reasonably balance relevant state and federal interests. We have determined that under existing laws, the City has broad land-use authorities and may impose reasonable zoning requirements that protect legitimate local interests and simultaneously allow the port to function pursuant to its statutory authorities and voluntary commitments.

We have developed this approach to serve as a framework that protects the most critical interests of the Ports Authority and of the city's residents and businesses. This ordinance will allow our community to move forward and to start the truly exciting work of redeveloping Union Pier, an achievement that our historic city and its citizens deserve.

Our proposed ordinance:

- Imposes reasonable and enforceable requirements on cruise passenger terminals, only in the heart of the city's historic districts, and it creates a Cruise Overlay Zone.

- Binds the Ports Authority's voluntary commitments, by allowing a single-berth cruise passenger terminal downtown, which could accommodate:

  - one cruise ship at a time;

  - cruise ships of up to 3,500 passengers; and

  - as many as 104 cruise ship visits/year

Ensures

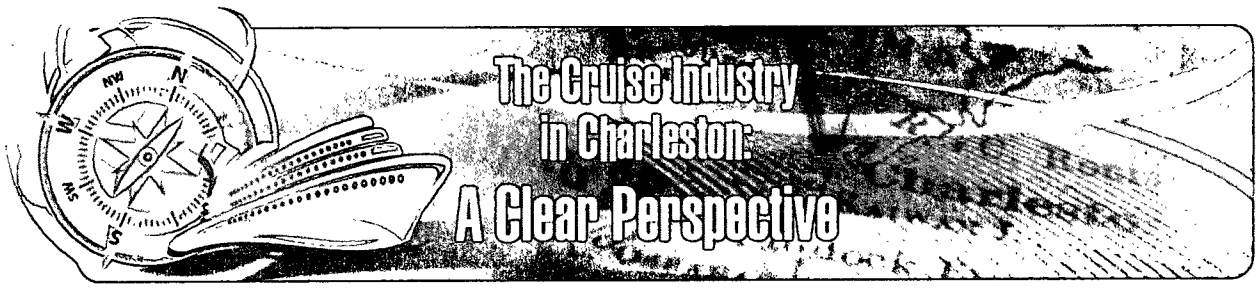
- Cruise passenger impacts can be avoided on days when other significant city events are planned;

Appendix 4
(continued)

- Vehicle arrivals and departures are scheduled to avoid congestion and rush hour traffic;

- Surface parking for cruise-related uses in the Cruise Overlay Zone is limited in favor of structured parking; and

- All vehicular and passenger processing occurs onsite; and all off-site traffic impacts are mitigated, pursuant to a traffic study prepared by the terminal operator, based on the City's adopted level-of-service standards.



Miley & Associates

Miley & Associates is one of the Southeast's leading economic and financial consulting firms. The firm specializes in economic impact analyses, fiscal impact analyses, feasibility reports, impact fee studies and benefit/cost modeling. Our clients include national and prominent local real estate developers, school districts, local governments, regional development agencies, and other private sector development firms. Miley & Associates partners appear regularly before decision-makers at all levels of government and understand the values, needs and desires of the clients they represent. With offices located in Columbia, South Carolina, the firm is well positioned to provide clients with hands-on service for projects throughout the entire Southeast region.

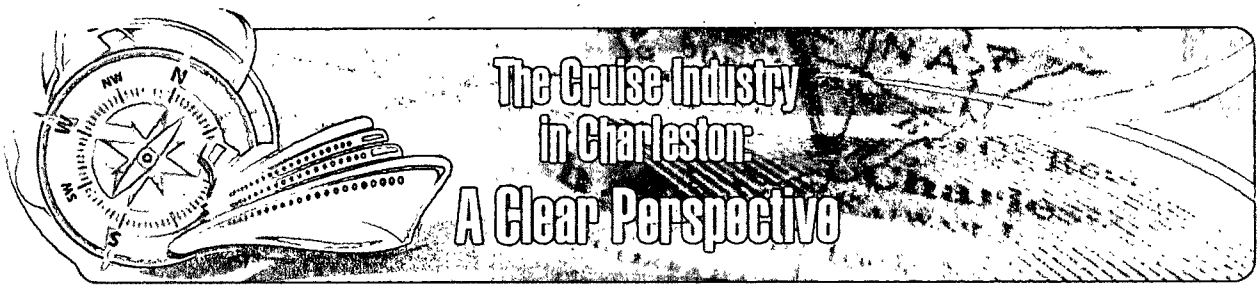
Miley & Associates appreciates that every research project is unique and deserves a custom solution. Public policy decisions are not made overnight, and we excel at providing advice and counsel along the way. We represent our clients. Our business plan is simple: we focus on exceeding our client's expectations and building long-term relationships.

Miley & Associates, Inc. was founded in 1993 by Harry W. Miley, Jr. Ph. D. The Company is an economic and financial consulting firm providing a range of analytical services to public and private sector clients. Miley & Associates conducts fiscal and economic impact analyses of proposed new developments and has extensive experience in assisting clients with their economic development and community revitalization projects.

Dr. Miley served as Chairman of the South Carolina Board of Economic Advisors (BEA) under two Governors. The BEA is responsible for estimating the State's revenues for the Governor and the General Assembly to use in formulating the State's annual budget. Dr. Miley was originally appointed as Chairman by Governor Carroll Campbell and continued to serve as Chairman for Governor David Beasley.

Dr. Miley was the Senior Executive Assistant for Economic Development to Governor Campbell from 1987 to 1989. Dr. Miley served as principal advisor to Governor Carroll Campbell on the state's policies for economic development, employment and training, work force and adult illiteracy, technical education and transportation issues.

Prior to joining the Governor's Office, Dr. Miley was on the faculty of the Moore School of Business at the University of South Carolina and Associate Director of the Division of Research at the School.



General Limiting Conditions

This economic analysis is not a budget or forecasting document and is not intended to depict a definitive course of action. Moreover, economic impact analysis is not designed as a space or facility-planning document. Many assumptions underlying economic impact analyses are based on policy decisions which, if modified, would affect the overall results.

This study is based on estimates, assumptions and other information developed by Miley & Associates, Inc. from its independent research effort, consultations with the client and its representatives, and primary and secondary sources. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis are based on trends and assumptions and, therefore, there will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives or any other data source used in preparing this study.

This report is based on information that was current as of April 2012 and Miley & Associates, Inc. has not undertaken any update of its research effort since that date. We have no obligation, unless subsequently engaged, to update this report or revise this analysis as presented due to events or conditions occurring after the date of this report.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Miley & Associates, Inc." in any manner without first obtaining the prior written consent of Miley & Associates, Inc. No abstracting, excerpting or summarization of this study may be made without first obtaining the prior written consent of Miley & Associates, Inc. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose. This study may not be used for purposes other than that for which it is prepared or for which prior written consent has first been obtained from Miley & Associates, Inc.

This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

Exhibit 28

From: Katie Zimmerman
Sent: Thursday, May 12, 2011 10:34 AM
To: Programs Staff; jrandolphpelzer@hotmail.com; Carrie Agnew; sgates100@gmail.com
Subject: Commentary: SPA's Union Pier plan isn't so 'grand' for local residents
http://www.postandcourier.com/news/2011/may/12/12pelzer/

SPA's Union Pier plan isn't so 'grand' for local residents

BY RANDY PELZER and CARRIE AGNEW
Thursday, May 12, 2011

Ron Brinson, in his Sunday op-ed, states that the current "grand" plan for Union Pier was "largely based" on neighborhood association input.

Not true. This Union Pier plan is and has always been the product of the State Ports Authority and has been sold as something the neighborhoods asked for. Neither our boards nor memberships have ever called for the current plan -- unregulated cruise activity from a new cruise terminal at Union Pier.

Over the past year, our neighborhoods have learned first-hand the negative effects of the new Carnival cruise presence: street closures/redirects lead to long delays on the east side of the peninsula; noise from public address systems and horns disturb the peace in Ansonborough; soot from burning low quality fuel while docked have dirtied homes expensive to maintain and increased health risks; and large ships, some too big to fit under the Ravenel Bridge, detract from our beautiful skyline.

The initial actions of our neighborhood associations were to support regulation and limitations on cruise ship activity as requested by other organizations in 2009. SPA still flatly refuses to make the limits legally binding.

Our neighborhood associations then started our own study. We learned that the New York experts employed at great expense by the SPA to determine the best site were told to look*only* at Union Pier, as a potential cruise terminal site. Neither the SPA nor

the experts studied the northern end of the Columbus Street Terminal or other SPA terminals.

If they had conducted such a study, they would have found what we found -- a location at the northern end of the Columbus Street Terminal is a more feasible and desirable site for a cruise terminal than Union Pier. Traffic would leave Morrison Drive before the already congested East Bay Street. Street closures would be not be necessary. The impact of noise and soot on residents would be minimized. Cruise ships would be framed against the Ravenel Bridge, not downtown steeples. There would be needed incentive for economic development on Morrison Drive and more jobs and amenities for the upper east side. And all jobs and local economic benefit from cruises would be preserved.

A major benefit of moving the cruise terminal north is that it would allow the redevelopment of the entire 65-acre Union Pier site as a mixed of residential, commercial and public spaces and the reopening of Washington and Concord Streets, as envisioned in the Concept Plan commissioned by the SPA and City in 1996. Most importantly, the sale of the entire Union Pier would maximize local job creation, public access to the waterfront and our local tax base.

This common-sense solution was approved by overwhelming votes of the membership of the Charlestowne Neighborhood Association and Historic Ansonsonborough Neighborhood Association. All major preservation organizations have supported a re-examination of the Union Pier plan. Mr. Brinson claims that the Columbus Street Terminal "can't be sacrificed for a cruise terminal." This is quite an exaggeration. A cruise terminal at Columbus Street should require only about 10 percent of the 155-acre site and would not interfere with current BMW export operations. At present, from photographs it appears that the SPA is using only about one-third of the Columbus Street Terminal for BMW export operations, and the rest of that terminal is largely unused. If the SPA was able to accommodate both BMW and the cruises out of the 65-acre Union Pier site until recently, it has ample capacity and ability to handle both at the 155-acre Columbus Street Terminal.

The SPA also has room for growth of its automobile cargo business at its 110-acre Veterans Terminal. Due to a substantial drop in cargo business over the past four years, the SPA has substantial overcapacity at its current five Charleston terminals for

years to come according to public disclosures in its last financial statements. It also has plans for a big new Navy Base terminal in future years if its cargo business grows substantially.

It is surprising to be told by Mr. Brinson that we cannot object and seek to limit this significant detrimental expansion of cruise activity in our neighborhoods because Charleston is a port and has always had cruises and tourists. Does he consider it elitist for residents of Johns Island similarly to object to I-526 or Park Circle in his North Charleston home to object to increased train traffic through Park Circle, because they have always had highways or trains nearby?

We are no different than any other neighborhood in trying to protect quality of life, health and property values. Just because our neighborhoods are the focus of our tourist industry and the venue for so many community events does not mean we should be forced to submit to a modern cruise terminal and greatly expanded cruise activity, when modern cruise terminals are normally located away from residential areas.

Every property owner and business downtown operates under stringent regulation and taxes, which has resulted in a thriving tourist industry and national reputation for excellence. The SPA wants to benefit from that reputation but endangers it by being unalterably opposed to reasonable proposals to protect our quality of life from traffic congestion, air pollution and noise through a better cruise terminal site and reasonable ordinances governing cruise ship size and number of visits.

Randy Pelzer *is head of the Charlestowne Neighborhood Association Cruise Ship Task Force.* ***Carrie Agnew*** *is chair of Historic Ansonborough Neighborhood Association Cruise Ship Committee.*

Coastal Conservation League
P.O. Box 1765
Charleston, SC 29402
Ph 843-723-8035 x 1028
Fax 843-723-8308
katiez@scccl.org

To learn more about Coastal Conservation League issues: www.coastalconservationleague.org

Exhibit 29

From:	Miller, Byron
Sent time:	Monday, December 12, 2011 5:06:15 PM
To:	pwmckinney@me.com
Subject:	Cruise 5 - Outreach
Attachments:	CRUISE OUTREACH MEETING TIMELINE.xls

Well, I fibbed a little... one last e-mail. Attached is a file summarizing our public engagement meetings through the end of August, and below are some notes of support for my Tommie Robertson response from neighbors around the terminal.

Byron Miller
S.C. Ports Authority
e-mail: bmiller@scspa.com
office: 843-577-8197
mobile: 843-514-9397
http://www.scspa.com

From: William Semmes [mailto:was@euroamericanfunds.com]
Sent: Thursday, December 08, 2011 10:25 AM
To: Miller, Byron
Subject: RE: response to your letter

Byron,

Yours was a great letter, I doubt I could have been as calm and nice. Looking at the car carriers at Columbus Street yesterday, I thought she might like to have those beauties there to watch dock and depart!

The Port was here before her building and mine – if that's not what she wanted then she didn't do her due diligence!

Best,

Bill

From: Robert Kosian [mailto:robert_kosian@yahoo.com]
Sent: Wednesday, December 07, 2011 2:40 PM
To: Miller, Byron
Subject: RE: response to your letter

Thanks Byron – well said!

From: Wendell and Nancy Robinson [mailto:wwrobin@bellsouth.net]
Sent: Tuesday, December 06, 2011 8:34 PM
To: Miller, Byron
Subject: RE: response to your letter

Byron,
In life there are absolutes and relatives. If you are a "relative" kind of person or you are making "relative" comparisons it seems imminently reasonable to you that as many factors will improve – and some of those greatly so, that these ought to be understood and appreciated by those that are effected. However, if the recipient lives in the absolute realm, relative arguments do not resonate. Mrs. Robertson obviously is in the absolute world and simply wants the terminal gone and no amount of your reasonable relative reasoning will dissuade her. That's just the way it is.
Have a happy holiday.
Wendell

From: Paul Franklin [mailto:paul@franklin-funding.com]
Sent: Tuesday, December 06, 2011 6:13 PM
To: Miller, Byron
Subject: RE: response to your letter

Thanks Byron. You have devoted a great deal of time, effort, detail and patience in your response to Mrs. Robertson. Barbara and I know and appreciate the extra steps you have taken to address her

concerns. Thank you for sharing your latest response and we look forward to our next interaction with you and anxiously await the start of construction on our new Charleston Cruise Terminal.

Warm regards,

Paul & Barbara Franklin
330 Concord St. Apt. 15B
Charleston, SC 29401
607-9700

From: Joan [mailto:sandytoes@bellsouth.net]
Sent: Tuesday, December 06, 2011 5:51 PM
To: Miller, Byron
Subject: Re: response to your letter

BYRON - What a great letter. Obviously, the lady is out of touch with what is going on. and being planned. Never forget, all of us who reside south of the Columbus St. Terminal are so much better off than we were when BMW and the trains and the RO-RO's were using Union Pier. We need to appreciate the coming improvement and those that have already been put in place. Maurice

CRUISE OUTREACH MEETING TIMELINE.xls

Union Pier Plan / Cruise Industry Outreach	
Date	**Meeting**
October 8, 2009	Kick-off Meeting
October 23, 2009	Historic Charleston Foundation
October 22, 2010	Coastal Conservation League
October 22, 2010	Preservation Society
October 23, 2009	The Committee to Save the City, Inc.
October 23, 2009	Historic Ansonborough Neighborhood Association
October 22, 2010	Gadsden Wharf (Dockside, Laurens Place and Anson House)
October 22, 2010	Charlestowne Neighborhood Association
October 22, 2010	French Quarter Neighborhood Association
Late October 2009	Garden District (Mazyck-Wraggborough) Neighborhood Association
Late October 2009	Harleston Neighborhood Association
October 23, 2009	Radcliffborough Neighborhood Association
Late October 2009	Eastside Community Development Corporation
Late October 2009	Market Preservation Trust
Late October 2009	Chamber Leadership
Late October 2009	Travel Council/CVB
Late October 2009	Port-Related Business
Late October 2009	CRDA Board
October 12, 2009	
October 28, 2009	Public Meeting and Listening Sessions
December 2, 2009	Eastside Community Development Corporation
December 14, 2009	Market Preservation Trust
December 23, 2009	Anson House / John Zervos
January 6, 2010	A Delicate Balance Public Forum
January 11, 2010	Charlestowne Neighborhood Association
January 22, 2010	Travel Council/CVB Luncheon
January 28, 2010	Historic Charleston Foundation
January 28, 2010	Coastal Conservation League
January 28, 2010	Market Preservation Trust
January 28, 2010	Gadsden Wharf (Dockside, Laurens Place and Anson House)
January 28, 2010	Preservation Society
January 28, 2010	Peninsular Neighborhood Consortium
January 28, 2010	
February 1, 2010	Press Conference about Cruise Economic Impact Study
February 9, 2010	Community Meeting on Concept Plan
February 16, 2010	
March 2, 2010	Randall Goldman Meeting
March 3, 2010	Historic Ansonborough Neighborhood Association
March 9, 2010	Plan Presentation to Charleston City Council
March 25, 2010	Gadsden Wharf (Dockside, Laurens Place and Anson House)
March 26, 2010	
April 7, 2010	1st Wednesday at Fish
April 12, 2010	Charlestowne Neighborhood Association Board
April 16, 2010	Peninsula Task Force
April 19, 2010	Garden District (Mazyck-Wraggborough) Neighborhood Association
May 5, 2010	Historic Charleston Foundation Tour
May 6, 2010	Hank Holliday
May 20, 2010	Pat Sullivan Tour

May 25, 2010	Preservation Society
June 3, 2010	Peninsula Task Force
June 8 and 10, 2010	Preservation Society Tour
June 30, 2010	Historic Charleston Foundation Task Force (Transportation)
July 1, 2010	Eastside Community Development Corporation
July 23, 2010	Peninsula Task Force
August 9, 2010	Cruise Neighbors Advisory Council
August 18, 2010	Preservation Society / HCF re: Bennett Rice Mill Façade
August 19, 2010	Peninsula Task Force
August 25, 2010	Peninsula Task Force Cruise Ad Hoc Committee
August 26, 2010	Peninsular Neighborhood Consortium
August 28, 2010	
August 30, 2010	Coastal Conservation League Meeting & Tour
September 1, 2010	French Quarter Neighborhood Association
September 2, 2010	Report to the Community - Public Forum
September 3, 2010	
September 5, 2010	
September 7, 2010	
September 11, 2010	Community Tour on Carnival Fantasy
October 21, 2010	
October 26, 2010	Historic Charleston Foundation Cruise Subcommittee Tour of Union Pier
November 8, 2010	Cruise Neighbors Advisory Council
November 11, 2010	Environmental Tour on Carnival Fantasy
November 12, 2010	Peninsular Task Force
November 15, 2010	Kirk Grant - HANA
November 17, 2010	HANA Cruise Subcommittee Tour
January 11, 2011	Evan Thompson - Preservation Society of Charleston
January 13, 2011	
January 27, 2011	
February 7, 2011	Cruise Neighbors Advisory Council
February 24, 2011	Peninsular Neighborhood Consortium
March 1, 2011	
March 2, 2011	HANA Meeting & Social Hosted by Port
March 14, 2011	Charlestowne Neighborhood Association
March 15, 2011	
March 16, 2011	Peninsula Task Force
March 21, 2011	Garden District (Mazyck-Wraggborough) Neighborhood Association
March 22, 2011	Bill Semmes (French Quarter)
March 31, 2011	
March 31, 2011	
April 6, 2011	Eastside Community Development Corporation
April 21, 2011	
April 23, 2011	
May 6, 2011	Chamber Leadership
May 6, 2011	French Quarter, Garden District, Harleston, Radcliffborough
May 6, 2011	Laurens Place, Anson House Dockside
May 9, 2011	SC Coastal Conservation League, Historic Charleston, Preservation Society, Historic Ansonborough Neighborhood Association
May 9, 2011	Historic Charleston Cruise Forum Panelists Tour of Union Pier

May 9, 2011	Historic Charleston Foundation Cruise Forum
May 10, 2011	Cruise Design Kickoff Meeting
May 10, 2011	
May 10, 2011	
May 16, 2011	Cruise Neighbors Advisory Council
May 23, 2011	Preservation Society of Charleston
May 26, 2011	SCCCL (Dana Beach, Kate Parks)
May 31, 2011	Laurens Place, Anson House Dockside
May 31, 2011	French Quarter, Garden District, Harleston, Radcliffborough
May 31, 2011	Mayor Riley
May 31, 2011	SC Coastal Conservation League, Historic Charleston, Preservation Society, Historic Ansonborough Neighborhood Association
June 1, 2011	Cruise Design Preliminary Concepts Public Meeting
June 1, 2011	
June 1, 2011	
July 14, 2011	Technical Review Committee (TRC) Meeting
July 15, 2011	Stakeholder Meetings (3) Cruise Design
July 15, 2011	Laurens Place, Anson House Dockside
July 15, 2011	French Quarter, Garden District, Harleston, Radcliffborough
July 15, 2011	Historic Charleston Foundation
July 18, 2011	Cruise Design Public Meeting
July 18, 2011	
July 18, 2011	
July 21, 2011	Dockside Leadership (M. Fox)
July 27, 2011	City of Charleston Special Events Committee (lehman)
August 3, 2011	
August 4, 2011	
August 10, 2011	Board of Architectural Review (BAR)
August 15, 2011	Cruise Neighbors Advisory Council
August 18, 2011	Charleston Metro Chamber Port Tour & Briefing
August 24, 2011	SC Association of Countywide Elected Executives
August 31, 2011	Charleston Trident Association of Realtors

Other Activities
Letter from Jim / invitation to listening session on October 28
Letter from Jim / invitation to community meeting on February 9
Community Shares Goals of Union Pier Plan - Op-Ed in P&C (Newsome)
Letter from Jim on Concept Plan

Postcard from Jim / invitation to Report to the Community on September 2
Letter from Jim on Next Steps
Moving cruise terminal northward will benefit community - Op-Ed in P&C (Newsome)
Email on Report to the Community
Mayor Riley speaks at Propeller Club of Charleston dinner meeting
Joanie Field (Carnival) speaks at the Propeller Club of Charleston luncheon meeting
Email on Responses to RFP for Cruise Terminal Design
Email on Move of BMW to Columbus Street Terminal
Email on Selection of Design Team for Cruise Terminal
Cruise Business Council Kickoff Event
Email on Formation of Cruise Business Council
Email on Board Action to Move Forward with Union Pier Plan
Op-Ed by Cruise Business Council Co-Chairs Keener, Mellen, Hassell and Dunlap

Cruise Design Kickoff Email Blast
Cruise Design Kickoff Letter from Jim Newsome
Cruise Design Preliminary Concepts Email Blast
Cruise Design Preliminary Concepts Letter from Jim
Cruise Terminal Design Email Blast
Cruise Terminal Design Letter from Jim
Cruise Business Council Meeting Aboard Fantasy
Robert Behre briefing and site visit for P&C column

Exhibit 30

From: Wendell and Nancy Robinson <wwrobin@bellsouth.net>
Sent time: Tuesday, December 06, 2011 8:33:41 PM
To: Miller, Byron
Subject: RE: response to your letter

Byron,
In life there are absolutes and relatives. If you are a "relative" kind of person or you are making "relative" comparisons it seems imminently reasonable to you that as many factors will improve – and some of those greatly so, that these ought to be understood and appreciated by those that are effected. However, if the recipient lives in the absolute realm, relative arguments do not resonate. Mrs. Robertson obviously is in the absolute world and simply wants the terminal gone and no amount of your reasonable relative reasoning will dissuade her. That's just the way it is.
Have a happy holiday.
Wendell

From: Miller, Byron [mailto:BMiller@SCSPA.com]
Sent: Tuesday, December 06, 2011 5:30 PM
To: Wendell and Nancy Robinson <wwrobin@bellsouth.net> (wwrobin@bellsouth.net)
Subject: FW: response to your letter

Hi Mr. Robinson, I'm sending you and others a copy of my response to Mrs. Robertson's letter to the editor this morning.

From: Miller, Byron
Sent: Tuesday, December 06, 2011 5:12 PM
To: Doug Robertson (doug-tommie@comcast.net)
Subject: response to your letter

Hi Tommie, in response to your letter this morning, I have to confess that I am bothered that you feel I've "disparaged" you.

You and I have engaged in numerous conversations and e-mail exchanges over the past nearly two years, dealing with various port-related matters, including rail crossings/signals, the cruise terminal and even fears about possible terrorists operating out of a local restaurant!

I have spent considerable time listening to your concerns, sharing information, and even taking your husband on a tour of a ship and the cruise terminal operation.

Throughout this time, I have attempted to work with you in a most professional, productive, open, honest and forthright manner – you even complimented our responsiveness and wrote that you'd vote for *me* for mayor!

I take great pride in our community engagement activities. We can always do better, but I think we've tried very hard to listen and to be responsive. That's why we hired quality firms to assist with our concept planning, our terminal design and our unprecedented outreach initiative. Our plan for the entire Union Pier redevelopment and the cruise terminal design reflect this.

While you're obviously not happy will all the outcomes, I think we've tried to be most reasonable. And I have certainly never participated in, supported, encouraged, tolerated or witnessed "unfounded allegations" against you or anyone else.

Regarding plans for the new cruise terminal development, the team has made great progress on the design -- including the northern elevation -- thanks in large part to your suggestions and those of your neighbors. A number of your concerns were addressed and are reflected in the design.

* You asked (quite emphatically!) that we look at reducing the size of the new cruise terminal building. By pulling up the skirting and removing a whole bay on the existing warehouse, the building's mass and appearance will be reduced by about 1/3. That probably equates to a 40,000 square foot reduction in the building's roof area.

* You asked that we keep the building low so as not to block views. We kept the overwhelming majority of the building at its existing height, except for a small portion of the eastern side. At about 36 feet, it's considerably shorter than your new condo building and other buildings in the area.

* You asked that we treat all sides with the same details. We have brought forward the louvering along the roof line on the north elevation, the clerestory lighting designs, common materials and themes, ensuring all sides have the same treatment.

* You were concerned with lights. Our lighting plan will remove up to 11 high-mast 80-foot-tall light poles and replace them with human scale lighting features.

* You suggested that we break up the expansive length of the northern elevation and help screen equipment when not in use. This too

has been incorporated and refined in conceptual designs approved by the BAR.

* You asked that we give the northern side some additional visual interest. The new designs of the eastern and western ends add much more visual interest when viewed from the north, particularly when compared to early designs. We are carrying forward the suggestion of a perimeter treatment on the northern dock area, similar to the "bollard and chain" design that is common around the waterfront park area.

* You asked that we do everything possible to minimize impacts from the mechanical equipment. We have committed to technologies for both built-in and add-on noise dampening, and shared specs on this with Doug at a recent meeting, as well as screening.

* You requested that we look at minimizing announcements. Carnival has since employed a silent debark with no announcements and minimizes embark announcements to those associated with the mandatory muster drills.

* You expressed concern about ship emissions and air quality. Our plan actually *reduces* ship activity at Union Pier and the dock near your condo by nearly 70 percent – or 200 ships a year, by relocating cargo operations to Columbus Street Terminal. This has also removed significant rail and truck activity from Union Pier.

* You asked that we maximize green space near you and improve the appearance from the northern side of the building. We have exceeded the city's requirements for plantings in the parking area. We also offered to work with our neighbors on a new passive green space at the mosquito fleet area right next to you, and also committed to remove all the derelict pilings from the marsh behind the wharf during construction.

* You were interested in light and noise impacts associated with embarking cruise ships. While cargo operations next to your condo have existed for decades and totaled more than 200 ships a year working 24/7, the supply operation associated with cruise ships is essentially a day time activity, ending by early afternoon, at a much smaller scale than the previous cargo operation. This is a significant reduction in activity compared to cargo operations.

I believe our plans – that we developed with your input – will lead to meaningful and real improvements for both the area and the project.

Sincerely,
Byron

Byron Miller
S.C. Ports Authority
e-mail: bmiller@scspa.com
office: 843-577-8197
mobile: 843-514-9397
http://www.scspa.com

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Exhibit 31

From:	Miller, Byron
Sent time:	Tuesday, June 14, 2011 7:37:14 PM
To:	Tom Dow (TDow@carnival.com) <TDow@carnival.com>
Subject:	FW: a few select quotes

Hi Tom, in the event you haven't seen all this yet, I wanted to share some clips and the video from yesterday's press conference. We are putting the hammer down. Hope all's well.

Byron

From: Miller, Byron
Sent: Tuesday, June 14, 2011 9:58 AM
To: Gallagher, Tim (CCL)
Cc: De La Cruz, Jennifer (CCL)
Subject: RE: a few select quotes

Hi Tim, here are the three local TV news pieces...

http://www2.counton2.com/news/2011/jun/13/legal-action-in-dispute-over-sc-cruise-s-05482-vi-83143/

http://www.abcnews4.com/video?autoStart=true&topVideoCatNo=default&clipId=5952195

http://www.live5news.com/category/195958/video-landing-page?autoStart=true&topVideoCatNo=default&clipId=5951323

We shared the full video with all media from yesterday. Also, the ILA membership voted unanimously to intervene in the lawsuit, and the Charleston Metro Chamber of Commerce executive committee will consider same on Friday. Attorneys proceeding to coordinate legal strategy as appropriate.

Byron

From: Gallagher, Tim (CCL) [mailto:TGallagher@carnival.com]
Sent: Tuesday, June 14, 2011 9:05 AM
To: Miller, Byron
Cc: De La Cruz, Jennifer (CCL)
Subject: RE: a few select quotes

Thanks, have shared these with executive team. Will you be getting TV clips/links that you'll be able to share?

From: Miller, Byron [mailto:BMiller@SCSPA.com]
Sent: Monday, June 13, 2011 9:52 PM

To: Miller, Byron
Cc: Gallagher, Tim (CCL); De La Cruz, Jennifer (CCL)
Subject: Re: a few select quotes

Here's the link to full video...

http://vimeo.com/25058586

Byron Miller

S.C. Ports Authority

e-mail: bmiller@scspa.com

office: 843-577-8197

mobile: 843-514-9397

http://www.scspa.com

On Jun 13, 2011, at 6:43 PM, "Miller, Byron" <BMiller@SCSPA.com> wrote:

> Hi Tim, we'll have a link to the video from today's press conference shortly, but I did want to send a few select quotes (attached below). Also attached are the media requests and a selection of links to news stories, although I'm sure your clipping service has picked up all these and more.
>
> Byron

Mayor Joe Riley, City of Charleston

"This is a maritime community. We embrace that, we're proud of that, we welcome that, and Charleston for all its history has welcomed people coming here or leaving here by ship. Cruise Ship activity is very important to our economy and it is a job creator." "What I know is, well over the majority of the citizens whom I serve think that the right scale of cruise activity in Charleston is a very good thing. I also know that if we don't work hard and defeat this lawsuit promptly, then something very important, that has lasting positive opportunities to impact us, will be lost." "We're not going to let organizations with their own agenda get in the way of economic progress, or very significant opportunities for positive beneficial water's edge redevelopment in our city."

Bryan Derreberry, President & CEO, Charleston Metro Chamber of Commerce

"Their [Carnival] successful bottom line has resulted in a successful bottom line for our economy – a $37 million impact...Carnival and the redevelopment of the union pier property continue a proud tradition of one of Charleston greatest economic assets, our port." "We want to send a strong message to Carnival and State Ports Authority that we fully support their prospective efforts in strengthening our regional economy and helping to advance our economy for years to come."

Ken Riley, President, International Longshoremen's Association Local 1422

"The cruise business is a people business - anyone who comes to our city should experience firsthand all the charms our city has to offer." "This seems to be nothing more than class warfare, sad but true."

State Rep. Jim Merrill (R-Daniel Island)

"The idea that they would sue a client of the port is an abomination. If you want to sue somebody, sue the state of the South Carolina, sue the City of Charleston, sue the SPA. But to try and sue a client to create a climate of ill will is sickening. That is a direct affront to every business here in Charleston, South Carolina. I'm proud to stand here with the Ports Authority, and I'm proud to stand here mayor, and all these fine citizens, and I look forward to the day we can say, we beat this."

State Rep. Leon Stavrinakis (D-West Ashley)

"Carnival Cruise Lines made this commitment to Charleston, South Carolina in the middle of the worst economic downtown in any of our lifetimes. When everybody else was pulling back and saving money, Carnival came here and made an investment in Charleston and showed trust in us." "You're coming after the industries that we rely on to provide jobs and economic security for the families that live in Charleston SC. That is a dangerous precedent. And we need to strike back." "Instead of suing Carnival Cruise Lines, we want to thank them for going above and beyond the call of duty in their legal obligations to help us preserve the beautiful environmental heritage of Charleston, South Carolina."

Byron Miller

VP - Marketing, PR & Planning

South Carolina State Ports Authority

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<SCCCL Media Contacts.doc>

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Exhibit 32

ASSESSING AND MANAGING CRUISE SHIP TOURISM IN HISTORIC PORT CITIES:
CASE STUDY CHARLESTON, SOUTH CAROLINA

Lauren Perez Hoogkamer

Submitted in partial fulfillment of the requirement for the degrees
Master of Science in Historic Preservation
Master of Science in Urban Planning

Graduate School of Architecture, Planning and Preservation
COLUMBIA UNIVERSITY

MAY 2013

R.003594

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ABSTRACT

Since 1970, the cruise industry has grown by more than 2,100 percent; cruise ships can now carry more than 6,000 passengers. Preservationists and planners managing some of the world's most emblematic historic port cities—including Falmouth, Jamaica; Dubrovnik, Croatia; and Venice, Italy—have identified negative impacts (e.g., incompatible development, loss of intangible culture, pollution, wear and tear) caused by the surge in cruise ship traffic and infrastructure. Yet cruise markets continue to be developed within historic port cities without any assessment or regulation, in part because responses to this issue are still under development. This thesis is the first comprehensive study to explicitly position this preservation planning challenge within the field of heritage tourism management. It is also the first study to analyze international examples of adverse effects created by cruise tourism in historic port cities and present a list of tools—such as tourism management organizations, carrying capacity, port quotas and congestion fees—that can be applied to assessing and managing impacts, building on the theory that development in and around historic districts should stay within limits of acceptable change.

Furthermore, this thesis uses Charleston, South Carolina as a case study and creates a framework for an assessment and phased management plan that would allow the city to reap the benefits of cruise tourism while mitigating costs and protecting invaluable cultural resources. Charleston is an important case as it is the first and only port in the United States to gain international attention for opposing the cruise industry specifically on the grounds that it impacts the city's historic character. It is currently being transformed into a new cruise terminal without any preservation or environmental review. This thesis draws on research on the relationship between cruise tourism and historic ports in order to anticipate the impacts of Charleston's proposed terminal.

INTRODUCTION

During the last 20 years, cruise ship tourism has increased significantly, as has the size of the cruise liners.[1] Around the world, historic port cities, including, but not limited to, Falmouth, Jamaica; Dubrovnik, Croatia; Venice, Italy; and Charleston, South Carolina have been dealing with the unique impacts caused by the surge in cruise ship traffic and infrastructure. For the purpose of this thesis historic port cities are loosely defined as pre-industrial to pre-war port cities, primarily containing historic building materials and infrastructure built to the scale of the historic population, which ranged from a few thousand to not more than 200,000 depending on the original prominence of the location; the historic character and monuments are the reason historic port cities are currently attractive tourist destinations.

Unfortunately, there are no authoritative or comprehensive studies on the specific impacts of cruise ships on historic resources and cities; the majority of research focuses on environmental and economic impacts within a narrow context. However, the Center for Responsible Travel, URBACT's Cruise Traffic and Urban Regeneration program, the University of Virginia's Falmouth Field School in Historic Preservation and a variety of local authorities, researchers, and journalists have published reports and articles on individual ports—mostly outside of the United States—from which this thesis draws. There is very little research that pertains to historic resources in port cities in the United States.

Cumulative data from these sources concludes that the cruise industry has created social, economic, environmental, and physical impacts on many historic port cities which include: the loss of intangible cultural resources, such as traditions and artisanal products, which are modified

[1] "Profile of U.S. Cruise Industry," *International Cruise & Excursions, Inc.* 2013 http://www.iceenterprise.com/cruise/industry.jsp "The Cruise Industry: General Analysis and Overview," *Wind Rose Network.* 2004-2013 http://www.windrosenetwork.com/The-Cruise-Industry-General-Analysis-and-Overview.html

to adapt to the market that cruise ships bring; a decrease in quality of life and the displacement of local residents as the number of tourists increases by the thousands; the cruise companies' privatization of beaches, ports, and tourist amenities, which remove these resources from local access and take economic benefit from local cultural exhibitors and guides; the loss of natural heritage resources such as coral reefs, wildlife sanctuaries for the widening of harbors and channels to accommodate larger ships; and the development of infrastructure to accommodate larger groups of tourist passengers, as well as incompatible terminals, port facilities, and tourist amenities, which diminish historic character.[2] These preservation planning challenges will be demonstrated through specific international examples in Chapter 1 (see Figures 1 & 2).

[2] *Harboring Tourism: An International Symposium on Cruise Ships in Historic Port Communities,* February 6-8, 2013

Documented Impacts

Venice	Falmouth	Dubrovnik	Mayport	Puerto Rico
Carrying Capacity	Incompatible Development	Carrying Capacity	Intangible Culture Threatened	$ Funds New Development not Preservation
Pollution	Intangible Culture Threatened	Congestion	Incompatible Development	Wear & Tear
Intangible Culture Threatened	Loss of Local Business		Loss of Residents	
Fragile Resources Threatened				
Wear & Tear				
Congestion				
$ Funds New Development not Preservation				

Figure 1. Chart of Documented Cruise Tourism Impacts to Historic Port Cities, 2013

(Lauren Hoogkamer)

Documented Impacts

Caribbean	Belize	Valletta	Juneau	Honolulu
Private Resorts, Beaches & Islands	Incompatible Development	Carrying Capacity	Incompatible Development	Intangible Culture Threatened
$ Funds New Development, not Preservation	Fragile Resources Threatened	Incompatible Development	Loss of Local Business	
Intangible Culture Threatened	Carrying Capacity	Congestion		
Loss of Local Business				
Incompatible Development				

Figure 2: Chart of Documented Cruise Tourism Impacts to Historic Port Cities, 2013

(Lauren Hoogkamer)

Research on tourism, the cruise industry, and tourist behavior, illustrates how the economic viability of cruise tourism leads to the transformation of historic port cities into so-called destinations that require new development, infrastructure, and regulation.[3] It follows that such change must be managed, in order to ensure that the transformation of the historic port city

[3] Manning, Ted, "Managing Cruise Ship Impacts: Guidelines for Current and Potential Destination Communities." 2006

enhances its historic value, rather than diminishes it. [4] Already, there are many initiatives concerning cruise ship discharges that are regulated by the United States Environmental Protection Agency, the Clean Water Act, the Act to Prevent Pollution from Ships, and the International Convention for the Prevention of Pollution from Ships (MARPOL).[5] Groups such as Friends of the Earth, which issues an environmental cruise ship report card, do not believe that these policies are stringent enough.[6] Researchers have just begun to address claims from Venice and Charleston that ships traffic erodes historic harbors and building foundations; there is not yet enough evidence to make a definitive conclusion.[7] For the past 15 years, Ross Klein, a professor at Memorial University of Newfoundland, has been critiquing the impacts and unregulated practices of the cruise ship industry. Even though he does not focus specifically on impacts to historic port cities, his research supports the need for cruise ship management.[8]

Although this research has not created much response, outside of directly involved stakeholders, recent media coverage on cruise ships in Venice and Charleston is now drawing attention to a relatively new aspect of cultural/heritage tourism management—the issue of assessing and regulating the effects of increased cruise ship tourism in historic port cities. Currently, there are no standard regulations, assessments, or management practices regarding cruise ships or port development in historic cities. This research seeks to understand:

- What are the established negative effects of port development in historic port cities?
- How can these effects be assessed in order to create a proactive managerial framework?

---

[4] Marsh, Elizabeth A., "The Effects of Cruise Ship Tourism in Coastal Heritage Cities: A Case Study of Charleston, South Carolina", *Journal of Cultural Heritage Management and Sustainable Development*, 2012. Vol. 2 Is: 2

[5] "Ocean Vessels and Large Ships," US Environmental Protection Agency. March 20, 2013 http://www.epa.gov/otaq/oceanvessels htm

[6] "Cruise Ships," Friends of the Earth. http://www foe.org/projects/oceans-and-forests/cruise-ships

[7] Bellingham, Shane; Davis, Cortney; O'Brien, Chris; Saari, Erin, *Cruise Control: To Further the Understanding of the Comprehensive Impacts of Cruise Ships on the City of Venice.* Worcester Polytechnic Institute, December 17, 2010

[8] Klein, Ross A. Cruise Ship Squeeze: The New Pirates of the Seven Seas. New Society Publishers, 2005. pp. 1- 47

- Which preservation management practices could be internationally utilized to protect the character and aesthetics of historic cities?

In response to the above questions, I draw from a variety of research conducted on cruise ship tourism in some of the world's most trafficked historic port cities. Historic port cities are by definition unique so objections could be raised to a methodology, such as my own, that seeks to compare them. However, cruise ship travel, and its associated port infrastructure, is rather standardized, which makes it possible to extrapolate that the potential categories of negative effects, which must be managed and mitigated, will be relatively similar across historic port cities. Therefore, I argue that it is practical to learn from examples in other countries and compare and contrast regulatory concepts in order to establish best practices.

In terms of assessment, this thesis considers, among other options, the relevance of Section 106 of the National Historic Preservation Act, Section 4(f) of the Department of Transportation Act, and the National Environmental Policy Act's provision for environmental assessment, as interpreted by the New York City Environmental Quality Review (CEQR), all of which require review if a proposed project affects neighborhood character and/or neighboring historic resources that are on or eligible for the National Register of Historic Places.[9] Section 106, according to the Council's recommendations, defines the area of potential effect as "the geographic area or areas within which an undertaking may cause changes in the character or use of historic properties, if any such properties exist...Important views and other areas of attributes that are functionally important as a support to the property and its protection".[10] Furthermore,

[9] National Trust for Historic Preservation, "Cruise Ships and You: Applying Lessons Learned." *Forum Bulletin,* May 24, 2012 http://www.preservationnation.org/forum/library/public-articles/cruise-ships-and-you html; *CEQR: City Environmental Quality Review Technical Manual.* New York City Mayor's Office of Environmental Coordination, June 18, 2012. pg. 213 Although, CEQR is not applicable to South Carolina, its EIS interpretation could be adopted by Charleston or South Carolina.

[10] Advisory Council on Historic Preservation, "Section 106 Regulations Summary." Updated April 26, 2002 http://www.achp.gov/106summary.html

CEQR requires that environmental impact statements take into account effects on neighborhood character, broadly defined as land use, zoning, and public policy; socioeconomic conditions; open space, historic and cultural resources; urban design and visual resources; shadows; transportation; and noise. I will evaluate how these policies and concepts can be applied to defining and assessing the impacts of Charleston's cruise ship traffic and the proposed terminal's area of impact, as well as the city's limits of acceptable change (LAC).

LAC were developed in the 1970s and 80s to manage "human-induced change" to protected United States' wildernesses. The concept was used to balance conservation with recreation. LAC focus on establishing clearly defined and desired conditions and developing methods to reach those conditions in a way that serves rather than controls users. This concept is preferred over that of carrying capacity because it establishes clear values.[11]The goal of this thesis is to identify best practices for assessing and managing the limits of acceptable change for historic port cities, affected by cruise ship traffic and infrastructure, so that both residents and tourists can continue to enjoy them (see Figures 3 & 4). These strategies will be discussed in Chapter 2.

[11] Stankey, George H., Cole, David N., Lucas, Robert C., Peterson, Margaret E., Frissell, Sidney S., *The Limits of Acceptable Change (LAC) System for Wilderness Planning.* USDA Forest Service General Technical Report INT-176. 1985.

Strategies for Assessment

Tool	Results	Actors	First Used	Applied to Cruise Ships
Limits of Acceptable Change	Established Values for Base and Desired Conditions	Government, City, Ports, Tourism Managers,	1970-80s for US Wilderness Managment	N
Section 106 Review	Establishes Scope of Review & a Mitigation Plan	Developers, Residents, SHPO	1966 National Historic Preservation Act	N
Section 4(f) Review	Establishes Scope of Review & a Mitigation Plan	Developers, Government, Residents	1966 Department of Transportation Act	N
Heritage Impact Assessments	Assesses Impact to Significance; Identifies Conditions; Creates Mitigation Plan	Government, City, Preservation Professionals	NA	N
Environmental Impact Statements	Assesses Impacts, Identifies Scope & Conditions; Creates Mitigation Plan	Developers, Government, Residents	1969 National Environmental Policy Act	Y

Figure 3. Chart of Strategies for Assessing Cruise Tourism Impacts to Historic Port Cities, 2013 (Lauren Hoogkamer)

Strategies for Mitigation

Tool	Results	Actors	Example	Applied to Cruise Ships
Taxes, Fees, Pricing, Licensing & Sponsorship	Funds Restoration and Maintenance; Decreases Congestion; Supports Local Business	City and Port Authority	Venice Implemented Congestion Pricing	Y
Tourism Management Organizations & Local Action Plans	Creates Relationships; Manages Tourism Development	State, City, Port, Tourism Community, Developers, Residents	Europe's Urbact Created Local Action Plans, such as for Naples, Italy	Y
Quotas and Limits	Caps # of Ships and Passengers. Limits Size of Facility	City and Port Authority	Dubrovnik Refuses Ships that Exceed its Limits	Y
Buffer Zones	Informs Terminal Location; Regulates Use; Forces Co-Managment	Country, City, State, Port	UNESCO Buffers Protect Surrounding Area	Y to a Certain Extent
Technological Advances	Use of Cleanest Fuels/Energy, Engines/Systems	Country, City, State, Port	Shore Power	Y

Figure 4. Chart of Strategies for Mitigating Cruise Tourism Impacts to Historic Port Cities, 2013 (Lauren Hoogkamer)

In Chapter 3, I analyze the case of Charleston, South Carolina, and how the identified best practices could be adapted to the political, jurisdictional, and regulatory idiosyncrasies of the United States, the state of South Carolina, and the city of Charleston. In order to understand the complex and particular challenges that Charleston faces, I conducted interviews and surveys with planners, preservationists, port authorities, residents, and tourists in Charleston. Charleston is an important case because it is the first and only historic port city in the United States to gain

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international attention for opposing the cruise industry specifically on the grounds that it impacts the city's historic character.



Figure 5. Charleston, SC, 2010 (*Don't Leave Charleston in Your Wake*)

Founded in 1931, Charleston's historic district is the oldest in the United States and has a long history of careful preservation and planning.[12] In 2010, Carnival's Fantasy cruise liner began using Charleston as an embarkation port. Since then, the South Carolina State Ports Authority (SPA) has been in the process of redeveloping Union Pier into a new cruise ship terminal without environmental or heritage impact assessments. Adjacent to the city's historic districts, but on state land, the terminal's location has created a jurisdictional conflict over how,

[12] Hosmer, Charles Bridgham, Preservation Comes of Age: From Williamsburg to the National Trust, 1926-1949. University of Virginia Press, 1981 pp. 232-249

and by whom, the port area can be managed.[13] The terminal's infrastructure, including parking lots, increased traffic and tourist amenities, noise, emissions, size of the ships and waves of thousands of passengers will change the character—physical, social, and economic—and aesthetics of Charleston's historic districts, as well as overwhelm its carrying capacity and test its limits of acceptable change.[14]

The concept of carrying capacity was first used to describe the ability of ecosystems to sustain a specific amount of organisms in the late 1880s. Since the 1840s, the term had been used to reflect the literal amount an object could carry. By the 1940s, it began to be used to describe an environment's ability to sustain human populations. However, this implies that the environment has an inherent limit, separate from those imposed by humans. It is also undefinable because it supposes that there are ideal conditions that must be maintained; these conditions can be used to justify the repression of marginalized populations by dominant populations.[15] In fact, opponents of the cruise terminal in Charleston have been called elitist for that very reason.[16] Because of this ambiguity, I use carrying capacity only to describe the capability of a historic port city's current and existing historic infrastructure and size to literally convey and contain a population of tourists and residents before its historic resources begin to suffer irreversible damage, but I rely on other concepts to develop measurable limits for tourism and change, as well as definable impacts.

Charleston's preservationist and neighborhood groups—including the Historic Charleston Foundation, the Preservation Society of Charleston, Charleston Communities for Cruise Control,

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[13] Schneider, Keith, "Historic City at Odds With Its Popularity as Cruise Port." *The New York Times*, April 19, 2011
[14] Behre, Robert, "Impact of Cruise Ships on Charleston Historic District Focus of New Lawsuit." *The Post and Courier,* Tuesday, July 3, 2012
[15] Sayer, Nathan F. "The Genesis, History, and Limits of Carrying Capacity." *Annals of the Association of American Geographers, 2008.* 98:1, 120 -134
[16] Ward, Eric K., "'Port Opponents' List a 'Port Enemies' List?" *The Nerve,* November 7, 2011 http://thenerve.org/news/2011/11/07/port-opponents-list-a-port-enemies-list/

the Southern Environmental Law Center, the Charlestowne Neighborhood Cruise Ship Task Force, the Coastal Conservation league, and the Historic Ansonborough Association—believe that Charleston's character and livability are being threatened. These entities are in the midst of three ongoing lawsuits— *Historic Ansonborough Neighborhood Association, Charlestowne Neighborhood Association, Coastal Conservation League, and Preservation Society of Charleston v. Carnival Corporation, D/B/A Carnival Cruise Lines, The South Carolina State Ports Authority and The City of Charleston; Preservation Society of Charleston and South Carolina Coastal Conservation League v. United States Army Corps of Engineers and The South Carolina State Ports Authority Preservation Society of Charleston, Historic Charleston Foundation, Historic Ansonborough Neighborhood Association, South Carolina Coastal Conservation League, Charlestowne Neighborhood Association, Charleston Chapter of the Surfrider Foundation, and Charleston Communities for Cruise Control v. South Carolina State Ports Authority and South Carolina Department of Health & Environmental Control*—over the redevelopment of Union Pier. Concerned about the new infrastructure and the routing of passengers through the historic district, these groups are seeking full review of SPA's actions and cruise ship regulations in the form of a city ordinance.

In support of these regulations, Charleston was put on the National Trust for Historic Preservation's 2011 Watch Status and the World Monuments Fund's 2012 World Monuments Watch.[17] In February of 2013, the Preservation Society of Charleston, the World Monuments Fund, and the National Trust for Historic Preservation hosted *Harboring Tourism: An International Symposium on Cruise Ships in Historic Port Communities*, which focused on the

[17] Bly, Laura, "Charleston Placed on Preservation "Watch" Status for Cruise Ship Impact." *USA Today-Travel*, June 15, 2011 http://travel.usatoday.com/destinations/dispatches/post/2011/06/charleston-cruise-ships-lawsuit-national-trust-historic-preservation/174453/1

growing issue of how to manage and assess cruise tourism in historic ports within the context of heritage tourism management.

The National Trust for Historic Preservation defines heritage tourism as "traveling to experience the places, artifacts and activities that authentically represent the stories and people of the past," including cultural, historic, and natural resources.[18] The Trust also acknowledges that heritage tourism is economically beneficial for historic preservation as it can generate attention and spending that go towards the promotion and maintenance of these resources. Furthermore, one of the main purposes of historic preservation is to preserve resources so that they can be experienced by future generations for years to come. However, the Trust states that tourism must be balanced with the needs of the residents and the carrying capacity of the destinations—tourism should not overwhelm the environment or the lives of the surrounding population nor override the "quality and authenticity" of cultural, historic, and natural resources.[19] Balance can be maintained through careful management by planners, preservationists, and other stewards.

Based on the above principles, in Chapter 4, I provide recommendations for Charleston and future investigation of this preservation planning challenge.

[18] "Heritage Tourism," The National Trust for Historic Preservation. http://www.preservationnation.org/information-center/economics-of-revitalization/heritage-tourism/
[19] Ibid

CHAPTER 1. THE IMPACTS OF CRUISE SHIP TRAFFIC & TERMINAL DEVELOPMENT ON INTERNATIONAL HISTORIC PORT CITIES

Historic port cities around the world are grappling with how to deal with the rapidly growing and changing cruise industry. Many reported problems with traffic and overcrowding, housing affordability, resident displeasure, tourist venue ownership and access, increased infrastructure costs, pollution, noise, coastal damage, and an overall erosion of character and culture. Historic port cities face unique circumstances in trying to promote heritage tourism while also protecting and conserving historic, cultural, and natural resources along with a sense of authenticity and tradition. Furthermore, historic areas are constrained by older infrastructure and the lack of space and/or ability to build new infrastructure.

Due to a lack of comprehensive management and assessment strategies based on established metrics and standards, as well as little specific information on cruise tourism and historic resources, there is a general confusion about possible effects and ways to manage the cruise industry while still reaping the economic benefits. Besides international and national laws on commerce and environmental protection, there are no standards for regulating cruise tourism or developing cruise terminals and ports in historic cities. Because ports vary widely from location to location and even in number of tourists per year, which can range from thousands to millions, it is also difficult to make generalizations on how to manage and assess port concerns. However, the following discussion analyzes the trend of adverse impacts experienced by numerous historic port cities. Because of there are no comprehensive studies, most of this data was collected from reports on individual ports and newspaper articles.

Economic Challenges

Since 1970, the cruise industry has grown by more than 2,100 percent.[20] In 2012, 20 million people traveled via cruise ship. In the US alone, the cruise industry is worth approximately $23 billion a year.[21] In 2011, it generated $40 billion in overall economic activity and 350,000 jobs.[22] The largest cruise vessels, owned by Royal Caribbean, can now carry more than 6,000 passengers.[23] Key to the success of this industry is its ability to offer its passengers new and more exciting destinations at affordable prices, the counterpart of which is the ability to shift to more profitable or desirable markets at will.[24] According to Jean-Paul Rodrigue, a transportation scholar at Hofstra University, the common belief that people take cruises for the ships, not the specific destinations, is a fallacy. Instead, Rodrigue found that passengers choose cruises for the itineraries and the experience of the places the cruise line offers.[25]

Historic port cities want to attract cruise ships to reap the economic benefit that increased tourism brings, especially jobs in the service, port, and transit sectors.[26] In order to please tourists, ports often feel that they must compete against each other and invest in larger terminals and tourism amenities such as shopping malls and hotels, instead of the preservation of historic resources. In Puerto Rico, millions of cruise passengers a year generate an economic benefit; however, that money goes towards the creation of more tourism infrastructure and attractions and does not support the restoration of the country's historic and cultural resources, many of which

[20] "Profile of U.S. Cruise Industry," *International Cruise & Excursions, Inc.* 2013 http://www.iceenterprise.com/cruise/industry.jsp "The Cruise Industry: General Analysis and Overview," *Wind Rose Network.* 2004-2013 http://www.windrosenetwork.com/The-Cruise-Industry-General-Analysis-and-Overview.html
[21] Dowling, Ross K., Cruise Ship Tourism. CAB International, 2006, pp. 1-17
[22] Milan, Craig, "Keynote Speech—Cruise Line Drivers of Deployment: Placing ships in Historic Port." *Harboring Tourism: An International Symposium on Cruise Ships in Historic Port Communities,* February 6-8, 2013
[23] Sloan, Gene, "New 'World's Largest' Cruise Ship Could Arrive in 2016." *USA Today*, October 25, 2012 http://www.usatoday.com/story/cruiselog/2012/10/25/royal-caribbean-oasis-cruise-ship/1657423/
[24] "Cruise Industry is Still Strong: 5 Reasons Why—Opportunities for Cruise Franchise Owners," *Cruise Holidays.* 2012 http://www.joincruiseholidays.com/articles/cruise-industry-is-still-strong-5-reasons-why.aspx
[25] Jaffe, Eric, "Why Cruises Start and Stop Where They Do," *The Atlantic Cities.* January 10, 2013 http://www.theatlanticcities.com/jobs-and-economy/2013/01/why-cruises-start-and-stop-where-they-do/4366/
[26] Ibid

need maintenance.[27] However, ports are chosen, by tourists and cruise companies, for their wealth of historic and natural resources and, thus, both ports and cruise companies should invest in their maintenance. [28] Figure 6 shows the most popular ports around the world, many of which are historic. In Europe, cruises bring about 307,000 jobs and $45 billion in spending.[29] In the Caribbean, Central and South America, the cruise industry created $2 billion in direct expenditures, 45,225 jobs, and $728 million in wages.[30] The cruise industry in Asia is still developing.[31]

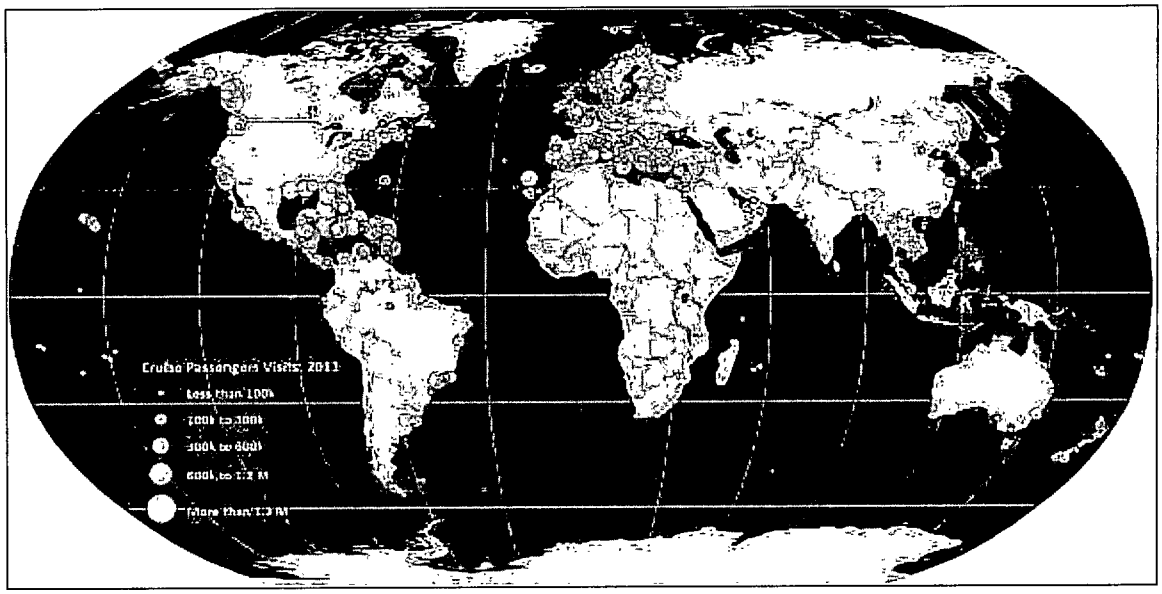


Figure 6. Cruise Passengers Visits, 2011. Data from Cruise Market Watch. (Jean-Paul Rodrigue, *The Atlantic Cities)*

[27] Coriano, Carlos A., "Sustaining Competitive Advantage: The Case of Puerto Rico." *Review of Tourism Research,* Vol. 3, No 2, 2005
[28] Jaffe, Eric, "Why Cruises Start and Stop Where They Do."
[29] "European Cruise Industry." *ETurbo News*, October, 26, 2011. http://www.eturbonews.com/26016/european-cruise-industry-generates-billions
[30] BREA, *Economic Contribution of Cruise Tourism.* Florida-Caribbean Cruise Association, V 1., September 2012 Data excludes Jamaica.
[31] Duffy, Christine, "Opportunity and Growth in the Asian-Pacific Market." Cruise Lines International Association, October 10, 2012 http://ceoblog.cruising.org/content/opportunity-and-growth-asian-pacific-market

The cruise industry, distinguishes between embarkation ports and ports-of-call. Embarkation, or home, ports are where the cruise itineraries begin. They must be located in major cities with cultural attractions, as well as airports, hotels, and other tourist amenities. These ports are doors to other ports that comprise the journey, for example Miami is an embarkation port for the Caribbean. These starting points are established tourism destinations and don't often change. Ports-of-call are also major attractions, such as a historic city or a beautiful island. These ports can suffer from too much tourism, such as over development and over visitation, which, according to Rodrigue, can cause a sense of artificiality. The third type of port is the "gateway" port, which is just a place to disembark on the way to a major destination. Cruises do not typically economically benefit gateway ports because tourists just pass through on their way to the main destination.[32]

While the cruise industry is generally thought to be economically beneficial for embarkation ports and ports-of-call, it is becoming detrimental, as cruise lines often try to play destinations against each other in order to spur the development of bigger and better port infrastructure and amenities for its passengers—often using local public funding at no cost to the cruise lines.[33] Ross K. Dowling, another expert on the cruise industry, disagrees with Rodrigue that tourists are attracted to the itineraries and not just the ship itself. He writes that cruise lines pressure destinations to become extensions of the ship—thereby decreasing the uniqueness of the individual ports—because tourists are attracted to the on-board cruise experience rather than the ports-of-call. Historic ports are concerned that cruise passengers disregard local culture and attractions, preferring instead to purchase a few cheap souvenirs and head back on board or to

[32] Ibid
[33] Manning, Ted, "Managing Cruise Ship Impacts: Guidelines for Current and Potential Destination Communities."

cruise-sponsored attractions.[34] This is especially true for Falmouth, Jamaica where most cruise passengers do not leave the enclosed port-owned area.[35]

Cruise companies also invest in private terminals and amenities, but seldom provide for the preservation of historic or community resources, as in the case of Puerto Rico. They also decrease the economic benefit to localities by guiding tourists to their own on-shore businesses, buying their own beaches and islands which are often closed off to locals, or pressing for on-board spending rather than on-shore.[36] Without the economic benefits of tourist spending, these destinations bear the costs of hosting these gigantic ships, their infrastructure, and/or their passengers. Disney, Royal Caribbean, Norwegian, Princess, and Holland America all own private islands and/or resorts just miles away from historic ports such as Nassau in the Bahamas, Labadee in Haiti, and Fort Lauderdale in Florida.[37]

The Caribbean is both the most developed tourism market and the most tourism dependent region in the world.[38] Tourism's total contribution to the Caribbean's GDP is 14 percent compared with the respective 8.4 percent contribution to North America and the European Union's GDP.[39] With over 60 percent of the world's cruise ship fleet in the Caribbean during peak season and 39.8 percent of all itineraries, the region also accounts for the largest share of the global cruise tourism market.[40] The leading cruise companies are Carnival and Royal Caribbean and they generate more income than many of the Caribbean islands' total GDP. It is estimated that the average cruise passenger spends 82 percent of their time on-board and 18

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[34] Dowling, Ross K pp. 1-17
[35] McFadden, David, "Caribbean Cruises Leave Wave of Bitter Merchants." *The Miami Herald,* October 10, 2012 http://www.miamiherald.com/2012/10/10/3043965_p2/caribbean-cruises-leave-wave-of html
[36] Jaffe, Eric "Why Cruises Start and Stop Where They Do."
[37] "Cruise Line Private Islands," *Cruise Critic.* http://www.cruisecritic.com/articles.cfm?ID=1418
[38] Maclellan, Robert, "Caribbean Cruise Industry and its Impact on Region's Hotel Sector," *ETurbo News*, April 11, 2012 http://www.eturbonews.com/28744/caribbean-cruise-industry-and-its-impact-region-s-hotel-sector
[39] *Travel & Tourism: Economic Impact 2013-Caribbean,* World Travel & Tourism Council. pg. 23
[40] *Cruise Industry Overview-2012,* Florida Caribbean Cruise Association. pg. 1

percent on-shore. The islands also don't have many resources for managing these giant companies or any financial support in the case of disasters, such as ships running into coral reefs or the deterioration of significant historic resources.[41] While the islands often fund the development of cruise terminals and port amenities, the ships don't even pay taxes. As the Caribbean loses out on passenger spending, it is also losing stay-over passengers because the cost of a cruise cabin, including food, is cheaper than a hotel stay. According to journalist Robert Maclellan, cruise companies are "using" the Caribbean, basically, for free.[42]

It is very difficult to determine the costs versus benefits of hosting cruise companies, especially since most ports have not done a comprehensive cost-benefit analysis. Besides tourist spending, ports receive revenue from sales, accommodation and other taxes, docking fees, passenger fees or head taxes, and waste management fees.[43] However, whether or not this revenue offsets costs depends on how the port enforces these fees and taxes. Many ports do not collect accommodation or head taxes; fees can also vary. In 2011, cruise companies successfully lobbied to lower head taxes in Alaska from $46 to $35.50 per person, potentially costing the state $22 million in lost fees. The cuts were prompted by the fear that fewer cruise ships would visit Alaska if the taxes weren't reduced.[44]

The report *Costs and Benefits of Cruise Ship Tourism in Victoria* (British Columbia), an historic port city, found that the economic benefits from the cruise industry where exaggerated and didn't account for the cost of maintaining the cruise industry. According to the study, benefits, including cruise line, passenger, and crew member expenditures, amounted to $24

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[41] Maclellan, Robert, "Caribbean Cruise Industry and its Impact on Region's Hotel Sector," *ETurbo News*, April 11, 2012 http://www.eturbonews.com/28744/caribbean-cruise-industry-and-its-impact-region-s-hotel-sector
[42] Ibid
[43] Dowling, Ross K. pg. 13
[44] Bohrer, Becky, "Alaska Cruise Ship Head Tax Cut Approved." *NBC News,* April 15, 2010 http://www.nbcnews.com/id/36465517/ns/travel-cruise_travel/#.UVn7bFeReLg

million a year. Meanwhile, costs, including waste management, traffic congestion and noise, road repairs, atmospheric emissions, and public subsidies, equaled $28 million a year.[45]

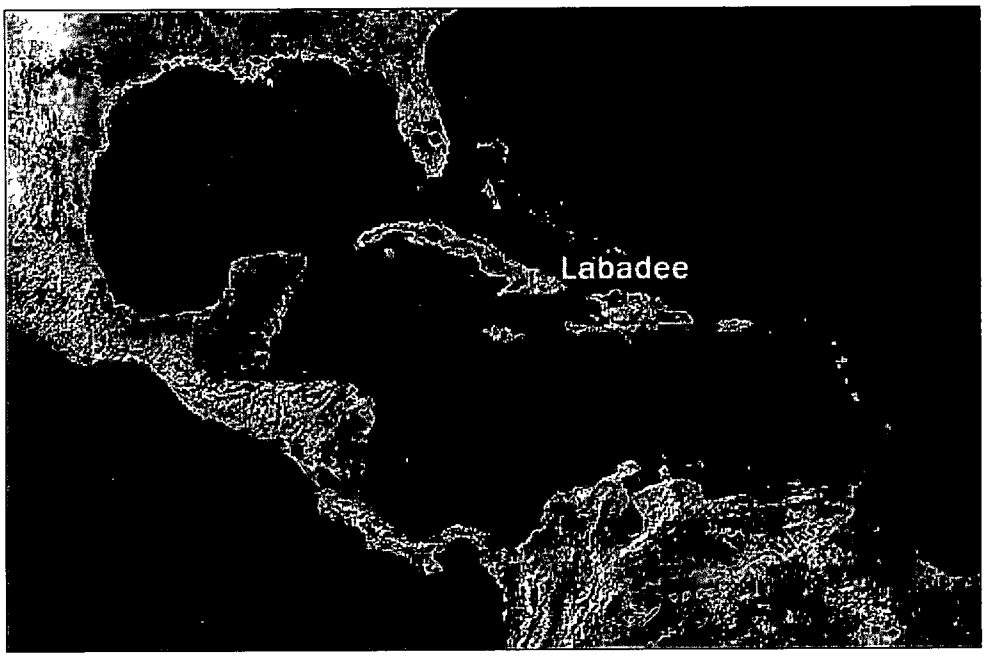


Figure 7. Labadee, Haiti (*Shipparade.com)*

The cost benefit ratio varies from port to port, and has many contradictory components that must be further studied. For example, Royal Caribbean has been criticized for taking vacationers to its private Labadee resort, just 60 miles away from Port-au-Prince, which was nearly destroyed by an earthquake in 2010.[46] Many said that the company should have taken Haiti off its itinerary in the wake of the disaster or that a non-privatized resort would create a larger economic benefit as the cruise company owns all the restaurants and shops in Labadee. However, the Haitian government requested that Royal Caribbean continue with business. Royal Caribbean funded the $55 million for the Labadee port and has also brought the country supplies along with its cruise passengers. The company, along with passenger donations, has also given

[45] Scarfe, Brian, *Costs and Benefits of Cruise Ship Tourism in Victoria.* James Bay Neighborhood Association, April 2011. This study defines economic impact as a combination of costs and benefits.
[46] Interlandi, Jeneen, "Setting Sail on a Haitian Pleasure Cruise." *The Daily Beast,* January 27, 2010 http://www.thedailybeast.com/newsweek/2010/01/27/setting-sail-on-a-haitian-pleasure-cruise.html

Haiti over $2 million in relief, along with creating a fund to provide up to $2,500 in grant money for any Haitian crewmember to rebuild their home or find a lost family member. Additionally, the company employs 200 Haitians and allows 300 local venders to operate in the resort. The cruise ships also pay a $6 head tax per passenger, which equates to approximately $2 million for the country with a GDP of $6.9 million. Two-thirds of respondents to an online survey, conducted by Cruise Critic, believed that Royal Caribbean was doing the right thing, even though some passengers said that compared to the economic benefit present onboard, the company's contributions to Haiti were not enough.[47] Although Labadee contains very few historic resources, the case represents the overall difficulty of calculating equity and economic benefit.

The economic difficulties faced by historic port cities in the Caribbean are not uncommon in the US. The historic port city of Mobile, Alabama is an example of a failed investment in cruise ship infrastructure. Mobile has an unutilized cruise terminal and approximately $29 million in debt because the city invested in building a new terminal for Carnival, which was also using the city as an embarkation port. A few years later, Carnival decided that Mobile was no longer the best port for the company and left the terminal empty and struggling to find a new use.[48] Other components of Mobile's tourism industry were also impacted by the loss such as hotels booked for before and after cruises and other pre- and post-cruise attractions.[49] This has happened in other cities such as the historic San Diego, California, which invested an estimated $28 million in a new cruise terminal, instead of redeveloping the historic waterfront Embarcadero, only for Carnival to abandon it in favor of the stronger

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[47] Ibid
[48] Associated Press, "Cruise Failure Leaves Mobile With Looming Debt." *Fox News,* May 07, 2012
[49] Dugan, Kelli, "Mobile Tourism Chief: Cruise Industry 'Definitely Showing More Interest' Since Airbus Announcement." *AL.com,* December 31, 2012 http://blog.al.com/live/2012/12/mobile_tourism_chief_cruise_in html

Australia market. Carnival loaned the city $12 million towards the new terminal, even though the company warned that the investment might not be worth it.[50]

Political Challenges

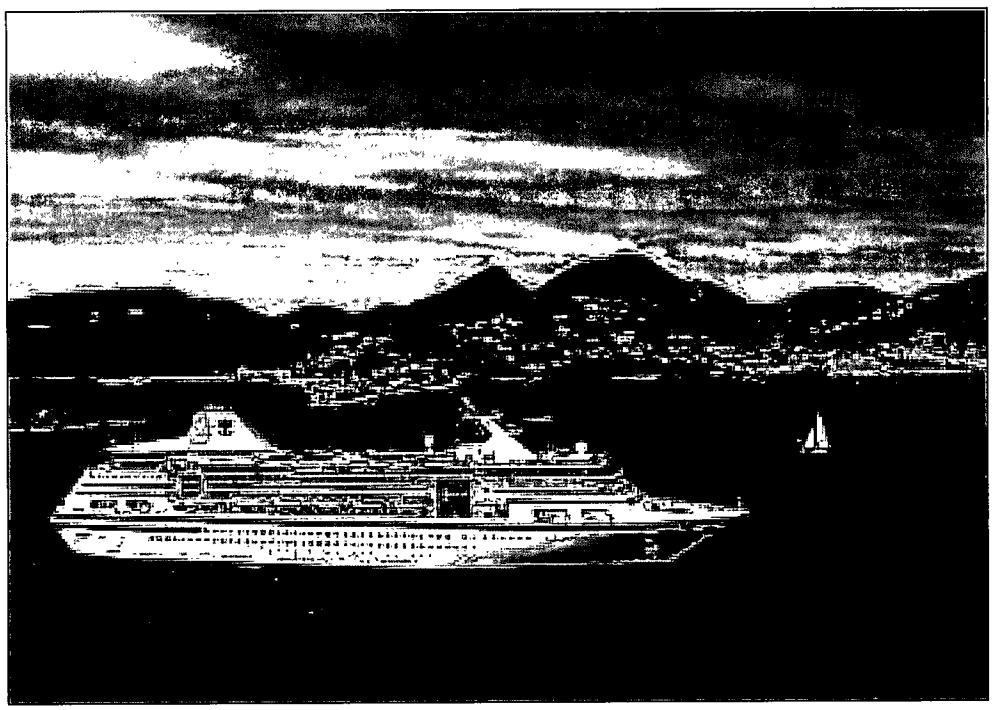


Figure 8. Cruise Ship in Belize (CruiseTimetables.com)

The cruise industry is a well-run business that has gained power and negotiating skills in order to maximize its own profit. Cruise lines work out deals with international, national, or state governments, which can make a profit through fees and taxes even when the local community does not. Between 2001 and 2008, cruise tourism in Belize increased by 1,140 percent.[51] In 2009, development groups representing cruise companies submitted a proposal for a second cruise terminal in Placencia, Belize, directly to the country's Prime Minister. Seemingly, this

[50] Wood, Don, "The White Elephant on Broadway Pier." *Voice of San Diego,* January 18, 2011 http://www.voiceofsandiego.org/peoplespost/watchersworld/article_7cec5526-2348-11e0-8950-001cc4c002e0 html
[51] Diedrich, Amy, "Cruise Ship Tourism in Belize: The Implications of Developing Cruise Ship Tourism in an Ecotourism Destination." *Ocean & Coastal Management,* 2010. pp. 1-11

was done to avoid widespread local opposition to a cruise port in Placencia, which is a fragile natural resource.[52] Belize's Barrier Reef Reserve System has been on UNESCO's World Heritage List since 1996.[53] Belize is also home to the largest cave system in Central America and thousands of Mayan archeological sites.[54] Residents believe there is a lack of transparency and distrust the cruise industry. "Fed up" with the amount of time Belize has taken to consider the issue of cruise tourism management, Royal Caribbean and Carnival have begun to accuse the government of endangering the country's tourism industry and causing economic harm to its residents. Industry representatives have called Belize's a "Do Nothing" government and are threatening to leave Belize.[55] On top of lobbying for decreased taxes and fees, Royal Caribbean also recaptures much of the revenue from head taxes and tourist spending because it owns the Tourism Village. Although the Belize Tourism Board and the Belize Cruise Tourism Policy capped the daily amount of cruise passengers allowed to 3000 that limit was quickly exceeded and a new limit of 8,000 was established, but then was also exceeded.[56]

Belize has countered these political tactics by being one of the first countries to create a comprehensive national Cruise Tourism Policy to include multiple stakeholders.[57] Additionally, the ships are required to shut down on-board entertainment while in port, thus 85% of passengers disembark to see many of Belize's historic, cultural, and natural resources, which shore excursions emphasize. In 2008, the country along with cruise companies, government, business,

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[52] Wilson, Rich, "Belizeans Say No to Southern Cruise Ship Port Development." *Triple Pundit,* January 7, 2012 http://www.triplepundit.com/2012/01/belize-cruise-ship-placencia/
[53] "Belize Barrier Reef Reserve System," *World Heritage System.* UNESCO http://whc.unesco.org/en/list/764
[54] *Protecting Belize's Natural Heritage: An Action Plan for Shared Stewardship of a Cruise Destination.* Conservation International, 2008
[55] "Belize's Cruise Tourism in Serious Danger." *The Belize Times,* January 27, 2012 http://www.belizetimes.bz/2012/01/27/belize%E2%80%99s-cruise-tourism-in-serious-danger/
[56] Center on Ecotourism and Sustainable Development, *Cruise Tourism in Belize: Perception of Economic, Social & Environmental Impact*. November 2006. pg. 35
[57] Ibid

and other stakeholders signed a Declaration of Commitment to responsible tourism.[58] There is also a strong grassroots effort in favor of responsible cruise tourism and management in Belize--the government been committed to respecting local interests. In 2007, the Belize tourism Board partnered with Conservation International and 60 of Belize's leaders, from the cruise industry, government, community, and business sectors, to create the *Action Plan for Shared Stewardship of a Cruise Destination.* Along with other initiatives, this plan recommended the restoration of Belize's historic resources and the creation of limits of acceptable change. Stakeholders indicated that visitor flows must be managed by identified limits; however, these limits have not yet been established as a Mooring Buoy Project, a Greening Initiative, and a Conservation Awareness Video were determined to be priorities.[59]

[58] "New Agreement Works to Balance Belize's Cruise Ship Tourism and Conservation," *Conservation International,* May 12, 2008 http://www.eurekalert.org/pub_releases/2008-05/ci-naw050908.php

[59] Baldwin, Michelle, "*Size and Scope—Will it Fit?" Harboring Tourism: An International Symposium on Cruise Ships in Historic Port Communities,* February 6-8, 2013

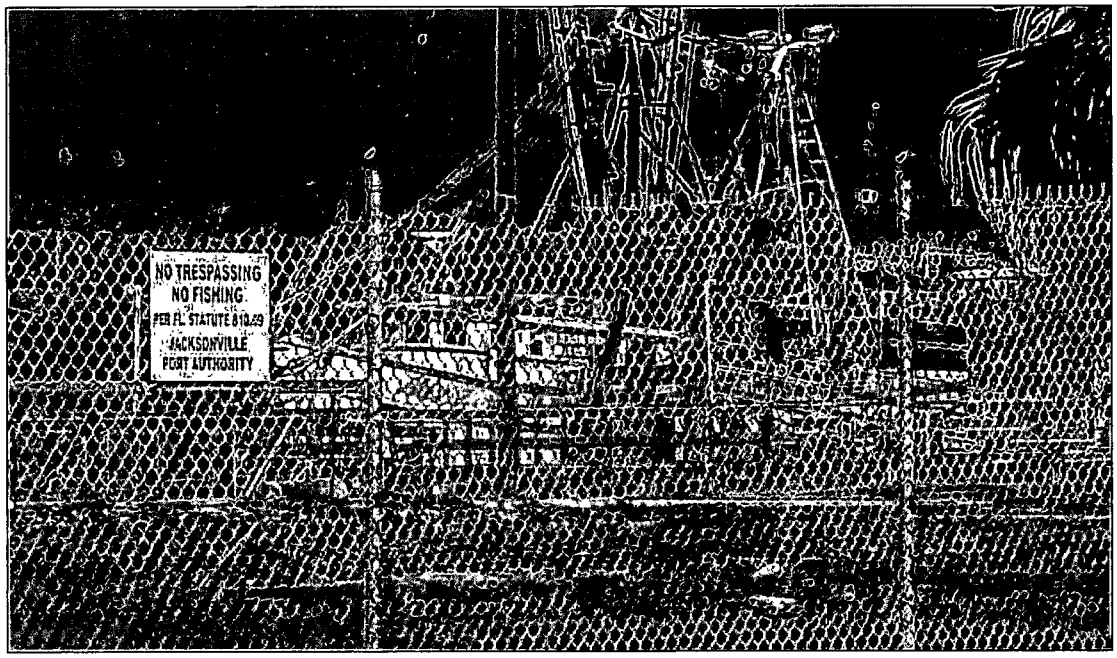


Figure 9. Mayport Waterfront, 2011 (Don Burk)

Other historic ports, such as Mayport in Jacksonville, Florida, have had to resort to lawsuits in order to prevent cruise tourism impacts. French explorer Jean Ribault landed in Mayport on May 1, 1562 and the next day claimed the land for France.[60] Because of this, Mayport Village claims to be the oldest established community in the United States.[61] Although Ribault did explore Mayport, this claim is disputed because the explorer did not colonize the village. Even though Native Americans lived in Mayport, the town was not officially settled until sometime after 1765, when the Spanish and British fought for control.[62]

In 2008, the Mayport Civic Association brought a lawsuit against the city of Jacksonville and the Jacksonville Port Authority over plans to develop a cruise ship terminal in the historic fishing village. The Civic Association claimed that cruise ships "would ruin the rustic charm of the village, would bring unwanted landscape and air pollution and would wreck what remains of

[60] FitzRoy, Maggie, "Festival Will Celebrate Mayport's Colorful History." *The Florida Times-Union,* May 21, 2010. http://jacksonville.com/community/shorelines/2010-05-21/story/festival-will-celebrate-mayports-colorful-history
[61] Ibid
[62] FitzRoy, Maggie, "Festival Will Celebrate Mayport's Colorful History."

an unstable fishing industry."[63]Although the Port Authority said it did not have any deals with specific cruise companies, it had already purchased 8-acres of waterfront property for the new terminal. At the time, cruise ships were operating out of a temporary terminal west of the Dames Point Bridge.[64] However, Jacksonville is a homeport for Carnival's Fascination ship and, in 2008 the Port Authority was hoping that Carnival would bring more and bigger ships to the city.[65] The lawsuit went to mediation in September of 2008. In 2010, the Port Authority said it was reconsidering the location of its cruise terminal and was aware that Savannah, Georgia, would be willing to welcome Carnival's business—Mayport is still one of the possible locations.[66] According to Michelle Baldwin, President of the Mayport Village Civic Association, the land purchased for the terminal in Mayport remains boarded-up and barren and has resulted in a diminished fishing industry, property values, and quality of life.[67] As residents move out of the area, crime has also increased.[68]

According to Ross Klein, a professor and cruise industry expert, cruise companies are "pirates" that threaten destinations with the loss of tourism in order to encourage ports to cater to the industry's desires. Cruise companies are also exempt from most taxes and laws because of their international and mobile status.[69] They can even change the countries in which their ships are registered in order to avoid inconvenient laws. For instance, in 2011, Cunard cruises switched from sailing under the Union Jack to sailing under the Red Ensign flag, which

[63]Dixon, Drew, "Mayport Suit Against Cruise Ships Goes to Mediation." *The Florida Times-Union,* September 22, 2008. http://jacksonville.com/opinion/blog/412981/2008-09-22/mayport-suit-against-cruise-ships-goes-mediation
[64] Ibid
[65]Turner, Kevin, "Carnival Back with Bigger, Better Ship, The Fascination." *The Florida Times-Union,* September 19, 2008. http://jacksonville.com/tu-online/stories/091908/bus_333991407.shtml
[66]Bauerlein, David and Harding, Abel, "JaxPort to Reconsider Cruise Ship Terminal in Mayport." *The Florida Times-Union,* March 26, 2010 http://jacksonville.com/business/2010-03-26/story/jaxport-restart-consideration-cruise-business-mayport
[67] Baldwin, Michelle, "*Size and Scope—Will it Fit?"*
[68] Ibid
[69] Klein, Ross A. Cruise Ship Squeeze: The New Pirates of the Seven Seas. New Society Publishers, 2005. pp. 1- 47

represents the UK's territories and dependencies.[70] This allows the company to still be British while only being subject to Bermuda's more lenient laws regarding on-board marriages, labor, and wages.[71] According to Paolo Motta, an expert in historic port cities, for destinations, negotiating with the monopolistic cruise companies is like David fighting Goliath, "It's mission impossible."[72]

Carrying Capacity

Carrying capacity was first used to describe the literal amount an object could carry, but has since evolved to refer to the capability of ecosystems to sustain a specific amount of biological life.[73] In this thesis, I use the term to discuss a historic port city's ability to physically contain a population of tourists and residents without damaging historic resources. The following examples will illustrate the ways in which overwhelming amounts of tourists threaten historic port cities.

[70] Walker, Jim, "Cunard Drops Union Jack to Avoid British Labor Laws." *Cruise Law News*, October 20, 2011 http://www.cruiselawnews.com/2011/10/articles/flags-of-convenience-1/cunard-drops-union-jack-to-avoid-british-labor-laws/
[71] Ibid
[72] Motta, Paolo, Comment. *Harboring Tourism: An International Symposium on Cruise Ships in Historic Port Communities,* February 6-8, 2013
[73] Sayer, Nathan F. "The Genesis, History, and Limits of Carrying Capacity." pp. 120 -134

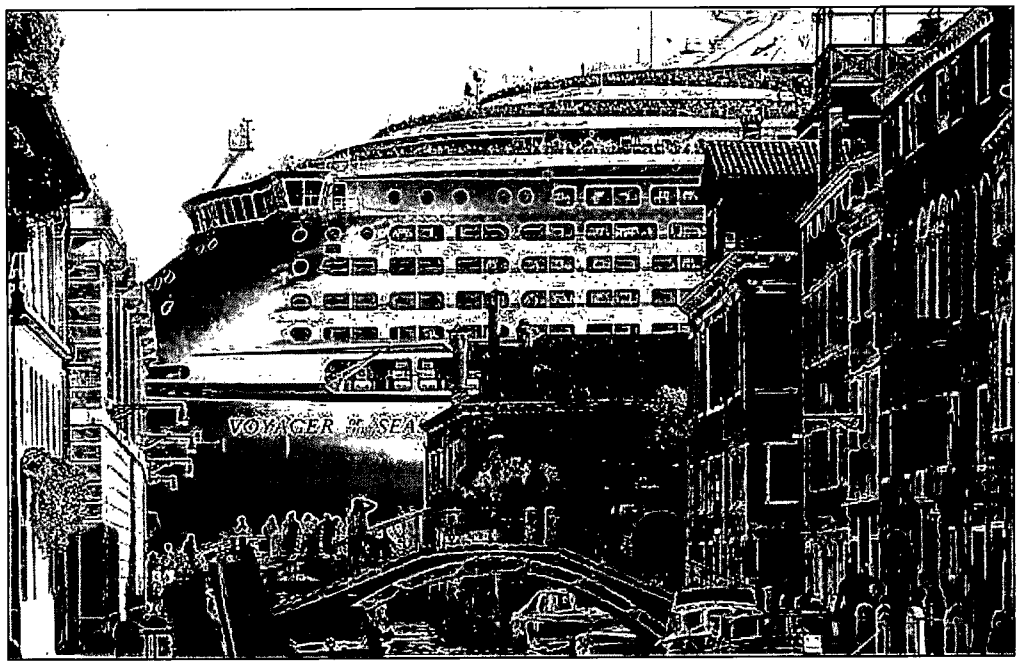


Figure 10. Venice, Italy, 2011(ALAMY, *The Telegraph*)

The most noteworthy example of cruise ships challenging a historic port city's carrying capacity is Venice, Italy. Founded in the fifth century, the city of Venice is an archipelago comprised of over 118 small islands connected by waterways. The city contains the work of some of the world's greatest architects and artists. In the tenth century, Venice became an important sea power. Because of its strategic location, the city also became the doorway to trade with Asia and the Middle East and one of the greatest and most important cities of the Early Modern period.[74] Venice and its lagoon are both UNESCO World Heritage Sites under the protection of Venice's Superintendent for the Environment and Architectural Heritage of Venice and its Lagoon.[75]

Today, Venice is a well-preserved city and has been a tourist destination since the invent of the Grand Tour. [76] In 2012, the MSC Divina, with 4,500 passengers, was the largest ship to

[74] "Venice and its Lagoon," *World Heritage List.* UNESCO http://whc.unesco.org/en/list/394
[75] Ibid; "BAP Superintendence of Venice and its Lagoon," Direzione Regionale per I Beni Culturali e Paesaggistici del Veneto. http://www.soprintendenza.venezia.beniculturali.it/

ever dock in Venice. Venice already gets four to six ships a day in port—more than 650 a year.[76] This results in more than 60,000 tourists a day, for which the historic infrastructure is not equipped.[77] The wear and tear caused by the foot traffic is damaging historic monuments such as Venice's Rialto Bridge, which is currently undergoing restoration.[78] In 1991, researchers Elio Canestrelli and Paolo Costa conducted a study on Venice's carrying capacity and concluded the city could only sustain 22,000 tourists a day. Although the optimal number of tourists debatable, it is clear that Venice's has exceeded over triple that recommendation. Their study was concerned with finding a balance between the costs and benefits of tourism. Their constraints were based on the city's hospitality, transportation, and waste disposal capacity as well as the density at major attractions.[79]

Furthermore, in 2012, Nicky Baly, director of Venice in Peril—a London-based group that raises money for research and restoration work in Venice—said that the size of the large cruise ships dredges the lagoon and, combined with the rising sea level, contributes to flooding the city, which is already sinking at an average of two inches per century.[80] In the past 15 years, Venice's lagoon has lost 70 percent of its original sediment due to the force of ships' wakes.[81] Every year floodwaters, reaching up to five feet, damage historic buildings; the brick absorbs water causing them to crumble and the iron ties to fail.[82] Even the though the city was designed

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[76] Barry, Colleen, "Venice Cruise Ships: City Rebels Against Industry." *The Huffington Post,* February 6, 2012 http://www.huffingtonpost.com/2012/02/06/venice-cruise-ships-city-_n_1257748 html
[77] "Cruise Ship Tourism Threatening to Overwhelm Sinking Venice," *ETurbo News*, November 9, 2012 http://www.eturbonews.com/32191/cruise-ship-tourism-threatening-overwhelm-sinking-venice
[78] Kington, Tom, " Rialto Bridge to Carry Advertising as Venice Seeks Cash for Restoration." *The Guardian,* September 18, 2012 http://www.guardian.co.uk/world/2012/sep/18/rialto-bridge-advertising-venice-restoration
[79] Veal, Anthony J. Leisure, Sport and Tourism, Politics, Policy and Planning. CABI, 2010 pg. 263
[80] Tunney, Donna, "Venice Plan Would Reroute Cruise Ships Away from City Center." *Travel Weekly,* February 13, 2012 http://www.travelweekly.com/cruise-travel/venice-produces-plan-to-reroute-cruise-ships-away-from-city-center/; Hoelterhoff, Manuela, "Venice Sinks Amid Monster Cruise Ships." *Bloomberg,* June 11, 2011 http://www.bloomberg.com/news/2011-06-09/venice-s-future-looks-wet-dodgy-perilous-manuela-hoelterhoff html
[81] Logan, Gabi, "UNESCO Protests Against Cruise Ships in Venice." *EcoTraveller,* March 16, 2012 http://www.ecotravellerguide.com/2012/03/unesco-protests-against-cruise-ships-venice/
[82] Ibid

for maritime use, today's cruise tourism is out of scale and the ships are too large for Venice's canals.[83]

In the aftermath of Costa Concordia's crash into the Tuscan Archipelago National Park, UNESCO is now warning that cruise ships passing within 1,000 feet of St. Mark's Square could damage Venice's fragile historic resources.[84] Although, the Venetian Port Authority says this is not a risk.[85] '"The safety of vessel traffic is guaranteed," said Stefano Nava, a president assistant with the port authority. "Before even entering the lagoon, all ships must wait for two Venetian [harbor] pilots. They assist and support the commander during the navigation, and only after the pilots board the ship does it move from the sea into the Venice Lagoon."'[86] UNESCO is also concerned that vibrations from cruise ships and other boats passing by or docking in the Grand Canal will erode the harbor and some of its historic structures, although, research is still ongoing.[87] Reports state that buildings shake when cruise ships and ferries pass.[88] Silvio Testa, spokesman for the anti-cruise ship No Grandi Navi committee, said cruise ships push 90,000 tons of water, at the speed of a "piston," against Venice's foundations—the impacts of which have not yet been studied.[89] Even though UNESCO prohibits alteration's to the city's historic resources, cruise ships are beyond the organization's jurisdiction as they are temporary and mobile.[90]

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[83] Tunney, Donna, "Venice Plan Would Reroute Cruise Ships Away from City Center."
[84] Logan, Gabi, "UNESCO Protests Against Cruise Ships in Venice."
[85] Barry, Colleen, "Venice Cruise Ships: City Rebels Against Industry."
[86] Tunney, Donna, "Venice Plan Would Reroute Cruise Ships Away from City Center."
[87] Bellingham, Shane; Davis, Cortney; O'Brien, Chris; Saari, Erin, *Cruise Control: To Further the Understanding of the Comprehensive Impacts of Cruise Ships on the City of Venice.* Worcester Polytechnic Institute, December 17, 2010. pp. iv-viii; Tunney, Donna, "Venice Plan Would Reroute Cruise Ships Away from City Center."
[88] Povoledo, Elisabetta, "Venice Tourist Ships Rattle Windows and Nerves." *The New York Times,* May 14, 2011 http://www.nytimes.com/2011/05/15/world/europe/15venice html?_r=0
[89] Kington, Tom, "Venice Cruise Liner Row Escalates." *The Guardian,* October 29, 2012 http://www.guardian.co.uk/world/2012/oct/29/venice-cruise-liner-row-escalates
[90] Logan, Gabi, "UNESCO Protests Against Cruise Ships in Venice."

Although the Port Authority has said that cruise ships are only responsible for as much as 30 percent of Venice's air pollution they are adding to an already exacerbated problem.[91] According to Vasco Fassina, director of research in the Superintendency to Artistic & Historical Property of the Veneto Region and consultant to the Veneto Institute for Cultural Heritage, '"Venice's architectural heritage is in peril mainly because of past periods of atmospheric pollution that resulted in the accumulation of unstable compounds on the surfaces of buildings...The rapid increase in the industrialization and urbanization which took place in Marghera and Mestre starting at the beginning of the 1950s sharply increased the concentration of atmospheric pollutants, particularly sulfur dioxide."'[92] These pollutants have caused the stonework to deteriorate at a rapid rate, even though, since the 1980s, emissions have been significantly reduced, the rate of decay has not slowed.[93] The lagoon also contains a high level of pollutants, including "dioxins; polychlorinated biphenyls; and heavy metals such as mercury, nickel, cadmium, chromium, and lead. In addition, relatively small amounts of heavy-metal[s],"which resulted from glass factories and industrial activity that occurred during the 1950s and 1970s. [94] According to Ross Klein, cruise ships, depending on their systems and policies, can produce all of the above pollutants.[95]

As both an embarkation port and a port of call, Venice benefits from cruise passenger spending of more than $193 million a year, as well from stocking supplies for the cruise ships. Venice's economy is dependent on tourism and the cruise ship industry has created approximately 3,000 jobs in the city. [75] However, these economic benefits do not go towards

[91] Associated Press, "Venice is Fighting a Rising Tide of Cruise Liner Intrusions." *The National*, February 6, 2012 http://www.thenational.ae/news/world/europe/venice-is-fighting-a-rising-tide-of-cruise-liner-intrusions
[92] Freemantle, Michael "Safeguarding Venice." *Chemical & Engineering News,* V. 78:35 pp. 23-31 http://pubs.acs.org/cen/coverstory/7835/7835sci1p.html
[93] Ibid
[94] Ibid
[95] Schillaci, William, "Cruise Lines Improve Enviro Record." *Enviro.BLR,* June 22, 2012 http://enviro.blr.com/whitepapers/water/CWA-SDWA-water-regulations/Cruise-lines-improve-enviro-record/

historic preservation. Venice's former Mayor Massimo Cacciari, said, in 2009, '"There is not enough money from the state to cover it all—the cleaning of canals, restoration of buildings, raising of foundations. Very expensive." The cost of living: "It's three times as costly to live here as in Mogliano, 20 kilometers away. It's affordable only for the rich or elderly who already own houses because they have been passed down. The young? They can't afford it."'[96] The city has even been trying to raise over $6.5 million for the restoration of the Rialto Bridge.[97] Jane da Mosto, an environmental scientist and resident of Venice, told *CNN* that she believes a tourist levy would provide money for the restoration of historic resources.[98]

Venice, often called the queen in decline, has been decreasing in population, economic activity, and political power for at least 30 years. [99] Since the 1950s, Venice's residential population has decreased by more than two-thirds; replaced by tourists, the number of residents decreases daily[100] —further eroding the tax base. Transportation in the city is also very limited and restricted and increased cruise tourism just adds to the congestion. Authors write that Venice is "plagued by lack of accessibility, lack of infrastructure, and a rigid physical structure". [101] The constant tourist presence has led to residents calling the city "Veniceland," an allusion to Disneyland and residents feel they are in a living museum that restricts modern life. [102] With the loss of residential life, Venice is also losing skilled artisans because of the popularity of cheaper

[96] Newman Cathy, "Vanishing Venice." *National Geographic,* August 2009 http://ngm nationalgeographic.com/print/2009/08/venice/newman-text
[97] Kington, Tom, "Rialto Bridge to Carry Advertising as Venice Seeks Cash for Restoration."
[98] Allsop, Laura, "Battling to Keep the 'Real' Venice Afloat." *CNN,* June 9, 2011 http://www.cnn.com/2011/WORLD/europe/06/09/venice.under.threat/index.html
[99] Russo, Antonio Paolo and Sans, Albert Arias, "Student Communities and Landscapes of Creativity: How Venice—'The World's Most Touristed City'—is Changing." *European Urban and Regional Studies,* 16:161, 2009. pp. 165-175
[100] "Cruise Ship Tourism Threatening to Overwhelm Sinking Venice," *ETurbo News.*
[101] Muscara, Calogero, "The Right to Adapt and the Weight of History: Venice and the Venetians." *International Political Science Review,* 5: 181, 1984. pp. 181-188
[102] "Cruise Ship Tourism Threatening to Overwhelm Sinking Venice," *ETurbo News.*

souvenirs made in Asia.[103] Not only do these changes amount to a loss in tax funds available for restoration, but they also result in a loss of Venice's intangible cultural heritage. In 2010, Venice petitioned UNESCO to add its artisan tradition of gondola making, its Carnival, glass-blowing, and lace-making to its list of intangible cultural heritage.[104]

Despite financial challenges, Venice is trying to mitigate its problems. The controversial $8.8 billion MOSE Project (Experimental Electromechanical Module) is scheduled to be operational by 2014. It is comprised of 78 mobile gates, at three inlets, that will separate Venice's lagoon from the Adriatic Sea and prevent flooding.[105] In 2012, ships over 40,000 tons were banned from sailing near the Doge's Palace; although the ban will only take effect once another route is established.[106] The city also wants to reroute ships away from St. Mark's Square and, eventually, the lagoon.[107] Experts are creating an integrated program for the Venice Urban Renaissance Plan that would include moving ships from the historic port to Porto Marghera, as well as increased tourism management.[108] Progress is slow as the central government, not the local port city, collects the revenue from ship fees and taxes and is not incentivized to cut back on cruise business. Furthermore, the international cruise companies bargain directly with the central government and responsibility is shuffled between different offices and personalities.[109]

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[103] Motta, Paolo, "A Integrated Program for Venice Urban Renaissance." *Harboring Tourism: An International Symposium on Cruise Ships in Historic Port Communities,* February 6-8, 2013

[104] Squires, Nick, "Venice to Apply for World Heritage Status for Gondolas." *The Telegraph,* October 12, 2010 http://www.telegraph.co.uk/news/worldnews/europe/italy/8059717/Venice-to-apply-for-World-Heritage-status-for-gondolas.html

[105] "MOSE Project, Venice, Venetian Lagoon, Italy." *Water-Technology.net,* 2012 http://www.water-technology.net/projects/mose-project/

[106] Evin, Florence, "Venice at Risk from Cruise Ships that Threaten Lagoon." *The Guardian,* July 17, 2012 http://www.guardian.co.uk/world/2012/jul/17/venice-risk-cruise-ships

[107] Barry, Colleen, "Venice in Rebellion Against Cruise Ship Intrusions Following Concordia Disaster." *The Star,* February 6, 2012 http://www.thestar.com/news/world/2012/02/06/venice_in_rebellion_against_cruise_ship_intrusions_following_concordia_disaster html

[108] Motta, Paolo, "A Integrated Program for Venice Urban Renaissance."

[109] Evin, Florence, "Venice at Risk from Cruise Ships that Threaten Lagoon."

In 2009, Venice's Mayor Massimo Cacciari told *National Geographic*, in response to the city's flooding issue, "'so go get boots.'"[110]

In 2011, under the current Mayor Giorgio Orsoni, the city of Venice began enforcing a tourist tax for overnight visitors.[111] The revenue will go towards tourism, maintenance of historic and cultural resources, and the environment, as well as the funding of public services. Tariffs will vary for peak and off-peak seasons, encouraging tourists to visit during off-peak times. [112] Currently, most of the available funding goes towards the MOSE Project.[113] In 2013, Venice announced that it will enforce congestion charges and a new voluntary cruise agreement. Public services, such as restrooms, will cost as much as three euros during the peak tourist season. There is also a new online booking service for all public services, attractions, and taxis, which allows tourists to choose between green, blue, and red season. Green indicates less crowded days and red indicates the most congested days; green days are the cheapest.[114] The new voluntary agreement between Venice and the cruise lines creates a "green zone" where cruise ships must use the greenest fuel and create the least amount of air pollution possible. These fuels have a sulfur content of no more than 0.1 percent. This builds on an agreement, signed in 2007, in which cruise lines agreed to use less polluting fuels while docked. Venice's Coast Guard, Port

[110] Newman Cathy, "Vanishing Venice."
[111] "Tourism- The Tourist Tax in the territory of the Municipality of Venice." City of Venice, 2011 http://www.comune.venezia.it/flex/cm/pages/ServeBLOB.php/L/EN/IDPagina/48016
[112] Ibid
[113] Evin, Florence, "Venice at Risk from Cruise Ships that Threaten Lagoon."
[114] Tjolle, Valere, "Venice Proposes Tourism Congestion Charges." *Travel Mole,* April 4, 2013 http://www.travelmole.com/news_feature.php?news_id=1134260

Authority, and Custom Office will conduct fuel analyses.[115] Orsoni hopes that Venice's lagoon will become a "zero-impact" zone.[116]



Figure 11. Cruise Passengers at Pile Gate in Dubrovnik, 2009.

(Susan Haliechuk, *The Star*)

Like Venice, Valleta, Malta, and Dubrovnik, Croatia, have experienced problems with carrying capacity. Founded in the seventh century, Dubrovnik, also known as the Pearl of the Adriatic, is on the Dalmatian Coast. It became an important sea port in the thirteenth century. It is also a well-preserved collection of Gothic, Renaissance, and Baroque architecture. The city,

[115] Marex, "Large Cruise Ships: Agreement Reached on Zero-Impact Fuel: Mayor of Venice, Giorgio Orsoni, Expresses his Satisfaction." *The Maritime Executive,* March 28, 2013 http://www maritime-executive.com/article/Large-Cruise-Ships-Agreement-Reached-on-ZeroImpact-Fuel-Mayor-of-Venice-Giorgio-Orsoni-Expresses-his-Satisfaction-2013-03-28/

[116] Ibid

characterized by its narrow, winding streets and protective wall, was added to UNESCO's World Heritage List in 1979.[117]

With approximately 700,000 cruise passengers and more than 500 vessels a year, Dubrovnik is a leading cruise destination in the Adriatic.[118] However, large concentrations of tourists and cruise ships, in short periods of time, have been crowding and overwhelming the city's infrastructure. Recently, the city built a new port 1.5 miles away from the Old Town.[119] There has also been an increase in day-trippers and a decrease in stay-over tourists, which results in congestion and traffic jams. Cruise passengers only stay a day at a time. Tourists have also complained about the lack of attractions and things to do, other than sightseeing. There have also been complaints about the city's high prices and lack of variety in souvenirs.[120] In 2006, Vlaho Durkovic, Director of the Dubrovnik Port Authority, said, "There is no ratio of value for [tourists] money...this is a lot of money to treat flippantly." Implying that the residents of Dubrovnik would rather be seen as a prestigious historic city than provide services and high quality products for the tourism industry. Furthermore, more than 3,000 hotel beds are out of service due to renovation.[121] The city would like to increase revenue from tourism, but without careful management researchers and residents are concerned that new infrastructure could be incompatible with historic cultural resources.[122]

In the last few years, Ivona Vrdoljak Raguž, Doris Perucic, and Ivana Pavlic, all professors in the University of Dubrovnik's Department of Economics and Business Economics

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[117] "Old City of Dubrovnik," *World Heritage List.* UNESCO http://whc.unesco.org/en/list/95
[118] Bilus, Marina, "Dubrovnik's Tourism Crisis: Chaos in Dubrovnik But no Money," *Nacional Dnevo Online Izdanje,* August 14, 2006 http://www nacional.hr/en/clanak/27033/chaos-in-dubrovnik-but-no-money
[119] "Dubrovnik Port Authority and Sustainable Cruise Tourism Development," Port Dubrovnik. http://www.portdubrovnik.hr/index.php?act=1&lnk=139&lan=en#139
[120] Ibid
[121] Bilus, Marina, "Dubrovnik's Tourism Crisis: Chaos in Dubrovnik But no Money."
[122] Pavlic, Ivana; and Raguz, Ivona Vrdoljak, "Organization and Implementation of Integrated Management System Processes - Cruise Port Dubrovnik." *International Review of Management and Marketing*, Vol. 2, No. 4, 2012. Pp199-209

have begun to lead research on the management of Dubrovnik's cruise industry. In "Organization and Implementation of Integrated Management System Processes - Cruise Port Dubrovnik," they observed that there is little collaboration between Dubrovnik's tourism industry and transportation stakeholders over the inadequate road infrastructure and traffic congestion. In another study, Doris Perucic and Barbara Puh determined that cruise tourism is an important aspect of Dubrovnik's economy.[123] Besides passenger spending, the port also charges cruise ships a tariff.[124] Although surveys indicated that residents enjoy the city's cruise industry, they are also concerned with the sustainability of their quality of life. Respondents were also troubled by increased traffic in the Old City.[125]

Although the effects of cruise tourism on Dubrovnik's historic resources have not yet been studied, Venice is a powerful example of what can happen once a historic port becomes overwhelmed and residents no longer feel comfortable. Towards managing the industry, the Dubrovnik Port Authority and the Dubrovnik County Port Authority have signed an agreement that allows only one ship at a time to dock in front of the historic city while two are allowed at the new port. They also limit the number of cruise passengers to 8,000 a day and have refused ships that exceed this limit.[126] In 2010, Destination Management Dubrovnik was established to increase and improve tourism marketing and management. This organization and the Port Authorities are creating an integrated quality management system.[127] Dubrovnik is growing as a destination and has the opportunity to utilize sustainable tourism development by prioritizing the

[123] Perucic, Doris and Puh, Barbara, "Attitudes of Citizen of Dubrovnik Towards the Impact of Cruise Tourism on Dubrovnik." *Tourism and Hospitality Management,* Vol. 18:2, 2012. pp. 213-228
[124] Bilus, Marina, "Dubrovnik's Tourism Crisis: Chaos in Dubrovnik But no Money."
[125] Perucic, Doris and Puh, Barbara, "Attitudes of Citizen of Dubrovnik Towards the Impact of Cruise Tourism on Dubrovnik." pp. 213-228
[126] "Dubrovnik Port Authority and Sustainable Cruise Tourism Development," Port Dubrovnik. http://www.portdubrovnik.hr/index.php?act=1&lnk=139&lan=en#139
[127] Pavlic, Ivana; and Raguz, Ivona Vrdoljak,"Organization and Implementation of Integrated Management System Processes - Cruise Port Dubrovnik." pp.199-209

preservation of historic resources over new development and targeting an appropriate amount of tourists.

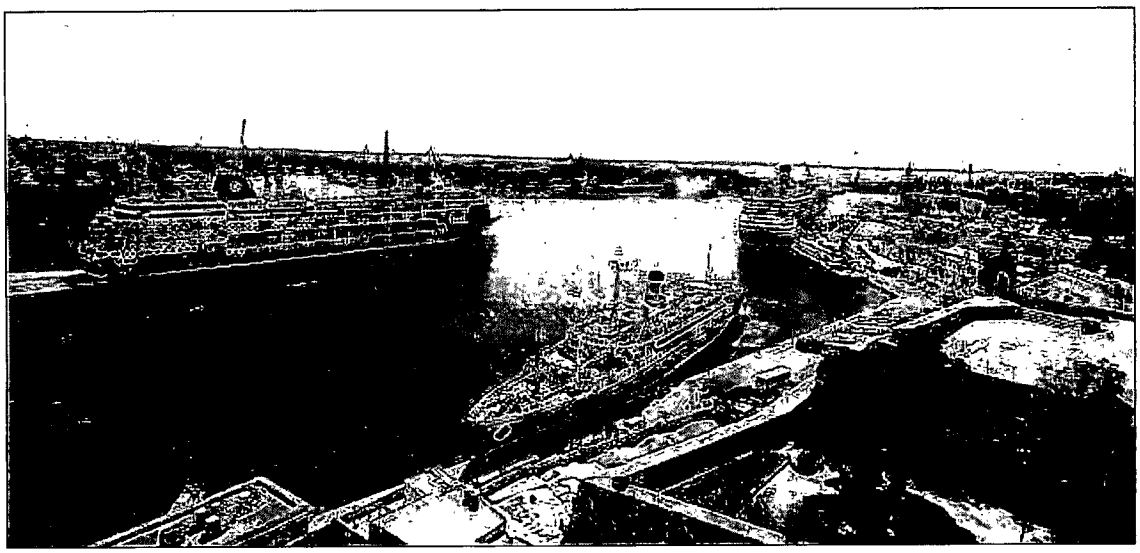


Figure 12. Grand Harbor and Valletta Cruise Port, 2012

(Rene Rossignaud, *CruiseandFerry.net)*

Valletta, Malta's capital has been on UNESCO's World Heritage List since 1980. The city was founded, by the Knights of St. John, in the sixteenth century for the purpose of caring for soldiers and pilgrims of the Crusades.[128] Valletta has been under the control of the Phoenicians, Greeks, Carthaginians, Romans, Byzantines, and Arabs. With 320 monuments, it is one of the most concentrated historic areas in the world.[129]

The Valletta Cruise Port, the company that manages the port, sees the approximately 500,000 yearly cruise passengers as an economic asset.[130] In 2006, Malta earned an estimate of $130 million from its cruise industry; business in every sector was positively impacted.[131] In

[128] "History of Valletta." City of Valletta, 2007.http://www.cityofvalletta.org/cityofvalletta/content.aspx?id=46634
[129] "City of Valletta," *World Heritage List.* UNESCO http://whc.unesco.org/en/list/131
[130] Giordimaina, Joshua G., "What Do We Stand to Gain from a Successful Cruise Industry?" http://www.vallettawaterfront.com/content.aspx?id=106575
[131] Giordimaina, Joshua G., "Cruise Tourism Generates Jobs and Income." *Malta Hotels and Restaurants Association Quarterly Magazine,* June 2008 http://www.vallettawaterfront.com/content.aspx?id=106584

terms of historic port cities, Valletta is a unique example because it planned its waterfront and port development within the context of protecting the city as a historic resource.[132] One of the goals was to revitalize the area and reverse population decline.[133]

The Valletta Waterfront Project ran from 2002 to 2005 and cost $50 million dollars. It consisted of the new cruise terminal, a shopping area, an entertainment and cultural complex, and a new outdoor plaza.[134] The phased development included emergency repairs to the quay, restoration of historic facades, new roads, and a new police station. [135] The area contains historic buildings from the eighteenth century that were in need of repair and have since been adaptively reused. Valletta wants modern infrastructure without becoming standardized or commodified.[136] Provisions also prevent new development from copying historic fabric.[137]

However, some of the project results were unexpected as John McCarthy, who specializes on port regeneration, wrote in "The Cruise Industry and Port City Regeneration: The Case of Valletta." McCarthy identified that the project provided for the development of mostly tourists uses, which could lead to a lack of residential uses when the city was trying to encourage the opposite. Furthermore, it encourages more congestion in the Urban Conservation Area and the surrounding sensitive historic area. McCarthy also suggests that the new infrastructure detracts from the historic context by making the city appear like every other tourist destination as standardization occurs when sites overdevelop chain hotels, stores, and attractions and

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[132] Valletta Planning Authority, *Valletta Cruise Terminal Development-Development Brief.* Valletta Cruise Terminal Steering Committee, July 1998. pg. 4
[133] McCarthy, John, "The Cruise Industry and Port City Regeneration: The Case of Valletta." *European Planning Studies,* V. 11:3, 2003. pp. 341-350
[134] Ibid
[135] "Project Development Process," Valletta Cruise Port. http://www.vallettawaterfront.com/content.aspx?id=99473
[136] Giordimaina, Joshua G., "Transportation = Functional + Experiential." *Malta Hotels and Restaurants Association Quarterly Magazine,* October 2008 http://www.vallettawaterfront.com/content.aspx?id=106587
[137] Valletta Planning Authority, *Valletta Cruise Terminal Development-Development Brief.* pg. 4

emphasize the new over the historic.[138] Paolo Motta, a preservation planner and a member of ICOMOS Italy and the Committee of Historic Cities and Villages, said that Valletta's new infrastructure has quickly been overwhelmed again and the city has become congested to the point where mobility is an issue.[139]

Incompatible Development

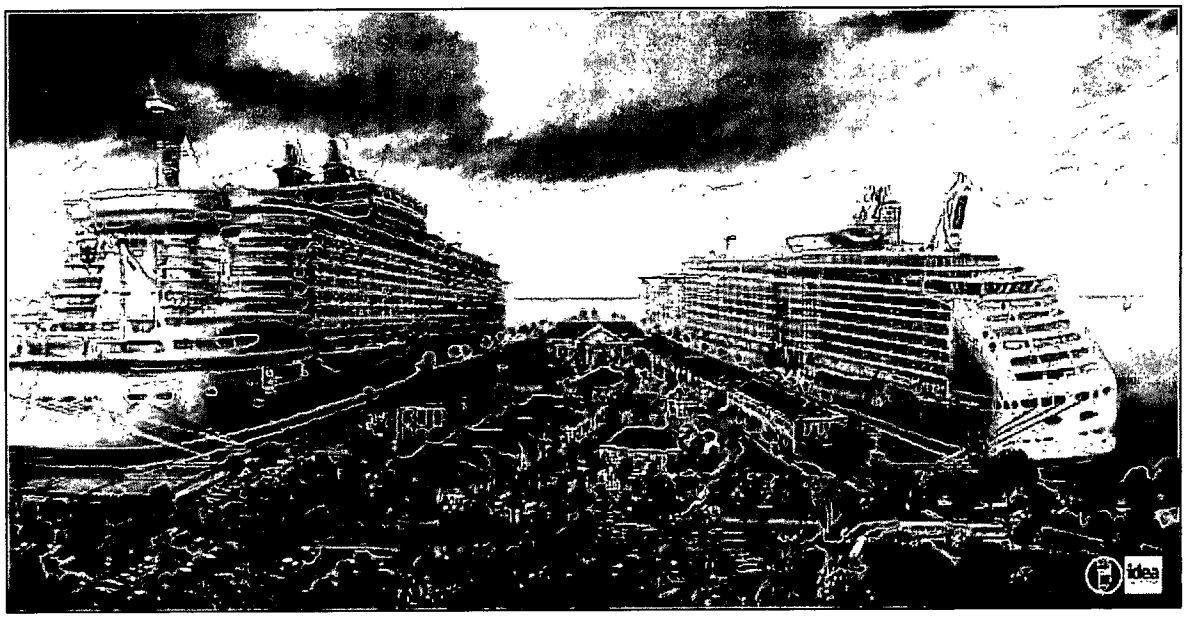


Figure 13. Falmouth, Jamaica's new cruise port, 2010 (Jamaica Tourist Office)

While Valletta has consciously tried to integrate new infrastructure with its historic resources, the cruise industry often introduces incompatible development into historic port cities. Located on the northern coast of Jamaica, Falmouth was founded in 1769.[140] It was intentionally developed around the wharf and became a popular port during the nineteenth century. After the abolishment of slavery in 1834, economic activity began to decline. Because Falmouth lacked

[138] Ibid
[139] Motta, Paolo, "Cruise Tourism & Sustainable Mobility in Valletta, Malta." *Harboring Tourism: An International Symposium on Cruise Ships in Historic Port Communities,* February 6-8, 2013
[140] Cofrancesco, Brian; Mattocks, Todd; McDonald, Molly; and Wilhelm, Christoph, *The Oasis on the Horizon: Preparing Falmouth for Development.* University of Virginia, May 2010. pp. 5-6

the money for development its historic buildings remained untouched. In the 1990s Jamaica began to promote the history of Falmouth, which had been a Protected National Heritage Site since 1985, although the Falmouth Historic District was designated in 1996.[141] This attracted the attention of archaeologist James Parrent. Parrent received a grant from the Environmental Fund of Jamaica to restore 14 historic houses; he then continued his restoration work for two years. In 2001, Parrent partnered with Chris Ohrstrom to create the Falmouth Restoration Company. In 2006, the company became a nonprofit and changed its name to Falmouth Heritage Renewal.[142] The organization continued to restore and preserve the city's historic district. Falmouth has been on the World Monuments Watch list in 2000, 2002, 2004, and 2008. Today it is one of the most intact historic seaports in the Western hemisphere and is considered the "Colonial Williamsburg of Jamaica." The University of Virginia has also established the Falmouth Field School in Historic Preservation.[143]

Attracted to the Falmouth's well-preserved character, in 2009, the Port Authority of Jamaica, in conjunction with Royal Caribbean Cruise Lines, began constructing a new $220 million, 11-acre, port-of-call, in Falmouth, for Royal Caribbean's Oasis of the Seas, the largest cruise ship in the world. [144] As part of the development project, many historic buildings have been restored in preparation for increased tourism.[145] When the port opened in 2011, Falmouth

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[141] Ibid
[142] Ibid
[143] Ibid
[144] Cofrancesco, Brian; Mattocks, Todd; McDonald, Molly; and Wilhelm, Christoph, *The Oasis on the Horizon: Preparing Falmouth for Development.* University of Virginia. pp. 5-6
[145] Sloan, Gene, "Tourism Minister: New Port of Falmouth, Jamaica to be 'World Class.'" *USA Today,* December 16, 2010 http://travel.usatoday.com/cruises/post/2010/11/falmouth-jamaica-cruise-ship-port-royal-caribbean-allure-oasis/130278/1

won Port of the Year Award at the Seatrader Insider Cruise Awards for its work in highlighting and preserving Falmouth's historic resources and collaborating with the local Port Authority.[146]

Although the project was commended for its historic preservation work, it has since been criticized as being incompatible with the historic city. The city is marketed as "Georgian architectural dream."[147] However, the enclosed port area contains architectural replicas, which detract from Falmouth's authenticity. [148] Most passengers do not leave the ships or the port area and the port is being developed separately from the city as street vendors are not allowed inside the gates.[149] Locals feel disenfranchised and are beginning to conform to tourist's perceived ideas of Jamaican culture in order to sell wares to the few passengers who do venture out. [150] "'We were promised that we'd be able to show people our Jamaican heritage, sell our crafts. But most of the tourists stay far away from the local people," said Asburga Harwood, an independent tour guide and community historian. "We're on the losing end."'[151]

The cruise industry has brought business and attention to an economically depressed area. In 2011, 1.124 million cruise passengers arrived in Falmouth, creating $80 million in economic benefit, a five percent increase from the year before.[152] However, only some shops in the port area are locally owned and staffed and shore excursions are run and staffed by locals. Furthermore, Royal Caribbean owns the port's real estate and takes a cut of the prepaid excursions. Only seven cents of every dollar spent by cruise passengers goes to Falmouth's

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[146] "Port of Falmouth Receives Port of The Year Award." *The Gleaner,* October 4, 2011 http://jamaica-gleaner.com/gleaner/20111004/business/business1.html
[147] Sloan, Gene, "Tourism Minister: New Port of Falmouth, Jamaica to be 'World Class."
[148] Motta, Paolo, "Cruise Tourism & Sustainable Mobility in Valletta, Malta." *Harboring Tourism: An International Symposium on Cruise Ships in Historic Port Communities,* February 6-8, 2013
[149] McFadden, David, "Caribbean Cruises Leave Wave of Bitter Merchants." *The Miami Herald,* October 10, 2012 http://www.miamiherald.com/2012/10/10/3043965_p2/caribbean-cruises-leave-wave-of html
[150] Motta, Paolo, "Cruise Tourism & Sustainable Mobility in Valletta, Malta." *Harboring Tourism: An International Symposium on Cruise Ships in Historic Port Communities,* February 6-8, 2013
[151] McFadden, David, "Caribbean Cruises Leave Wave of Bitter Merchants."
[152] Jackson, Steven, "Cruise Spending Sinks as Stopovers Hit New Record." *The Gleaner*, September 9, 2012 http://jamaica-gleaner.com/gleaner/20120909/business/business1 html

economy.[153] As in the Venice example, this could lead to a loss of artisan craft tradition if local products—such as indigenous food, wood carving, and other handmade items— are supplanted by cheaper knockoffs. In order to create more equity, a new licensing system for local venders is being created.[154]

Similarly, in Juneau, Alaska, increased cruise ship traffic has created pressure for more tourist-related commercial activity in the historic district.[155] Although the architectural character has been maintained, it has resulted in the loss of its historic mix of "residential, office, and resident oriented retail uses." Because the tourist shops open only for the summer season, the Downtown Historic District is becoming a ghost town during the rest of the year. The city is now establishing a review process to evaluate and mitigate tourism impacts.[156] The same issue has occurred in Key West, Florida, is another historic port where pressure from more than a million cruise passengers a year have created a shift from locally owned shops and restaurants to more standardized franchises and souvenir shops. Key West residents and tourists report feeling overwhelmed by the number of cruise tourists as increased congestion changes the quaint and calm character of the city.[157] Housing affordability is also decreasing[158] this is a threat as many historic buildings are maintained by their owners and vacant property is more likely to be neglected.

Cruise lines consistently press for more tourist attractions such as hotels, amusement parks, and shopping, an abundance of which can decrease a location's authenticity. Scholar

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[153] Behar, Michael, "Can the Cruise Industry Clean Up its Act?" *ONEarth,* May 23, 2012 http://www.onearth.org/article/dreamboat?page=1

[154] Sloan, Gene, "Reports: Drug Dealers, Prostitutes Hassling Cruise in Falmouth." *USA Today*, April 8, 2011 http://travel.usatoday.com/cruises/post/2011/04/falmouth-jamaica-cruise-ship-port-passenger-harassment-/155072/1

[155] "Historic Preservation in Juneau," City/Borough of Juneau, 2013 http://www.juneau.org/history/Preservation_Plan/introduction.php

[156] Ibid

[157] Murray, Thomas J., *The Impacts of the Cruise Ship Industry on the Quality of Life in Key West.* City of Key West Naval Properties Local Redevelopment Authority, April 8, 2005. pp. 188- 230

[158] Ibid

Kirsten Mollegaard wrote that in Hawaii's Honolulu Harbor, staged and artificial cultural shows for cruise passengers allow tourists to ignore the cultural reality of the residents, as well as their modernity. These factors simplify places for tourists' enjoyment, and, ultimately, lead to homogenization and a lack of unique character. [159]

Summary of Cruise Ship Impacts on Historic Resources

The above list includes some of the few major historic ports with documented cruise-related challenges and mitigation efforts that can provide insight into the overall subject of cruise tourism management; however, there are many more, less documented, ports that could be used as examples of how, without management, the cruise industry can create detrimental effects for historic port cities. Unfortunately, as the impact of cruise ships on historic resources is a relatively new concept, even the ports that have reported adverse impacts have not fully documented the issues or the mitigation response. In most cases, assessment and mitigation are still in the planning process.

There is no denying that the cruise industry increases tourism in ports and that many of those tourists spend money and create a sense of vitality for the port city. It can also create jobs in the service and marine industries. Understandably, businesses that cater to the cruise industry—such as port authorities, souvenir shops, and franchises—also receive some economic benefit. Furthermore, thoughtfully managed cruise tourism can help a destination position itself and support new development and the restoration of historic resources. The examples of Falmouth and Valletta illustrate how cruise terminal development can promote and even create funding for historic preservation. Fees and taxes, such as in Venice, can incentivize tourists to

[159] Mollegaard, Kirsten, "Aloha Ahoy: Tourism and Nostalgia at Honolulu Harbor." *Journeys of Discovery.* University of Hawai'i at Manoa, spring 2005. pp. 1-14

visit during less congested times and pay for restoration work. Additionally, collaborating with cruise companies can lead to beneficial agreements such as Venice's green zone where pollution is reduced. Cruise companies can also create funding programs for local development and restoration like in Haiti. When government authorities have refused to prevent harm to historic resources, citizens have created coalitions or, as a last resort, raised legal concerns as the residents of Mayport did.

The previous examples prove that despite being in different localities with varying sizes of tourism markets, cruise ships manifest the same threats to historic port cities around the world. One can expect negative impacts to arise wherever unmanaged cruise tourism operates within a historic port city. Unregulated cruise tourism leads to overcrowding and congestion that eventually damages historic infrastructure and changes its character as pressure for new development, that may not be compatible, increases. Furthermore, the desire to encourage cruise tourism leads ports to reduce fees, taxes, and policies that fund and protect historic cultural resources. Not only does pollution damage the environment, but it also damages building materials. Lower pricing can also drive traditional artisans out of business and create a loss of intangible cultural. All of these negative effects can create an unpleasant environment for residents and as they leave, the tax base for funding public services and maintenance erodes and empty historic buildings are left without owners to maintain them.

For historic cities, these adverse impacts could result in "killing the goose that lays the golden egg." Along with the tangible effects such as incompatible development, pollution, overcrowding, or the loss of historic and natural resources, intangible effects result in the loss of a historic port city's character, authenticity, tradition, and quality of life. The cruise industry is profitable and well-managed, but if historic ports are not also well managed, they are left with all

of the negative impacts of cruise tourism and none of the benefits. The next chapter addresses the assessment and mitigation tools that ports can use to determine how best to incorporate the cruise industry into their cultural tourism management strategies so that the costs do not outweigh the benefits.

CHAPTER 2. STRATEGIES FOR ASSESSING AND MITIGATING THE EFFECTS OF CRUISE SHIPS IN HISTORIC PORTS

Cultural/Heritage Tourism Management

Today, the tourism industry is one of the largest and strongest economic sectors in the world due to the rise in mass tourism during the twentieth century. Because tourists like variety and the popularity of destinations rises and falls, locations compete for a bigger slice of the tourism market through marketing, positioning, and developing tourist amenities and attractions.[160] Indeed, tourists do travel for amusement and escape, but they also travel to experience new cultures and places. Just as they expect hotels, restaurants, and souvenir shops, they also expect to see authentic culture, architecture, heritage, and natural sites. According to scholars Susan Fainstein and Dennis Judd, the popularity of a site also depends on its "mythology," based on the experience and expectations of tourists—those traveling to the Egyptian pyramids expect to be wowed by a unique sense of place.[161] However, in an attempt to meet all of a tourist's desires, many destinations become "contrived," standardized and commodified.[162] You can now find the same franchises and "I Was Here" t-shirts at almost any location in the world, a surplus of which can actually decrease a location's distinctiveness and appeal. Even the purchase of a cheap souvenir is a result of its association with unique place and experience.[163] When historic port cities compete to attract a greater share of the cruise tourism

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[160] Ed. Fainstein, Susan & Judd, Dennis R. The Tourist City. Yale University Press,1999.pp 1-17; *Benchmarking Travel & Tourism: Global Summary* , World Travel & Tourism Council, April 2012 "At $6.3 trillion in 2011, the GDP impact of Travel & Tourism is larger than that of some of the largest manufacturing sectors—namely automotive and chemicals manufacturing."

[161] Ibid

[162] Cohen, Erik, "The Impact of Tourism on the Physical Environment." *Annals of Tourism Research,* April/June 1978. pp 215-234

[163] Ed. Fainstein, Susan & Judd, Dennis R. pp. 1-17

market, they often lose their distinctiveness or sacrifice their historic character by developing the same attractions and hotels that are found at all popular destinations.[164]

While it is often believed that tourism provides a reason for the preservation of historic, natural, and cultural monuments, too much tourism actually threatens historic port cities. When a destination's "natural attractiveness" is lost, the place becomes a tourist trap, instead of for the residents who live in and shape the location. According to tourism expert Erik Cohen, the impact tourism has on a place depends on the "intensity" of use, therefore, length of stay, tourist activity, and facility creation must all be regulated and sites must not be over-exploited.[165] This is especially important for historic cities where the main attraction is the unique historic, cultural, or natural resource. A lack of authenticity in historic sites is unappealing for both residents and tourists. Even though tourist spending may keep local artisans and historic areas economically successful, the long-term success of a historic port city depends on the quality of its unique historic resources and character.[166]

Scholars in tourism have established that tourists vacillate between the desire for a "tourist bubble"—a safe, familiar, comfortable and enjoyable environment, such as a resort or cruise ship—and an adventurous experience.[167] Cruise tourism provides the best of both worlds, but since the cruise ship is already established as the ultimate tourist bubble then in order to draw passengers out of the ships, it follows that historic ports must find a balance between creating tourist amenities and preserving and promoting that which makes a place worth experiencing.

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[164] McCarthy, John, "The Cruise Industry and Port City Regeneration: The Case of Valletta." pp. 341-350
[165] Cohen, Erik, "The Impact of Tourism on the Physical Environment." pp. 215-234
[166] Lew, Alan, "Authenticity and Sense of Place in the Tourism Development Experience of Older Retail Districts." *Journal of Travel Research,* 27:15 1989
[167] Cohen, Erik, "Towards a Sociology of International Tourism." *Social Research* (1972) 39:164; Jaakson, Reiner. "Beyond the Tourist Bubble? Cruise ship Passengers in Port." *Annals of Tourism Research* (2004) Vol. 31, No. 1, pp. 44–60

Creating this balance is the focus of the cultural heritage tourism management field; The International Council on Monuments and Sites (ICOMOS) is a non-governmental organization made up of international historic preservation and conservation experts who seek to establish and promote best practices.[168] The ICOMOS Cultural Tourism Charter (1999) can be applied to the management of cruise tourism. The 1999 Charter was a response to the increase in tourism at historic sites since the first Cultural Tourism Charter was written in 1976. One example is the influx of tourism at Machu Picchu, where the number of tourists was damaging the fragile historic fabric, as well as the cultural values and social life style of the community to the point where visitor quotas had to be established.[169]

The 1999 version built on the 1976 charter, but emphasized protecting historic cultural sites for the enjoyment of future generations of tourists, instead of seeing tourists as only threats to physical integrity. The ICOMOS International Scientific Committee on Cultural Tourism realized that public awareness, created through tourism, helped create funding and political support for preservation and conservation.[170] The charter has since been used to guide sustainable tourism management practices and programs, although, according to Sue Millar the Vice-President of the ICOMOS International Tourism Committee, cultural tourism management is still not taken seriously in many cases.[171]

Although the charter is a nonbinding recommendation of best practices, it is an important tool because it can be applied to the specific challenges of cruise tourism management. The

[168] "Introducing ICOMOS," ICOMOS, 2011 http://www.icomos.org/en/about-icomos/mission-and-vision/mission-and-vision
[169] Millar, Sue, *Cultural Tourism Management in a Global Context.* ICOMOS AER Seminar on Cultural Tourism, Ustron, May 14, 2008. pp 1-10
[170] Brooks, Graham, "Note on the Charter Revision Process." ICOMOS International Scientific Committee on Cultural Tourism, October 1999
[171] Millar, Sue. pp. 1-10

following is a list of the parts of the charter that are pertinent to the discussion of cruise ship management in historic port cities.

1. Historic, cultural, and natural resources have a universal value that should be made accessible to everyone, while encouraging an appreciation of the host community.

2. Protection of these resources should be integrated into all levels of policy.

3. Tourism development should minimize adverse effects to the resources and the host community, as well as provide amenities for the comfort and safety of visitors. There should be a balance between promoting tourism and protecting the local community and historic character. When necessary, tourists and tourism development should be limited or rerouted in order to mitigate impact.

4. New development and infrastructure should be compatible with the character, aesthetics, and limitations of natural, historic, and cultural resources.

5. Methods for assessing resources and impacts to resources and the host community should be developed. At this point, many ports have claimed to be negatively impacted by cruise ship tourism; however, very few ports have fully documented, assessed, or quantified the impacts to the community or historic resource.

6. Visitors should be encouraged to respect the environment, its resources, and its residents. Tourism managers should educate tourists on the importance of historic and cultural resources and created standards for visitor behavior.

7. Residents and indigenous peoples should be involved in tourism planning and management. Their needs and wishes should be respected.

8. Policy makers should works towards "the equitable distribution of the benefits of tourism... improving the levels of socio-economic development and contributing where necessary to poverty alleviation." Revenue should be set aside for the continued maintenance of historic, cultural, and natural resources. Costs and benefits should be weighed so that the local community is also benefiting from the tourism industry.

9. "Tourism programmes should encourage the training and employment of guides and site interpreters from the host community." Local business should be supported and residents should be involved with the interpretation of their resources.

10. Tourism managers should "relieve the pressures on more popular places by encouraging visitors to experience the wider cultural and natural heritage characteristics of the region or locality."

11. The sale of local crafts and products should be promoted, "while ensuring that their cultural integrity is not degraded."[172]

Towards the achievement of these broad goals, the following sections include tools that could be utilized—by municipalities, port authorities, planners and preservationists, and other stakeholders—first, for identifying impacts and, second, for developing targeted strategies towards mitigating impacts to historic, cultural, and natural resources and the surrounding community.

Tools for Assessing Impacts of Cruise Tourism on Historic Port Cities

Limits of Acceptable Change (LAC)

Limits of acceptable change (LAC) could be used to identify negative impacts on the historic assets of port cities and establish desired outcomes. LAC were developed in the 1970s and 80s to manage "human-induced change" to protected US wildernesses, but it can be applied to tourism management or any other situation where change should be managed. The concept was used to balance conservation with recreation. The National Forest Management Act identified its goals as the preservation of wilderness areas, as well as the upholding of their use for "the public purposes of recreational, scenic, scientific, educational, conservation, and historical use".[173] LAC focus on creating desired conditions rather than just controlling users.

[172] ICOMOS, *8th Draft, for Adoption by ICOMOS at the 12th General Assembly: International Cultural Tourism Charter: Managing Tourism at Places of Heritage Significance.* International Scientific Committee on Cultural Tourism, Mexico, October 1999

[173] Stankey, George H., Cole, David N., Lucas, Robert C., Peterson, Margaret E., Frissell, Sidney S., *The Limits of Acceptable Change (LAC) System for Wilderness Planning.* USDA Forest Service General Technical Report INT-176. 1985.

This concept is preferred over that of carrying capacity because it establishes clear values for baseline conditions and desired conditions.[174]

The process of establishing LAC is four-part: 1. Specify acceptable, reasonable, and measurable resources and conditions. 2. Understand the relationship between present conditions and those resulting from acceptable change. 3. Develop a management strategy that will result in the identified conditions. 4. Create a program for monitoring and evaluating effectiveness. Within this framework there are nine other steps: 1. Identify concerns and issues, as well as relevant policies and laws. 2. Identify "opportunity classes," which represent subsets of the study area that have specific concerns separate from the overarching issues. 3. Develop indicators for measuring conditions. 4. Create a baseline study for which change can be measured against. 5. Use the baseline to create standards for each opportunity class. 6. Identify alternatives. 7. Analyze the costs and benefits of each alternative, in terms of environmental and social impacts. 8. Evaluate the analysis and choose an option. 9. Implement the chosen management strategy and establish a program for monitoring the results.[175]

LAC were first, and successfully, implemented, in 1982, in the Bob Marshall Wilderness Complex of Montana. The process focused on understanding the stakeholders concerns about use and overuse and developing alternative management techniques and outcomes in order to produce a consensus on how the area should be managed. In the Bob Marshall case, with the assistance of professional planners, groups of citizens representing different interests formed small working groups. Consensus was reached based on both technical and lay knowledge. More than 75 percent of national forests have used LAC to manage recreational uses. Not all cases use

[174] Diedrich, Amy; Huguet, Pablo Balaguer; Subirana, Joaquin Tintore, "Methodology for Applying the Limits of Acceptable Change Process to the Management of Recreational Boating in the Balearic Islands, Spain (Western Mediterranean). *Ocean & Coastal Management,* 54, 2011. pp. 341-351

[175] Stankey, G., Cole, D., Lucas, R., Peterson, M., Frissell, S., Washburne, R.,

citizen participation. Some shortcomings of this process are that it is time consuming, requires a lot of base data that might not be available, and not all alternatives can be anticipated. However, it is positive in that it takes into account many stakeholders and circumstances, it's a transparent process, and management action is only taken if the identified limits are being exceeded.[176]

Although my research did not identify any examples of historic port cities that have already applied LAC, the concept has successfully been applied to recreational activity and could be used to identify, evaluate, and maintain desirable impacts from cruise tourism. In order to be effective, LAC would have to be developed by collaboration between port authorities, planners, preservationists, and community members. Experts are necessary for conducting the baseline studies and gathering technical information; however, community members can assist in identifying the desired conditions for their community.

Section 106 of the Unites States National Historic Preservation Act and Section 4(f) of the Department of Transportation Act

Section 106 requires review if a proposed project involves federal funding or agencies and affects historic resources that are on or eligible for the National Register of Historic Places.[177] In most cases, the United States Army Corps of Engineers is responsible for permitting and managing work along US waterways, this includes dredging and port development.[178] In determining the scope of the review required, the Advisory Council on Historic Preservation defines the area of potential effects as "the geographic area or areas within which an undertaking

[176] Krumpe, Edwin E., Stokes, Gerald L., "Application of the Limits of Acceptable Change Planning Process in the United States Forest Service Wilderness Management." *Proceedings, 5th World Wilderness Congress Symposium on International Wilderness Allocation, Management and Research.* 1994

[177] Advisory Council on Historic Preservation, *Protecting Historic Properties: A Citizen's Guide to Section 106 Review.* 2010

[178] "U.S. Army Corps of Engineers," National Oceanic and Atmospheric Administration http://www.nauticalcharts.noaa.gov/staff/usace html

may cause changes in the character or use of historic properties, if any such properties exist..." Review must also include investigation of historic properties that are not yet identified, as well as consultation with indigenous peoples who may be able to identify sites.[179] Similarly, Section 4(f) states that transportation programs must ensure that "there is no prudent and feasible alternative" and that "the program or project includes all possible planning to minimize harm" to historic sites or publicly owned parks, recreation areas, or significant wildlife refuges, before the Secretary of Transportation can give approval.[180]

Section 106 and Section 4(f) have not yet been used to review cruise terminal development or increases in cruise traffic. However, historic port cities in the US can use these laws to have actions that may harm historic resources reviewed as well as to involve the State Historic Preservation Officer (SHPO) with the management of cruise-related impacts on historic resources. Although those undertaking the action are responsible for complying with Section 106, if the project leaders fail to do so, citizens may notify the SHPO to trigger the process. These laws can also be used as models for new laws in foreign countries or local levels of government. Furthermore, the definition of "area of potential effects" could be applied to cities that are deciding what scope of review is needed for actions involving historic ports.

Environmental Impact Statements: Definition of Neighborhood Character

The National Environmental Policy Act (NEPA) requires federal agencies to take environmental protection into consideration before taking action. Therefore, agencies have to undertake detailed environmental assessments to investigate possible impacts and alternative

[179] Advisory Council on Historic Preservation, "36 CFR Part 800—Protection of Historic Properties." Updated August 5, 2004 http://www.achp.gov/altguidance/regsweb.html
[180] "Section 4 (f) Policy on lands, wildlife and waterfowl refuges, and historic sites," *Department of Transportation Act.* 49 U.S.C. § 303, 1983

actions for mitigation, the long-form of which is the environmental impact statement (EIS).[181] The Council on Environmental Quality has also established standards for the EIS format. The EIS includes but is not limited to: Land use conflicts; energy and conservation; natural resources (air, water, soil, bodies of water…); scientific, archeological, historic and cultural resources and the built environment; socioeconomic implications; wetlands and floodplains; noise; agricultural lands; endangered species and their habitats; and public health and safety.[182]

Several states and historic port cities have established laws, based on NEPA and referred to as little NEPAS, which apply to state and municipal actions. One of the more comprehensive examples is the New York City Environmental Quality Review (CEQR), which expands upon the NEPA requirements. CEQR requires that environmental impact statements take into account effects on neighborhood character, broadly defined as land use, zoning, and public policy; socioeconomic conditions; open space, historic and cultural resources; urban design and visual resources; shadows; transportation; and noise. While other versions of EIS may look at these aspects individually or as necessary, CEQR, under the guiding philosophy that New York City's neighborhoods are "organic and dynamic," analyzes how these elements interact with each other to define neighborhood character.[183]

In the case of *National Parks & Conservation Association v. Babbitt* the National Parks & Conservation Association (NPCA) sued the National Park Service on the grounds that the Park Service did not prepare an EIS before increasing the amount of cruise ships allowed into the Glacier Bay National Park and Preserve. The NPCA lost in district court, but appealed in the Ninth Circuit where the court ruled that the Park Service was violating NEPA by issuing an

[181] "National Environmental Policy Act," Environmental Protection Agency. June 25, 2012 http://www.epa.gov/compliance/basics/nepa.html#eis
[182] "Environmental Impact Statement," 40 CFR 1502. 43 FR 55994, November 29, 1978
[183] New York City CEQR Technical Manual, 2012. ch. 21

Environmental Assessment with a Finding of No Significant Impact when the "significance of the proposal's environmental effects was sufficiently controversial to warrant the preparation of an EIS." The court also issued an injunction forcing the Park Service to reinstate the original cruise ship quota until an EIS was filed.[184]

When historic port cities decide to develop a new cruise terminal, commercial area, or increase cruise traffic there can be a variety of environmental impacts, including impacts to historic resources, air and water quality; however, often times an EIS is not conducted if the use is grandfathered in, or it is a categorical exclusion. Analysis might also exclude historic resources if they are not directly involved with the project. Because the nature of the cruise industry has evolved in recent years—with the rise in cruise tourism, the size of the ships, and the emissions produced—cruise tourism should be reconsidered in terms of environmental assessment. Historic port cities, port authorities, preservation groups, or other impacted community entities should look into the applicability of NEPA and EIS, as well as encourage state and municipal governments to implement similar regulations and processes so that all levels will be held to the same standard. Foreign countries, which have not done so already, can also adapt and/or adopt NEPA-like policies to protect their own resources.

Additionally, CEQR's definition of neighborhood character could be applied to localities that do not make this distinction in their EIS or local review processes. This definition could also be used to expand the scope of impact when reviewing the effects of cruise ships or terminal development. Moreover, because cruise tourism management, in the context of historic resources, is relatively new concept, like the plaintiffs in *National Parks & Conservation Association v. Babbitt,* those wishing to trigger NEPA may have to seek legal recourse.

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[184] *National Parks & Conservation Association v. Babbitt*, 241 F.3d 722 (9th Cir. 2001) http://www.elawreview.org/summaries/environmental_quality/nepa/national_parks_conservation_as.html

Heritage Impact Assessments (HIA)

In most cases, HIA are not required the way EIS are in the US, however, many entities have adopted their own forms of HIA. The HIA guidelines, as described by ICOMOS, could be applied to evaluating cruise ship's impacts on historic port cities as they specifically address impacts to a site's historic or cultural significance. At the time that my research was conducted, no examples of HIA being applied to historic port cities were found.

According to ICOMOS, HIA were developed to evaluate impacts to a site's Outstanding Universal Value (OUV) and the aspects that comprise it. Many times EIS are used instead of HIA, but ICOMOS has found that EIS, although similar, do not comprehensively investigate impacts to historic properties and their OUV, but instead look at the properties separately as they relate to the overall project. EIS also do not examine OUV and can overlook cumulative or incremental changes. HIA should be able to identify all stakeholders and state how a proposed action impacts a site's specific OUV and what alternatives exist. HIA should not only be used for major projects, but also for policy or land use changes, tourism infrastructure or increases, and archeological excavations. They should document all existing internal and external conditions, including integrity and authenticity, viewpoints, landscape, structural soundness, condition of materials, and tangible and intangible historic/cultural significance. Direct, indirect, social, cultural, economic, temporary, reversible, visual, and physical impacts should be analyzed and rated. Like EIS, they should be conducted by professionals and take into account the relevant legal framework.[185]

The previous assessment tools can all be supplemented with public participation and input, such as community surveys and public meetings. The results of these assessments should be used to identify and implement the appropriate mitigation tools, discussed next.

[185] ICOMOS, *Guidance on Heritage Impact Assessments for Cultural World Heritage Properties.* January 2011

Tools for Mitigating Cruise Ship Impacts on Historic Port Cities

Taxes, Fees and Sponsorship

In order to ensure that the economic benefits of cruise ship tourism outweigh the costs to historic port cities and provide for the continued maintenance of historic and cultural resources, there are a variety of financial incentives and disincentives that a port city can adopt.

- Cruise ship fees and head taxes—Port authorities and managers can charge cruise ships per-ship or per-passenger fees that are carefully calculated to offset the cost of port operations, services, maintenance, and security while not overcharging ships.[186] Cruise companies or port authorities can create or set aside a portion of fee and tax revenue for infrastructure, community, and environment funds. These funds can be used for the preservation and restoration of historic and cultural resources.[187]

- Congestion fees and dynamic pricing—Like Venice, other historic port cities can implement congestion fees and dynamic pricing models that incentivize tourists to visit during less congested times by offering cheaper pricing for services and attractions during the off-peaks season. [188] This would decrease traffic and wear and tear on historic infrastructure, as well as encourage a moderate amount of tourism all year long instead of short periods of intense use.

[186] Murray, Thomas J., Pg. 16
[187] Ibid
[188] Tjolle, Valere, "Venice Proposes Tourism Congestion Charges;" Clarke, Sara K., "Attractions dip toes into Airline-Style Pricing." *Orlando Sentinel,* November 17, 2012 http://articles.orlandosentinel.com/2012-11-17/business/os-theme-parks-variable-pricing-20121117_1_theme-parks-universal-express-halloween-horror-nights

- Vendor/Excursion licensing—Cities should ensure that a fair share of local businesses and excursion providers are licensed to sell in the port area and directly to the cruise companies. Quality standards should also be developed, along with an equitable commission system between local service providers and the cruise companies.[189] This provision would support the local community and ensure that traditional artisanal crafts are not replaced with outsourced replicas.

- Training Sponsorship— Cruise companies should partner with ports to provide training for local guides, excursion providers, and other services which highlight a destination's best features.[190] Not only would this support the local community and cultural organizations, but it would give residents the opportunity to share their history and culture and help tourists have a better understanding of the area.

Tourism Management Organizations/Local Action Plans

Tourism Management Organizations and Local Action Plans are management tools that create a relationship between diverse stakeholders (local government, the business community, neighborhood groups, preservation and tourism organizations, cruise companies) for the purpose of creating an equitable and successful tourism management plan for a specific region. These entities can use a variety of tools and strategies to ensure sustainable tourism, including strategically planning the physical design, scale, and location of tourism development. This is important for historic port cities that want to ensure that historic preservation is incorporated into

[189] Center on Ecotourism and Sustainable Development, *Cruise Tourism in Belize: Perception of Economic, Social & Environmental Impact*. pp. 1-14
[190] Klein, Ross; Scarfe, Brian; Miley, Harry "Economic Impacts." *Harboring Tourism: An International Symposium on Cruise Ships in Historic Port Communities,* February 6-8, 2013

all levels of policy and development. Strong organization and planning also helps ports gain bargaining power with cruise companies.

In Europe, URBACT is a "European exchange and learning programme" that promotes sustainable development and provides solutions to planning challenges. It is jointly financed by the European Union and its member states. [191] URBACT's Cruise Traffic and Urban Regeneration (CTUR) project sees a port's heritage as "key" to economic, social, and urban development. It ran from January 2009 to July 2011. Through Local Action Plans, CTUR believes multilevel cooperation is achieved and port development serves to emphasize each ports unique heritage and identity and regenerate the city and its economy.[192] The CTUR network has partners in 11 historic port cities: Alicante and Valencia, Spain; Dublin, Ireland; Helsinki, Finland; Istanbul, Turkey; Matosinhos, Portugal; Naples and Trieste, Italy; Rhodes, Greece; Rostock, Germany; and Varna, Bulgaria. AIVP, the worldwide network of port cities, is also an information sharing partner.[193]

In Naples, Italy, the goal was to promote sustainable development, through cruise tourism, for the waterfront of the historic center.[194] Naples is unique in that in 2011 it successfully petitioned the World Heritage Committee to include its port within its designated buffer zone. The goal of this action was to connect the development of the port with the historic center and ensure compatibility. In agreement with the Naples Municipality, the Port Authority is demolishing incompatible structures and integrating the port with the historic core.[195] So far the project has yielded positive results, the 2011 *URBACT II European Programme: CTUR Thematic Network-Cruise Traffic and Urban Regeneration: Final Report and Good Practices*

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[191] "URBACT in Words." URBACT http://urbact.eu/en/about-urbact/urbact-at-a-glance/urbact-in-words/
[192] "Our Project." URBACT http://urbact.eu/en/projects/port-cities/ctur/our-project/
[193] "Our Partners." URBACT http://urbact.eu/en/projects/port-cities/ctur/our-partners/
[194] URBACT, *Local Action Plan: City of Naples.* April 2011. pp. 1-4
[195] UNESCO, *State of Conservation: Historic Centre of Naples.* 2011 http://whc.unesco.org/en/soc/418

Guide found that cruise ships can have positive impacts on historic port cities if properly harnessed.[196]

The final CTUR report concluded that both cruise tourism and port heritage are social and economic benefits and that there is no inherent conflict between the cruise industry and cities, but positive outcomes depend on an integrated cruise-city policy and a comprehensive development plan.[197] Cities must also position themselves to attract the desired amount and type of cruise activity. By doing so, cities can decide if they really need to invest in newer and larger port facilities or not. If a city only wants to attract smaller luxury cruise lines, it should not build a terminal that can accommodate larger ships. CTUR recommends that ports work together to develop itineraries that avoid peak seasons and congestion.[198]

Similarly, Turisme de Barcelona, in the historic port city of Barcelona, Spain, is also good example of a Tourism Management Organization. It was created by the Barcelona City Council and the Barcelona Chamber of Commerce for the purpose of managing the 1992 Olympic Games. The organization's goal is to manage the type and growth of tourism, so that it serves both residents and tourists.[199]

International Management Organizations

Management organizations can also function internationally to create standard policies and cooperation between multiple countries; some examples are the International Maritime Organization (IMO), the Cruise Lines International Association (CLIA), and the International

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[196] Comune di Napoli, *URBACT II European Programme: CTUR Thematic Network-Cruise Traffic and Urban Regeneration: Final Report and Good Practices Guide.* July 2011
[197] Ibid
[198] Ibid
[199] "Presentation," *Pla Estrategic de Turisme d la Ciutat de Barcelona.* http://www.turismebcn2015.cat/T2015WEB/Que_es/_Sb46WFTR8WoXPZuwwMDEOVRheSI8ok8pTGnEvydCtU8

Council of Cruise Lines (ICCL). The IMO is a United Nations agency that monitors international maritime safety, security, and pollution. The agency is now responsible for more than 50 international conventions that bind consensual member states to agreed upon policies and procedures. The International Convention for the Prevention of Pollution from Ships (MARPOL) is one such convention that regulates ships' discharges and emissions.[200] Unlike the IMO, which deals with governments and has the power to regulate international conventions, CLIA is a cruise industry organization that represents 26 cruise companies. The organization conducts market research and communications. In 2006, CLIA merged with ICCL and continued ICCL's mandate of researching and developing regulations and policies for the cruise industry.[201] Although these organizations have not yet dealt with cruise tourism's impact on heritage and historic resources, they are examples of organizations that have the capacity to create binding cruise ship management standards for and between international governments and companies. These entities could either adopt historic preservation as part of their mandate or serve as a model for a new agency or organization with that mission.

Quotas and Limits

In order to prevent congestion and overuse, many ports, including Belize, Bermuda, and Dubrovnik, have established quotas and limits for how many cruise ships and/or passengers are allowed to dock at one time. To be effective these numbers must have clear reasoning and enforcement. Options include using values identified by limits of acceptable change or the

[200] "About IMO" and "Conventions," International Maritime Organization. http://www.imo.org/About/Conventions/Pages/Home.aspx
[201] "What is CLIA?" Cruise Lines International Association, Inc. http://www.cruising.org/pressroom-research/cruise-industry-source-book/what-clia

carrying capacity of the port and cities infrastructure. Several ports have established limits only to quickly exceed them.

In 2000, Bermuda established a 6,000 passenger-per-day limit; however, reports indicate that it regularly exceeds this limit by at least 2,000 passengers.[202] In contrast, The Dubrovnik Port Authority and the Dubrovnik County Port Authority allow only one ship at a time to dock in front of the historic city while two are allowed at the new port. They also limit the number of cruise passengers to 8,000 a day and have refused ships that exceed this limit.[203]

Buffer Zones

Historic port cities can use designated buffer zones around core protected areas to manage the effects of cruise tourism or have a cruise terminal relocated further away. For example, if a buffer zone requires reduced noise or air pollution, then ships will either have to meet those requirements to dock in the buffer area or the terminal will have to be developed in another area. Besides informing the location of the terminals, buffer zones can also ease jurisdictional conflicts by forcing the entities on either side to co-manage the neutral buffer area.

The idea of a buffer area has been around since 1000 BC in the form of protected hunting reserves for royalty and barriers between wild animal habitats and human settlements.[204] The first buffer zones were natural or manmade forest buffers that surrounded the cores of protected

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[202] Sarkis, Samia, *Report on the Potential Impacts of Cruise Ships on Bermuda's Environment.* The Bermuda National Trust, April 22, 1999. pg. 6
[203] "Dubrovnik Port Authority and Sustainable Cruise Tourism Development."
[203] Pavlic, Ivana; and Raguz, Ivona Vrdoljak,"Organization and Implementation of Integrated Management System Processes - Cruise Port Dubrovnik." pp199-209
[204] Shafer, Craig L., "US National Park Buffer Zones: Historical, Scientific, Social, and Legal Aspects." *Environmental Management,* Vol. 23, No.1, 1999. pp. 49-73

natural areas.[205] According to the UNESCO's 2012 Operational Guidelines for the Implementation of the World Heritage Convention buffer zones are defined as:

> [Areas] surrounding the nominated property which [have] complementary legal and/or customary restrictions placed on its use and development to give an added layer of protection to the property. This should include the immediate setting of the nominated property, important views and other areas or attributes that are functionally important as a support to the property and its protection. The area constituting the buffer zone should be determined in each case through appropriate mechanisms.[206]

Buffer zones have also been used in land use planning to separate incompatible uses, such as industrial and residential.[207] Buffer zones can work in a number of ways—they can be a designated area around a core protected area where certain uses or activities are restricted; the buffer zone area can be managed and maintained by specific groups that control use; they can also be a political or physical boundary.[208]

Like the Venice agreement, the International Maritime Organization, in conjunction with the US and Canada, has adopted buffer zones around the two countries where all large ships must reduce the sulfur content of their fuel to 1 percent by 2010 and 0.1 percent by 2015. Although cheaper, less-clean, fuels can be used for ocean crossings, this law will affect cruise ships more as they move along the coasts.[209]

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[205] Ebregt, Arthur; Greve, Pol de, *Buffer Zones and their Management: Policy and Best Practices for Terrestrial Ecosystems in Developing Countries.* International Agricultural Centre, October 2000. pp. 1-13

[206] UNESCO, "Operational Guidelines for the Implementation of the World Heritage Convention." World Heritage Convention, 2012. Paragraph 103-107

[207] Placer County Government, "Land Use Buffer Zone Standards." *Land Use/Circulation Diagrams and Standards.* http://www.placer.ca.gov/Departments/CommunityDevelopment/Planning/CommPlans/~/media/cdr/Planning/CommPlans/PCGP/PCGPPart3.ashx

[208] Ebregt, Arthur; Greve, Pol de, *Buffer Zones and their Management: Policy and Best Practices for Terrestrial Ecosystems in Developing Countries.* pp. 31-36

[209] Stueck, Wendy, "Cruise Ships Ask for Break on Fuel Requirement." *The Globe and Mail,* August 23, 2012 http://m.theglobeandmail.com/news/british-columbia/cruise-ships-ask-for-break-on-fuel-requirement/article1588989/?service=mobile

Implementing buffer zones for the protection of historic, natural, and cultural resources is complicated in the US because of the difficulty with establishing zones in land that is not under the same private ownership as the designated property. The 1980 Amendments to the National Historic Preservation Act require owner consent for all US property that is nominated to the World Heritage List. In the US, buffer zone proposals have failed and US properties nominated for the World Heritage List do not mention the establishment of buffer zones because of the concern that US sovereignty may be breached by adhering to the management of an external identity i.e. UNESCO.[210] Some buffer zone alternatives that can have similar results, but which are more favorable in the US, are:

- Easements: "a legal agreement through which a landowner agrees to permanently limit the type and amount of development on his or her property while retaining ownership and certain other rights to use of the land. Landowners who sell an easement...receive cash and property tax relief in return for extinguishing their development rights in perpetuity,"[211]

- National Heritage Areas are: an "area where natural, cultural, historic, and recreational resources combine to create a distinctive and cohesive entity that represents important aspects of the nation's heritage." When a Heritage Area is designated, by Congress, the National Park Service staff mediates between residents and local governments to create a management plan for the area. The local government then regulates the area.[212]

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[210] Reap, James K, "Buffer Zones for Protecting Heritage Properties in the United States." The World Heritage Convention and the Buffer Zone: ICOMOS Symposium, November 28-29, 2006 http://www.law.kyushu-u.ac.jp/programsinenglish/hiroshima/reap.pdf pg. 1

[211] "Conservation Easements," New York City Environmental Protection. http://www.nyc.gov/html/dep/html/watershed_protection/conservation_easements.shtml

[212] Reap, James K, "Buffer Zones for Protecting Heritage Properties in the United States."

- Outstanding Natural Area: a protected scenic, natural, or historic area that is under the management of the Secretary of the Interior for continued public use and protection.[213]

- Area of Critical Environmental Concern: areas of historic, cultural, or scenic value, including fish and wildlife reserves and other natural systems, which are put under the special management of the Bureau of Land Management.[214]

- Particularly Sensitive Sea Areas: this is an International Maritime Organization management tool for ecological, socioeconomic, or scientific areas that are vulnerable to damage by international shipping.[215]

- Overlay Zones: a zoning district applied over existing zoning in order to establish stricter standards for the protection of special features; they can also promote specific types of zoning.[216]

Technological Advances

It has already been established that air pollution can damage historic building materials, causing decay and discoloration.[217] When increasing cruise traffic or developing a new terminal,

[213] "Yaquina Head Outstanding Natural Area." 43 USC § 1783. 1979
http://www.law.cornell.edu/uscode/text/43/1783
[214] "Area of Critical Environmental Concern," *Trans-Alaska Pipeline System Renewal EIS: Glossary.* 2002
http://tapseis.anl.gov/glossacro/dsp_wordpopup.cfm?word_id=435
[215] "Marine Protected Areas: Particularly Sensitive Sea Areas," NOAA Office of the General Counsel. September 12, 2012. http://www.gc noaa.gov/gcil_mpa-pssa.html
[216] Ariail, Dorothy, "Property Topics and Concepts-Overlay Zones." 2007
http://www.planning.org/divisions/planningandlaw/propertytopics htm

historic port cities should be aware of the types of pollution-reducing technology that are available. Not only do the options produce different reduced amounts of pollution, but some increase costs to the port, while others increase costs to the ships. Examples that put the impetus on the cruise companies include gas turbines, which create less noise and reduce exhaust emissions by up to 90 percent; exhaust gas cleaning devices; oil water separators; and homogenizers that reduce nitrogen oxide emissions--Royal Caribbean has already been utilizing these options.[218] Historic ports can choose to only allow ships that have pollution-reducing technology or that only produce a certain amount of pollution.

Another option is cold ironing, better known as shore power, in which ships turn off their own engines while in port and plug into the port city's electrical grid. While this eliminates air pollution and reduced noise, it is very expensive for cruise companies and ports since not all ports and ships have the equipment to do so. In 2001, Princess Cruises became the first cruise company to use shore power. The company invested approximately $7 million to enable nine of its ship to plug-in at Juneau's port.[219] In 2009, the Unified Port of San Diego spent $7.6 million to install the necessary plug-ins.[220] Burning fuel is also cheaper than shore power, so ports have to decide if they will let ships charge for free or provide energy at rates discounted enough that the price doesn't turn ships away.[221] As of 2011, shore power was available at Juneau, Alaska; Seattle, Washington; Vancouver, British Columbia; and Los Angeles, San Francisco and San

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[217] Butlin, R.N. "Effects of Air Pollutants on Buildings and Materials." *Proceedings of the Royal Society of Edinburgh. Section B. Biological Sciences*, 1990. pp. 255-275

[218] Johnson, David, "Environmentally Sustainable Cruise Tourism: A Reality Check." *Marine Policy,* V26, 2002. pp. 261-270

[219] Princess Cruises News Center, "Princess Ships Clear the Air with Shore Power Connections." Princess Cruises. http://www.princess.com/news/backgrounders_and_fact_sheets/factsheet/Princess-Ships-Clear-the-Air-with-Shore-Power-Connections html#.UWDX91eReLg

[220] Lee, Mike, "New Ship Rules Strike a Blow for Clean Air." *U-T San Diego,* July 10, 2009 http://www.utsandiego.com/news/2009/jul/10/1n10air23265-new-programs-strike-blow-clean-air/

[221] McLaughlin, Mike, "Port Authority Seeks Cheap Power for Idling Red Hook Cruise Ships." *The Brooklyn Paper,* January 27, 2009 http://www.brooklynpaper.com/stories/32/4/32_4_mm_cruise_ship.html

Diego, California. Brooklyn, New York; Civitavecchia, Italy; Barcelona, Spain; Stockholm, Sweden; Rotterdam, The Netherlands; and Victoria; Canada were scheduled to develop shore power after 2011.[222]

Utilizing Potential Tools

Individually, none of these tools can solve every negative impact of cruise tourism on historic port cities. Port cities can develop a blend of tools that respond to the unique circumstances of their specific locations, legal frameworks, and stakeholders. Furthermore, assessment tools can be used to decide how and what kind of mitigation is needed. For example, Heritage Impact Statements could be used in conjunction with limits of acceptable change in order to develop a management plan that uses appropriate passenger quotas. The previous lists of management and assessment tools are by no means conclusive, but they are indicative of the types of options available for historic ports, such as Charleston, South Carolina, the case study that will be analyzed in the next chapter.

[222] Princess Cruises News Center, "Princess Ships Clear the Air with Shore Power Connections."

CHAPTER 3. CASE STUDY: CHARLESTON'S HISTORIC PORT



Figure 14. Charleston, South Carolina, 2013 (Lauren Hoogkamer)

Charleston, South Carolina, once one of the most important ports in the country, is now ground zero for developing cruise tourism management best practices in the context of heritage tourism. Charleston is the first and only historic port city in the United States to gain international attention for opposing the cruise industry in order to protect its historic character. This study considers which management practices, from the international examples, could be applied to Charleston. It also proposes a framework for future professionals to evaluate adverse impacts to historic resources, posed by cruise tourism, in order to create a management plan for Charleston as a historic port city. As the city's cruise tourism is still in the development stage, Charleston, once again, has the potential to set the precedent for best practices in terms of creating a comprehensive heritage-based cruise tourism management strategy.

Background

Established in 1670 and incorporated in 1783, Charles Town, now Charleston, is the oldest city in the state—its City Market is one of the oldest in the country. Charleston was also the seat of the congress that created the state of South Carolina and served as its first state capital. The city was one of the United State's most important ports, especially for trade with the Caribbean and the transport of indigo, rice, and cotton. It was the richest and largest city south of

Philadelphia.[223] After the invention of the cotton gin, Charleston's plantation's community was booming and, by 1820, had a population of 23,000. In the 1860s, Charleston also led the South in secession; the capture of Fort Sumter preluded the Civil War. From 1901 to 1993, Charleston was home to a US naval base on Cooper River, which increased port activity. The city still leads South Carolina as its leader in finance, trade, and commerce.[224] In 2012, Charleston was named Top US City and Top Destination in the World by Condé Nast Traveler 2012 Readers' Choice Awards.[225]

Charleston's prosperous history led to the construction of its many historic mansions, civic institutions, and churches, which characterize the historic port city. It has a long history of careful preservation and planning in order to appeal to both residents and tourists.[226] In 1783, Charleston adopted the motto, "she guards her customs buildings, and laws." By the 1900s, the local chapters of the Daughters of the American Revolution had already started purchasing and preserving some of Charleston's oldest institutional buildings, such as the 1761 Old Exchange. In 1920, real estate agent Susan Pringle Frost founded the Society for the Preservation of Old Dwellings, now the Preservation Society of Charleston. The city also created the Committee on Planning and Zoning, now the planning and zoning commission, to regulate building and use in its historic areas. At that time, Standard Oil was growing and had begun building stations that the city found aesthetically incompatible.[227] Problems were also arising as buildings began to be

[223] "Charleston's Community History," National Park Service http://www.nps.gov/nr/travel/charleston/community.htm
[224] "Charleston," *Encyclopedia Britannica.* 2013 http://www.britannica.com/EBchecked/topic/107477/Charleston
[225] "Charleston Named Top City by Conde Nast Traveler" Charleston Area Convention & Visitors Bureau. October 2012 http://www.charlestoncvb.com/visitors/events_news/charleston-news/charleston_named_top_city_by_conde_nast_traveler-1223
[226] Chase, Charles Edwin, "Charleston & Preservation." National Park Service, 1998 http://www.nps.gov/nr/travel/charleston/preservation.htm
[227] Hosmer, Charles Bridgham, Preservation Comes of Age: From Williamsburg to the National Trust, 1926-1949. University of Virginia Press, 1981 pp. 232-249

demolished—and sold for parts—to make room for wider streets, parking, and commercial buildings for the expanding city.[228]

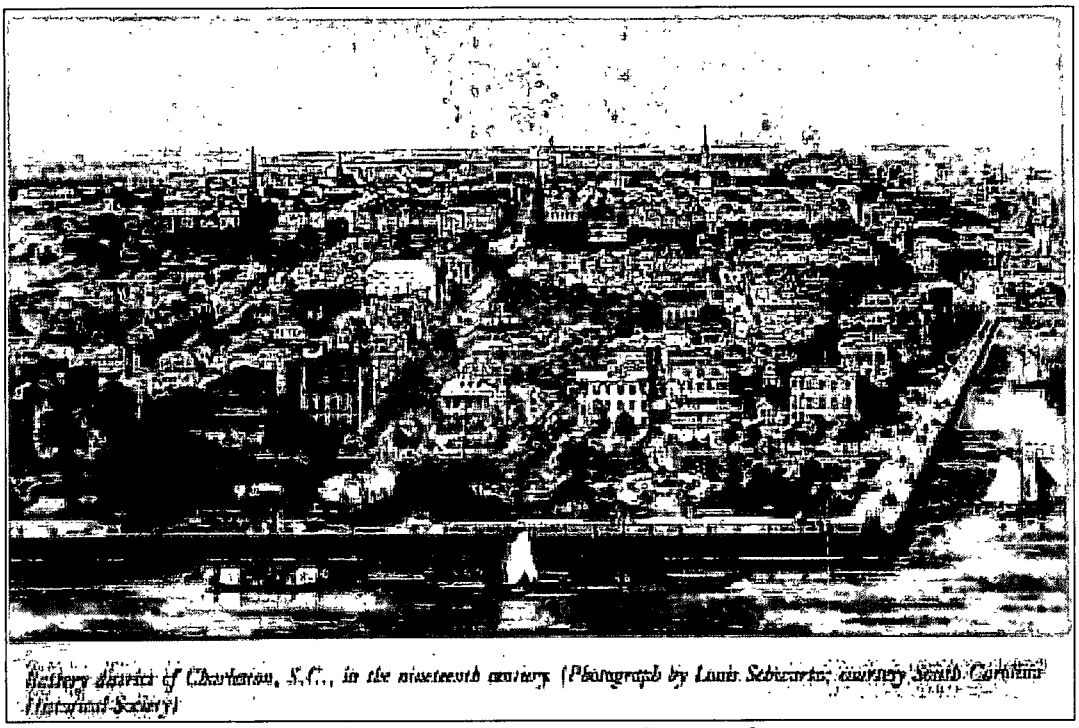


Figure 15. *Preservation Comes of Age*

Between 1920 and 1931, Charleston created the first US historic district and preservation ordinance; it also established the Board of Architectural Review, which the New York City Landmarks Preservation Commission is modeled after. In 1931, with more than 1,400 historic structures, the city pioneered current historic district practices by becoming the first and most complete historic district in the US. In 1940 the Charleston hired Frederick Law Olmsted Jr. to create a master plan for managing tourism and urban growth, as well as a historic resources inventory and rating system. Since 1959, the city has also been proactive in using easements for the continued maintenance of its structures through the first nonprofit organization, the Historic Charleston Foundation, whose purpose was to fund the rehabilitation of historic

[228] Chase, Charles Edwin, "Charleston & Preservation."

neighborhoods.[229] While the organization was very successful in accomplishing its preservation goals, it also gentrified Charleston's historic districts and displaced many black residents. By the 1970s, the foundation changed to encourage low-income home ownership and in the 1990s it began to focus on the interpretation and preservation of African-American heritage.[230]

Historically, Charleston has maintained its social and architectural character through a mix of regulation and grassroots efforts. Historian Charles Bridgham Hosmer wrote that, "Charleston stands alone among America's historic cities because the sense of continuity has been so clearly reflected in the life of its people. The old buildings are part of the Charlestonians, who infuse a sense of vigor into the structures that they try to save."[231] Currently, Charleston has ordinances that regulate the size of walking tours, house carriages, tour vehicles, signs, building alterations and construction, and motorized vendors. The Tourism Ordinance even states:

> It is the purpose of such regulation to maintain, protect and promote the tourism industry and economy of the city and, at the same time, to maintain and protect the tax base and land values of the city, to reduce unnecessary traffic and pollution and to maintain and promote aesthetic charm and the quality of life for the residents of the city. The city council finds, further, that the numbers of unregulated tour vehicles and other commercial vehicles entering the city for the purpose of touring the historic districts are having adverse effects upon the health, safety and welfare of the citizens of the city and that traffic accidents, damage to property, traffic congestion and other problems require the enactment by the city of a comprehensive tourism management ordinance. The council also finds that responsibilities for tourism management are of sufficient scope and complexity to justify a separate ordinance and organizational entity from that required for the administration of the arts and history interests of the city.[232]

Despite Charleston's long history of prioritizing preservation in the planning process, the city finds itself unprepared to address the potential pressures and threats cruise ship tourism poses to

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[229] Hosmer, Charles Bridgham, pp. 232-249
[230] Weyeneth, Robert R., Historic Preservation for a Living City: Historic Charleston Foundation. Columbia: University of South Carolina Press, 2000 pp.63-68
[231] Hosmer, Charles Bridgham pg. 274
[232] Charleston Ord. No. 1983-22, § 1, 5-10-83

its historic fabric. Charleston's historic character is defined by the relationship of the city to its port, yet because of the peculiarities of port regulations, which fall under the jurisdiction of the state, the city claims to have no control over the port. Furthermore, the city does not support residents' efforts to impose review or regulation on the ports activities.

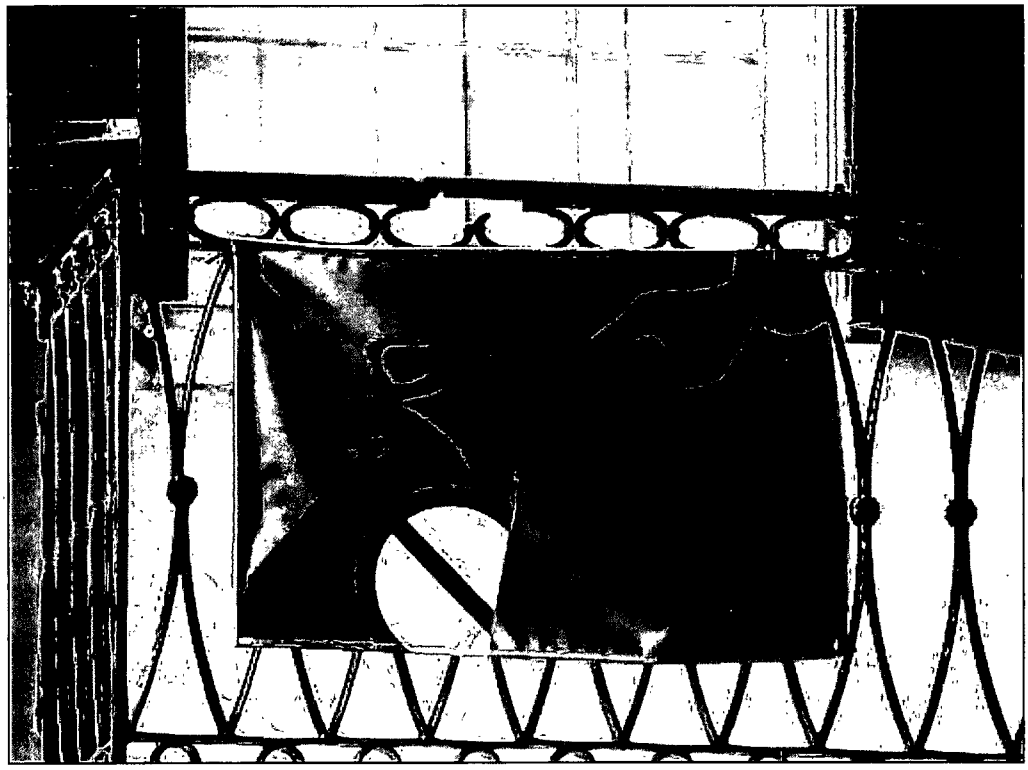


Figure 16. Charleston Communities for Cruise Control Flag, 2013 (Lauren Hoogkamer)

The Conflict over Charleston's Port

Charleston's Union Pier terminal was built in December 1972 when the South Carolina Ports Authority (SPA) anticipated an increase in traffic and economic activity due to cruise tourism. However, this prediction was incorrect and the first ship didn't arrive until April 1973. In 1977, Charleston's newspaper the *News and Courier* wrote that the terminal was a failure.[233]

[233] *Preservation Progress: Cruise Tourism Special Report*, Preservation Society of Charleston. August 2011. pp. 3-4

From then until the early 2000s, cruise ships were a minor aspect of port activity and the city even considered repurposing the port for non-maritime uses. In 2010, Charleston became home port for Carnival's Fantasy ship; it was the first time the city had year-round cruise dockings. Since then, Charleston's cruise traffic has steadily been increasing from 66 to 88 ships. That equates to about 200,000 cruise passengers a year and the ships being in port for an approximated sum of two months.[234]

SPA is also in the process of redeveloping Union Pier's terminal for the increased cruise traffic. The new $35 million cruise terminal facility, which will be moved to the northern end of the port's property, will sit on the footprint of an existing warehouse and include nine acres of surface parking. The rest of the 63-acres of waterfront property will be opened up for redevelopment, although there are no specific plans for this yet. The plan would also restore the historic granite wharf and open up the waterfront to the public as green space. Since this terminal is being repurposed for cruise ship passengers, existing cargo activity is being moved to SPA's northern locations in North Charleston and Columbus Street. SPA says the terminal is for one ship at a time, but could hold two if need be. It also claims that the new design will improve current traffic flow and reduce pollution as cargo ships will be relocated. [235]

[234] Ibid
[235] "Frequently Asked Questions," Union Pier. http://www.scspa.com/UnionPierPlan/faq.html



Figure 17. Building 322 (Allison Skipper)

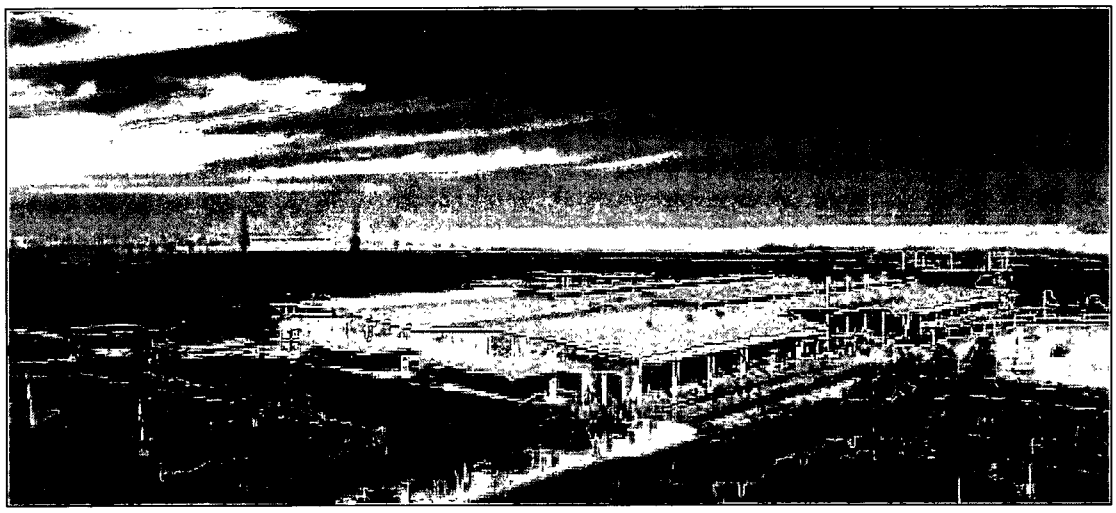


Figure 18. Union Pier Plan: Rendering of Proposed Terminal with Parking Lot, 2010 (SPA)

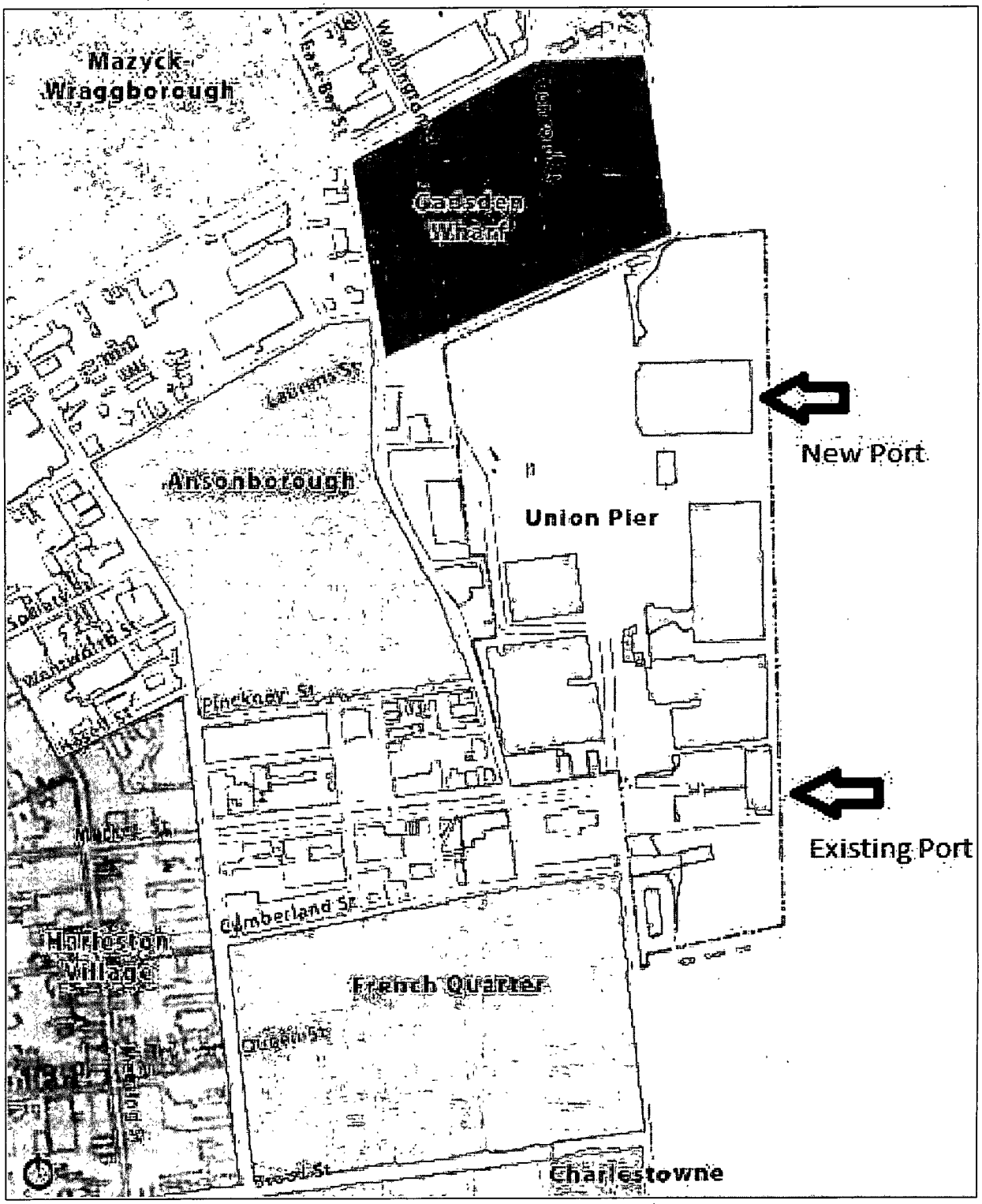


Figure 19. Adjacent Neighborhoods Map, 2010 (Copper, Robertson & Partners). Colors indicate historic districts.

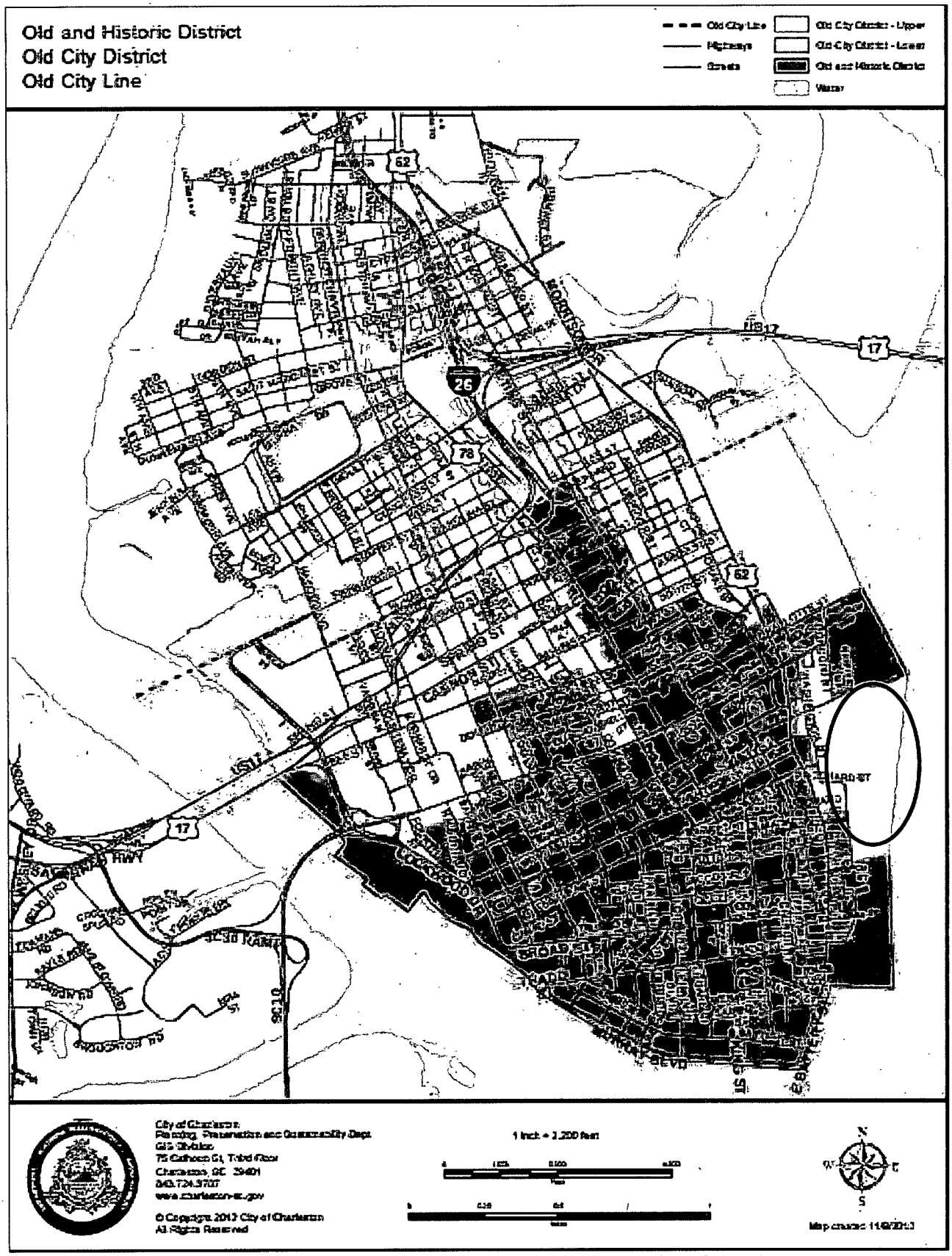


Figure 20.Old and Historic District Map, 2012 (City of Charleston)

Because the port is adjacent to the city's historic districts, but on state land, the terminal's location has created a jurisdictional conflict over how, and by whom, the port area can be managed. Even though the port is subject to local zoning and the City Council and Charleston's Board of Architectural Review (BAR) approved the port's proposal for the new terminal, the city claims to not have the authority to regulate the port's activities.[236] SPA was not required to go before the BAR, but volunteered to do so. Charleston's city planners have not been involved with planning Union Pier's redevelopment, but the Mayor supports the Port Authority and Carnival.[237] SPA says the goal of the Union Pier planning process was to "better serve passenger vessels and appropriately and efficiently handle people, vehicles, luggage, supplies and security processes"—SPA did not mention if this took into account how the project would affect the surrounding neighborhood. Union Pier has been receiving passenger vessels since 1913; the port considers this project the maintenance of non-historic property since the only current structure is noncontributing to the historic district.[238]

Both the city and SPA have refused to release documents regarding the port's cruise ship business and redevelopment. When the Coastal Conservation League submitted a Freedom of Information Act request, they were told these documents were either unavailable or "privileged."[239] Furthermore, both the South Carolina Department of Health and Environmental Control (DHEC) and the U.S. Army Corps of Engineers approved permits, allowing SPA to construct five pilings in the northern end of Union Pier that are necessary for the new construction, without any environmental assessment or impact statement or Section 106

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[236] Schneider, Keith, "Historic City at Odds With Its Popularity as Cruise Port." *The New York Times*, April 19, 2011
[237] Ibid
[238] Skipper, Allison, Public Relations Manager for SCSPA. Email, December 5, 2012
[239] Zimmerman, Katie, "State Ports Authority Thwarts Efforts to Pry Info Loose." *The Post and Courier*, May 4, 2012 http://www.postandcourier.com/article/20120504/PC1002/120509580&sIId=1

review.[240] The Army Corp of Engineers issued a NWP 3, which is Nationwide "Maintenance" permit. The permit description states, "That the structure or fill is not to be put to uses differing from those uses specified or contemplated for it in the original permit or the most recently authorized modification."[241] Even though the original 1979 permit states that the structure in question, Building 322, is a "cargo transfer shed," and not a cruise passenger terminal.[242]

Similarly, DHEC also claims to not have the authority to regulate the port's cruise ship activity. DHEC staff wrote, "Additionally, the long-range cumulative effect of this project will not have any substantive impact to the general character of the area because the general character of this area has been for more than a century an existing commercial pier, S.C. State Ports Authority's Union Pier, with grandfathered activities that include cargo and cruise ship operations."[243] No impact studies have been conducted; if they have been produced they have not been released. Previously, DHEC had written SPA stating that the port would need to notify DHEC if any changes to its *Voluntary Cruise Management Plan* changed. DHEC also told SPA that it needed to file environmental traffic plans and studies, as well as a more detailed description of the activity which would occur at the new terminal.[244] Although this additional information was not provided, DHEC approved the permit.[245]

The *Voluntary Cruise Management Plan between the South Carolina State Ports Authority and the City of Charleston* states that:

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[240] Tomsic, Matt, "DHEC Staff Asks Board to Deny Cruise Permit Review." *Charleston Regional Business Journal,* January 9, 2013 http://www.charlestonbusiness.com/news/46377-dhec-staff-asks-board-to-deny-cruise-permit-review

[241] "Nationwide Permit Program," US Army Corps of Engineers. February 21, 2012 http://www.spn.usace.army mil/regulatory/nwp.html

[242] *Preservation Society of Charleston and South Carolina Coastal Conservation League v. United States Army Corps of Engineers and The South Carolina State Ports Authority* (2012)

[243] Tomsic, Matt, "DHEC Staff Asks Board to Deny Cruise Permit Review."

[244] Brooks, Steven, "Letter to Derrick Bellamy, SPA, RE: P/N # OCRM-12-054-B." DHEC, June 29, 2012

[245] Robinson, Katharine, "Foundation Joins Lawsuit on Cruises After Efforts Stall." *The Post and Courier,* February 9, 2013 http://www.postandcourier.com/article/20130209/PC1002/130209292/1023/foundation-joins-lawsuit-on-cruises-after-other-efforts-stall

1. The number of cruise ships will be no more than 104 calls per calendar year.
2. The port will host no more than one ship at a time at the cruise terminal.
3. The terminal will be designed at the northern end of Union Pier to accommodate ships consistent with the size and profile that have called on Charleston in the past (1,900 to 3,500 passenger design capacity).
4. A Traffic Management Plan which removes maritime cruise traffic from City streets as soon as possible as well as continued coordination and communication with the Charleston City Policy Department and the City Special Events Committee.
5. A continued commitment by the SCSPA to contribute an allocation to the DASH Downtown Shuttle program, as described in the City Agreement with the SCSPA, providing free shuttle rides to those traveling in the downtown areas of the City.[246]

However, the above agreement is not binding and changes only require written and public notice. Additionally, the permit calls for the use of low-emission vehicles, excluding cruise ships, at the site.[247]

DHEC was not able to speak with me due to legal concerns; however, it did allow me to submit a Freedom of Information Request to view the folder on Charleston's Union Pier. Besides letters from the public reiterating the same concerns already discussed, the file did not contain any information that was not already released to the public. The documents state that air quality will improve as passengers will no longer have to be shuttled to the terminal and because cargo activity will be relocated. No baseline studies were included in the folder.[248]

The Historic Charleston Foundation (HCF) drafted a proposed ordinance that would create a Cruise Overlay Zone. The ordinance would bind SPA to the commitments it made in the *Voluntary Cruise Management Plan.* The ordinance would also ensure that cruise arrivals and departures don't add to downtown congestion by arraigning the schedule to avoid large city events and rush hour; mitigating traffic impacts and processing vehicles and passengers onsite;

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[246] *Critical Area Permit & Coastal Zone Consistency Certification: Permit OCRM-12-054-B.* South Carolina Department of Health and Environmental Control, December 18, 2012
[247] Ibid
[248] Union Pier Folder, South Carolina Department of Health and Environmental Control

and using parking structures instead of surface parking.[249] Although the ordinance reaffirms SPA's voluntary limits, both the Port Authority and the City of Charleston refused to ratify it. Charleston's Mayor, Joseph Riley, said the ordinance was unnecessary and SPA President and Chief Executive, James Newsome, told the *New York Times*, "The port is a business and businesses don't typically accept regulation on the amount of business they do."[250]

In fact, SPA is in a grey zone between government and business. Its Board of Directors is appointed by the Governor and confirmed by the Senate; however, it "operates like a private business" and funds its operations and investments from the revenue it generates. [251]The SPA is a public agency; as such it has a responsibility to be accountable to the public.

Planning Director Tim Keane and Design, Development, and Preservation Division Director Yvonne Fortenberry, confirmed the city's pro-cruise ship stance. Fortenberry acknowledged that residents have concerns about the planned cruise ship infrastructure, the lack of design guidelines, and the lack of environmental impact reports. However, she said these were not an issue because the port is in an industrial area that has always been used by ships. Fortenberry said future plans that are tied to the Union Pier redevelopment will remove the trains that come through that area creating noise and traffic, of which residents also complain. When discussing whether studies were conducted regarding environmental, noise, pollution, and traffic impacts, Fortenberry said that traffic and noise studies were done before the city approved Union Pier's plan. She said she had never seen the final reports, which she believed the State Port Authority (SPA) had. Fortenberry said SPA did not want to spend additional money finalizing

[249] Robinson, Kitty, "Solid City Ordinance Needed to Meet Cruise Ship Challenge," Historic Charleston Foundation. August 14, 2011 http://www.historiccharleston.org/Preservation/Community-Issues/Impacts-of-Cruise-Industry/Solid-city-ordinance-needed-to-meet-cruise-ship-ch.aspx

[250] Schneider, Keith, "Historic City at Odds With Its Popularity as Cruise Port." *The New York Times*, April 19, 2011

[251] "Board of Directors," South Carolina Ports. http://www.port-of-charleston.com/About/boardofdirectors.asp

the project plans until the conflicts were resolved; despite the fact that the conflicts are about the lack of information and transparency. In response to the potential polluting impact of cruise ships, Fortenberry stated, "That's not really a city issue." "Clearly the city has authority over zoning," Fortenberry said, but the state has the power to issue permits. [252]

When asked about the nonbinding cruise ship agreement between the port and the city, Fortenberry said, "The city has always just thought that it wasn't really necessary." "If [cruise ship traffic] were to be more than what we agreed to, there would be more concern about it," she said. Referring to the design of the new terminal area, Fortenberry said, "I think we would all prefer if there were a parking deck, rather than surface parking, but I think as an interim it's fine because without the other development...we would not want to see a freestanding parking deck out there in the middle.[253]

Tim Keane also described the terminal as being in an industrialized area, while contradictorily stating that "it is in walking distance, which is good... we like the idea of people being able to walk from the cruise terminal to the historic district." He said that the port is not adjacent to residential structures and already has a reasonable buffer zone. As for the possibility of relocating the port, Keane said, "Requiring people to now get in buses and be shuttled into the historic district is ridiculous."[254] Despite the fact that many historic ports do so, including Civitavecchia, Italy, the gateway port to Rome, which is an hour and 20 minutes away by train.[255] He believes that tour buses would be worse for traffic and would make the port less successful.

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[252] Fortenberry, Yvonne, Interview. January 10, 2013
[253] Ibid
[254] Keane, Tim, Interview. January 9, 2013
[255] Bakerjian, Martha, "Civitavecchia to Rome Transportation." *About.Com* http://goitaly.about.com/od/romeitaly/a/civitavecchia htm

Moreover, Keane confirmed that the city does not have any intentions of imposing binding regulations or limitations upon the cruise ship industry, even if the city had the legal authority. "The idea that the city is going to somehow get into environmental regulations on the cruise ships is laughable. These things are negotiated around nations around the world. That the city of Charleston is going to supersede these international agreements...is just not going to happen," he said.[256]

Keane said he believes that those who want cruise ship regulations have a hidden agenda against cargo ships—"this is a camel's nose under the tent, big time," he said. "It's a legal issue. If the city is able to limit the number of cruise ships then why would we not be able to limit the number of cargo ships." He said that the city does not want to conflict with the port and believes its business is important to Charleston. However, Keane said, "if the port came in and said that [it] wanted multiple ship berths or [it wanted] to have substantially more than 104 cruise ships per year, [the city] would aggressively oppose that and go to any means that we have to stop that from happening. [Although], that has not been the case—the port has cooperated 100 percent, done everything [the city] asked."[257]

Keane also said he did not feel there was a need to conduct further impact studies since no impacts have been observed. He cited the public proposal process and the fact that "there is plenty public discussion about it." Keane said, "in my estimation, people just don't want cruise ships in Charleston." Keane believes that residents who are against the cruise ships would rather have more expensive, luxury cruise lines than Carnival. He said the city investigated the noise complaints and found that the noise in question was really coming from a nearby bar. "Neighbors of the people that were complaining [about cruise ship noise] said 'we don't hear it.' [People] are

[256] Keane, Tim, Interview. January 9, 2013
[257] Ibid

looking for reasons to complain," he said. He also said that "people" say there is no air pollution problem.[258]

Keane welcomes preservationists to come see the impacts, he said of the National Trust for Historic Preservation putting Charleston on its watch list. "There isn't one negative impact. 'What is the impact on historic resources', what is the impact?" Keane asked. "We're living here, we're monitoring," he said. Keane also said that view corridors exist to see the ships. He addressed concerns that residents have been moving out of the historic districts because of the proximity to the cruise ships by explaining that people have been moving out of all the historic districts because they are no longer affordable.[259]

I was instructed by both Fortenberry and Keane to contact Daniel Riciio, Director of Livability, to obtain copies of the traffic and noise reports. Riciio said he would email the reports, which were not readily available. Within 24 hours, Riciio sent me an email stating he was advised by the "legal department not to provide any information regarding the cruise ships until the case has been settled."[260]

The Coastal Conservation League, the Historic Ansonborough Neighborhood Association, the Charlestowne Neighborhood Association, the Historic Charleston Foundation (HCF), the Preservation Society of Charleston (PSC), Charleston Communities for Cruise Control, and several neighborhood groups are concerned about the ships altering of the historic skyline and views; incompatible new infrastructure for parking lots, retail, and hotels juxtaposing the historic district; and the congestion, environmental, economic, and social impact of turning Charleston into a mass tourism market. There are also claims that soot from the ships' engines is

[258] Ibid
[259] Ibid
[260] Riccio, Daniel, Email to Lauren Perez Hoogkamer. January 9, 2013

covering historic buildings and requiring special cleaning methods.[261] Since 2010, the coalition for cruise control has been seeking regulations and environmental and economic review for the new cruise activity and redevelopment, as unregulated cruise tourism may damage the character of the historic city, driving away residents and stay-over tourists. [262]



Figure 21. Carrie Agnew Holds Napkin with Cruise Ship Soot, 2011

(Leslie Burden, *Charleston Regional Business Journal*)

Carrie Agnew, Executive Director of Charleston Communities for Cruise Control (C4), explained her view as a resident. She expressed concern about cruise ships diminishing the experience for other tourists who are trying to enjoy the city. Furthermore, she said there are issues specific to those who live in historic buildings. The historic buildings, she said, have

[261] Smith, Bruce, " Historic Charleston Fights Over Docking of Cruise Ships" *USA Today,* April 22, 2012 http://travel.usatoday.com/cruises/story/2012-04-22/Historic-Charleston-fights-over-docking-of-cruise-ships/54474184/1

[262] Behre, Robert, "Impact of Cruise Ships on Charleston Historic District Focus of New Lawsuit." *The Post and Courier*, July 3, 2012

single-paned windows that let in the noise from the ships, which bounces off the brick walls, despite the fact that the cruise companies did agree to stop morning announcements. The soot from the ships engines also leaves greasy black streaks on the buildings, which have to be removed with ammonia, she said. She also acknowledged that Carnival does purchase local flowers and ice cream, which explains the cruise ship support from those sectors. Agnew said she tried to start a conversation with Carnival by sending seven letters, to which the company never responded—the media campaigns and lawsuits where the only way to get the company's attention.[263]

Robert Gurley, Director of Advocacy for the Preservation Society of Charleston, listed a variety of factors that he believed should be considered with this project, including visual, environmental, infrastructure, quality of life, and community impact. Gurley stated that there is no real economic benefit to the city, as "spending is miniscule" and cruise ship passengers' spending does not greatly bolster the local community. Moreover, he stated that the voluntary cruise management agreement was "useless," only requiring notice of possible impact to the community but no way for the community to speak up. Gurley would prefer "reasonable enforceable regulations through ordinance." Gurley acknowledged that there would be necessary development in the area, but he believes that the development should be appropriate and compatible with the current city. "We are the impacted community – we should have some say," Gurley said.[264]

Katie Zimmerman, Project Manager at the Coastal Conservation League, also stated she was uneasy regarding the lack of data available regarding the impact of increased cruise traffic and the new terminal. "Cruise ships are amazing at ensuring that the data doesn't get out," she

[263] Agnew, Carrier, Interview. January 21, 2013
[264] Gurley, Robert, Interview. January 8, 2013

said. Additionally, there are health concerns for residents located near polluting ships, Zimmerman said. She said the overall issue was that the impacts were not effectively studied. She stated that part of the problem is the difficulty in quantifying the diminished quality of life. Zimmerman said that the city has not made an effort to actually conduct studies. She said that "cruise ships are inherently more polluting than cargo ships" and many studies have shown that there are harmful localized impacts; Zimmerman stresses that it is important to prevent the potential adverse impacts before they arise.[265]

Winslow Hastie, Chief Preservation Officer for the Historic Charleston Foundation agreed with this sentiment, stating that his organization is not against cruise ships or the new development, but advocates for thorough environmental analysis and "more codified, stronger restrictions." In particular, his organization would like to have regulations in place for the number of visitations for each ship, the number of visits per year, the size of the ships, and the number of passengers, limiting the port to one cruise ship at a time. While HCF has not particularly focused on shore power, Hastie is personally an advocate of it, stating that it is "retrograde" to not utilize newer technology. Hastie is in favor of an improvement in the design of the terminal, but he is "more concerned with terminal itself and the uses." Hastie said that the use of the cruise ships is very different from cargo ships, which are not a problem, but the increase in cruise ships and new tourism has potential impacts that have not been studied. Especially, he said, when Carnival's Fantasy ship has the lowest environmental grading. [266]

Without any regulations or environmental review, there is no guarantee that the new development and increase in tourism will be compatible with the historic district or that the

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[265] Zimmerman, Katie, Interview. January 8, 2013

[266] Hastie, Winslow, Interview. January 9, 2013; The Carnival Fantasy received an "F" on the Friends of the Earth 2012 Cruise Ship Report Card, which grades ships' environmental and human health impacts. http://www.foe.org/cruise-report-card

terminal won't attract an unregulated amount of ships and traffic that congest the historic core and make it unappealing for residents. Although the BAR approved Union Pier's concept plans, it only considered design and did not analyze traffic impacts, environmental or social effects, limits of acceptable change or any additional effects the cruise industry or its infrastructure could have on the surrounding historic districts or its community. Furthermore, the BAR approval has been disputed because preservationists feel that the concept does not represent high design—it allows 9 acres of surface parking, which is not in keeping with the subtle parking structures located throughout the rest of the city.[267] This is open for debate because of the underlying issue that the BAR does not use specific design guidelines when interpreting the "Charleston Standards" for alterations or new construction.[268]

Even though SPA and the preservationists groups have participated in more than 100 public meetings and forums about this issue, there has been very little conciliation or information sharing.[269] SPA and the city continue to resist any form of enforceable regulation and both parties have not produced any comprehensive evidence on Charleston's impacts. Cruise companies, the city, SPA, and the State Historic Preservation Office all boycotted Harboring Tourism: An International Symposium on Cruise Ships in Historic Port Communities intended to highlight preservation concerns about cruise ships in historic cities (see Appendix II). While informative, it became a "cruise-line roast," according to journalist Jonathan Tourtellot.[270]

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[267] Slade, David, "Cruise Ship Terminal Plan Catches Fair Winds with Initial Board of Architectural Review Approval." *The Post and Courier.* August 11, 2011

[268] "Board of Architectural Review," City of Charleston http://www.charlestoncity.info/dept/content.aspx?nid=491

[269] Smith, Bruce, "APNews Break: State Issues Permit for SC Terminal." *Associated Press*, December 18, 2012 http://bigstory.ap.org/article/apnewsbreak-state-issues-permit-sc-terminal

[270] Tourtellot, Jonathan, "The Places We Love IV: Heritage Advocates Want Cruise Ships Tamed." *NewsWatch National Geographic,* February 14, 2013 http://newswatch nationalgeographic.com/2013/02/14/the-places-we-love-iv-heritage-advocates-want-cruise-ships-tamed/

The symposium was also criticized for its lack of diversity and $300-$350 admission cost, which reportedly prevented many residents from attending.[271] Even symposium rapporteur, Tony Hiss, commented on how the conference lacked representation from racial minorities and the spectrum of Charleston residents and stakeholders.[272] Articles reporting on the conference accused it of "preaching to the choir" and wanting to relocate the nuisance of cruise ships to poorer neighborhoods.[273] While supporters of cruise control do want the ships relocated to a more industrial area, they do not want other residential neighborhoods to be negatively impacted.[274]

In the wake of all these conflicts and the lack of conclusive information and open dialog about the impacts of cruise tourism, the port's development plan, and SPA's relationship with the cruise companies and the city, both sides have engaged in mudslinging campaigns. Cruise supporters have adopted the motto "Snobs vs. Jobs" and use intimidation tactics such as printing and distributing an anonymous list of "Port Opponents," now referred to as "Port Enemies."[275] Mayor Riley has even accused those who are pro-regulation of promoting "misinformation and fear-mongering."[276] Those in favor of regulation have also proliferated divisiveness by referring to the "the port, mayor, and their cronies," hanging anti-cruse flags and billboards, and mocking

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[271] Ibid

[272] Hiss, Tony, "Conclusions and Recommendations." *Harboring Tourism: An International Symposium on Cruise Ships in Historic Port Communities,* February 6-8, 2013

[273] Hicks, Brian, "Hicks Column: Cruise-Ship Confab was Preaching to the Choir." *The Post and Courier,* February 10, 2013 http://www.postandcourier.com/article/20130210/PC16/130219919/hicks-column-cruise-ship-confab-was-preaching-to-the-choir

[274] Don't Leave Charleston in Your Wake. Facebook comment, February 20, 2013 https://www.facebook.com/DontLeaveCharlestonInYourWake?ref=ts&fref=ts"Same old, same old. Mr. Cameron apparently feels that an overall reduction in ships means completely ignoring the Eastside, a neighborhood now bearing the weight of increased cargo at Columbus. The ships didn't disappear, they were moved to other neighborhoods to deal with. That's not solving the problem."

[275] Ward, Eric K., "'Port Opponents' List a 'Port Enemies' List?" *The Nerve,* November 7, 2011 http://thenerve.org/news/2011/11/07/port-opponents-list-a-port-enemies-list/

[276] Sloan, Gene, "Charleston Mayor: Cruise Ships are Nothing to Fear." *USA Today,* July 11, 2011 http://travel.usatoday.com/cruises/post/2011/07/carnival-cruise-lines-charleston-ship-fantasy-mayor-joe-riley/176427/1

opponents on their anti-cruise Facebook page, *Don't Leave Charleston in Your Wake*—all actions which distract from the real issues.[277] Although, pro-regulation representatives said they only used these tactics as a last resort after attempts at communication with the city, Carnival, and SPA failed.[278]Understandably, both sides are frustrated by the failure to reach conciliation and the issues will now have to be dealt with in court—three courts to be exact.

[277] Don't Leave Charleston in Your Wake. Facebook comment, March 7, 2013 https://www.facebook.com/DontLeaveCharlestonInYourWake?ref=ts&fref=ts

[278] Agnew, Carrie; Beach, Dana; Holman, Blan; and Pelzer, Randy, "Forum: Cruise Tourism in Charleston." *Harboring Tourism: An International Symposium on Cruise Ships in Historic Port Communities,* February 6-8, 2013

Stakeholder	Position	Involved in Lawsuit	Power/Level
State Port Authority	Pro Cruise	Y	Developer, Port Owner/State
City	Pro Cruise	Y	Zoning, Other Powers Under Review/City
US Army Corps of Engineers	NA	Y	Permitting Power/Federal
South Carolina Department of Health & Environmental Control	NA	Y	Permitting Power/State
Carnival Cruise Lines	Pro Cruise	Y	Controls Cruise Ships/International
State Historic Preservation Officer	NA	N	Section 106 Trigger/State
Historic Charleston Foundation	Pro Regulation and Review	Y	Protesting, Lawsuits/Local
Preservation Society of Charleston	Pro Regulation and Review	Y	Protesting, Lawsuits/Local
Coastal Conservation League	Pro Regulation and Review	Y	Protesting, Lawsuits/State
Historic Ansonborough Neighborhood Assn.	Pro Regulation and Review	Y	Protesting, Lawsuits/Local
Charlestowne Neighborhood Assn.	Pro Regulation and Review	Y	Protesting, Lawsuits/Local
Charleston Chapter of the Surfrider Foundation	Pro Regulation and Review	Y	Protesting, Lawsuits/Local
Charleston Communities for Cruise Control	Pro Regulation and Review	Y	Protesting, Lawsuits/Local
General Public	Divided	N	NA

Figure 22. Charleston Stakeholder Analysis, 2013(Lauren Hoogkamer)

The above stakeholder analysis indicates the involvement and level of power for each relevant actor in Charleston. Clearly, those who are pro cruise wield all the decision making power, while those who want regulation and review of the city's cruise tourism are, for all intents and purposes, part of the general public. With no other recourse, Charleston's preservationists and neighborhood groups—including the Historic Charleston Foundation, the Preservation Society of Charleston, Charleston Communities for Cruise Control, the Southern Environmental

Law Center, the Charlestowne Neighborhood Cruise Ship Task Force, the Coastal Conservation league, and the Historic Ansonborough Association—launched three ongoing lawsuits:

- *Historic Ansonborough Neighborhood Association, Charlestowne Neighborhood Association, Coastal Conservation League, and Preservation Society of Charleston v. Carnival Corporation, D/B/A Carnival Cruise Lines, The South Carolina State Ports Authority and The City of Charleston*—The plaintiffs allege that Carnival is a public nuisance that is violating preservation and environmental laws, by discharging air and water pollution; violating height, noise, and accommodations ordinances.[279] A judge has since ruled that only the nuisance claims have standing.[280] This study concludes that, along with the nuisance claims, the National Historic Preservation Act and Charleston's Tourism Ordinance might have been violated when environmental and Section 106 reviews were not filed. Furthermore, the previous examples indicate that cruise tourism does create pollution and can be subject to accommodations taxes.

- *Preservation Society of Charleston and South Carolina Coastal Conservation League v. United States Army Corps of Engineers and The South Carolina State Ports Authority*—The plaintiffs argue that the US Army Corp of Engineers issued a maintenance permit for pilings that will allow the building to be redeveloped into a cruise passenger terminal, which violates the permit and allows the project to circumvent environmental and Section 106

[279] *Historic Ansonborough Neighborhood Association, Charlestowne Neighborhood Association, Coastal Conservation League, and Preservation Society of Charleston v. Carnival Corporation, D/B/A Carnival Cruise Lines, The South Carolina State Ports Authority and The City of Charleston (2011)*

[280] Tomsic, Matt, "Judge Issues Report on Carnival Lawsuit." *Charleston Regional Business Journal,* January 7, 2013 http://www.charlestonbusiness.com/news/46334-judge-issues-report-on-carnival-lawsuit?rss=0

review, as well as a study of alternatives.[281] Based on the *National Parks & Conservation Association v. Babbitt* case— in which the court decided that an EIS should have been produced before the National Park Service allowed increased cruise traffic in the Glacier Bay National Park and Preserve—this thesis concludes that and EIS and Section 106 review should have been conducted before the permits were issued.[282] Moreover, the examples have shown that cruise tourism does impact historic port cities by creating incompatible physical and commercial development, pollution that damages historic structures, and an influx of tourists that can congest a port city and create extreme wear and tear on historic infrastructure.

- *Preservation Society of Charleston, Historic Charleston Foundation, Historic Ansonborough Neighborhood Association, South Carolina Coastal Conservation League, Charlestowne Neighborhood Association, Charleston Chapter of the Surfrider Foundation, and Charleston Communities for Cruise Control v. South Carolina State Ports Authority and South Carolina Department of Health & Environmental Control*—The plaintiffs believe that the law was violated when DHEC issued the permit without requiring an analysis of impacts.[283]

The Historic Charleston Foundation also commissioned a *Jurisdictional Survey and Legal Authority Assessment* in order to understand the City's role and authority in managing the Union Pier project, which is owned by SPA. Union Pier is zoned for light industrial use, which does not

[281] *Preservation Society of Charleston and South Carolina Coastal Conservation League v. United States Army Corps of Engineers and The South Carolina State Ports Authority (2012)*
[282] *National Parks & Conservation Association v. Babbitt*, 241 F.3d 722 (9th Cir. 2001) http://www.elawreview.org/summaries/environmental_quality/nepa/national_parks_conservation_as.html
[283] Robinson, Katharine, "Foundation Joins Lawsuit on Cruises After Efforts Stall." *The Post and Courier*, February 9, 2013 http://www.postandcourier.com/article/20130209/PC1002/130209292/1023/foundation-joins-lawsuit-on-cruises-after-other-efforts-stall

reference cruise ships. South Carolina's statues say that public projects, such as Union Pier, are subject to the Planning Commission's review, which can take into account location, character, and extent. The Planning Commission, however, does not usually utilize this power. Other ports manage "off-site impacts" by applying "compatibility criteria" through review and zoning processes. No other port, that this report included, explicitly limited the number of cruise ship visits. Charleston also has a broad home rule, police power, and zoning power. This study found that the city has 10 areas through which it could regulate cruise ships and the port development. The city's options include: establishing a "City Cruise Monitoring and Advisory Committee;" imposing impact fees; establishing architectural standards; requiring impact studies and public workshops; "adopting compatibility criteria and limits" similar to those for other high-impact uses; regulating noise; regulating the frequency and types of calls; regulating ship capacity; and creating a binding agreement between the city and the Ports Authority.[284]

Charleston Analysis & Key Issues for Further Investigation

Both the city and state's arguments for not conducting review and implementing cruise ship regulations are based on false assumptions. Examples from other locations, as well as HCF's jurisdictional study, indicate that the city and state could create binding regulations and policies that manage the port's cruise ship activity. Additionally, the experiences from several port cities around the world prove that unmanaged cruise ship tourism does in fact create adverse impacts for historic port cities and their historic and cultural resources. The idea that Charleston's past port activity is the same as the current cruise industry is also erroneous—as this thesis proves. Cruise ships and cruise lines are much larger and powerful than ever before;

[284] White & Smith, LLC, *Jurisdictional Survey and Legal Authority Assessment.* Historic Charleston Foundation, May 25, 2011

they burn polluting fuels, require larger cruise terminals and tourist facilities, and are incompatible with historic port cities in both size and scale. This thesis argues that Charleston can and should learn from the experiences of other historic port cities and act proactively to assess and prevent the very real threats that increased and unmanaged cruise traffic presents.

However, the current jurisdictional conflicts and the unwillingness of state and city actors to act transparently and assume the leadership and responsibility, of assessing and avoiding the potential threats that increased cruise traffic might have on historic resources, make it impossible to guarantee that the new development will be compatible with the historic district or that the terminal won't create an unregulated amount of ships, pollution, and traffic that congest the historic core.

Preservation organizations in the US are very concerned about the future of Charleston. The National Trust for Historic Preservation acted proactively, when it put Charleston on its 2011 watch list. The World Monuments Fund followed suit in 2012.[285] In February of 2013, the Preservation Society of Charleston, the World Monuments Fund, and the National Trust for Historic Preservation even hosted Harboring Tourism: An International Symposium on Cruise Ships in Historic Port Communities. The following discussion specifies the impacts that should be the focus of future professional studies.

Intensity of Use

After observing Charleston's port area and historic downtown while a Carnival ship was docked, I noted that there was little visual impact. As residents said, the ship's fin could be seen above the city's skyline while driving into the city, but as a nonresident, I was not offended by

[285] Bly, Laura, "Charleston Placed on Preservation "Watch" Status for Cruise Ship Impact." *USA Today-Travel*, June 15, 2011 http://travel.usatoday.com/destinations/dispatches/post/2011/06/charleston-cruise-ships-lawsuit-national-trust-historic-preservation/174453/1

this sight. I also was not able to observe any smog or smoke coming from the ship's engines. Unlike cities, such as Venice, where the ships are right up against historic structures, Charleston's port is not immediately adjacent to residential buildings. Therefore, in comparision, the ship's physical presense did not seem to overwhelm the historic downtown. Furthermore, there did not seem to be an increase in traffic, congestion, or noise.

It is extremely important to note that these observations were made during one January day in Charleston's off-peak season. Traffic, congetion, and noise could be drastically different during the city's peak season when Charleston has warmer weather and a varity of tourists. These observations also do not account for traffic flow and noise throughout the day; a different impact might be observed during rush hours or when passengers embark and disembark the ship. Similary, noise vibrations and air and water pollution patterns cannot be observed with the naked eye during one day. It may be that there are no visual, pollution, traffic, or noise impacts, but this cannot be conclududed without comphrensive scientific studies that measure these potential impacts during several cycles in order to control for tourism fluxuations and peak traffic. Additionally, residents' perceptions should be reasonably taken into account. Even if these impacts are not above previously established levels, they could still create an unpleasant environment for residents.

Venice, Dubrovnik, and Valletta are prime examples of how too many cruise passengers can overwhelm an historic port city's infrastructure, creating traffic, trash, and deterioration on fragile historic resources, such as bridges, stone, and other old, narrow structures that were not built to hold extreme amounts of tourists. Already, some of Charleston's historic buildings, such as the 265-year-old Drayton Hall, have to regularly switch the order in which house tours are

given so that wear and tear is balanced.[286] Charleston, at 343 years-old, should study which attractions or areas receive more cruise passengers and investigate ways to balance congestion, reroute traffic, and allocate funds for restoration and maintenance.

Pollution

Residents of the historic Ansonborough neighborhood claim that soot from the ships' engines is covering historic buildings and requiring special cleaning methods.[287] Katie Zimmerman of the Coastal Conservation League said that cruise ships are significantly different as they are more like floating cities than ships; their thousands of passengers create 10 times the pollution of cargo ships.[288] The Ocean Conservancy's 2002 report, *Cruise Control*, verifies that a cruise ship's overall polluting emissions (including water pollution and waste) increase for every additional passenger onboard and that a cruise ship's additional services (restaurants, spa's, pools) also increase pollution.[289] It has already been established that cruise ships produce the same pollutants that have been proven to damage historic building materials—an issue which Venice has been dealing with.[290] Further studies should be conducted on the effect of pollution on Charleston's historic structures and whether the cruise ships are contributing to a decline in air and water quality. In April 2013, SPA reaffirmed its commitment to reduce air pollution; however, the latest data referenced a 2005 study, conducted before the increase in cruise tourism,

[286] "Preserving a National Treasure." Drayton Hall. http://www.draytonhall.org/preservation/main_house/. This practice, in this particular site, is due to the age of the building and is not necessarily related to cruise tourism.
[287] Tomsic, Matt, "Groups Sue Carnival Over Charleston Operations." *Charleston Regional Business Journal,* June 13, 2011
[288] Hicks, Brian, "Hicks Column: Real Cruise Issue Lost in the Smoke." *The Post and Courier,* July 4, 2012
[289] Herz, Michael and Davis, Joseph, *Cruise Control.* The Ocean Conservancy, May 2002
[290] Freemantle, Michael. pp. 23-31; Schillaci, William, "Cruise Lines Improve Enviro Record."

where it was determined that port activity accounted for less than five percent of total pollution.[291]

Economic Implications

Both the SPA and the HCF have commissioned reports on the cruise ships' economic impacts. Unlike this thesis, neither report is comprehensive or widely comparative. Both studies are also based on estimates from data gathered before Charleston increased its cruise market and they do not address social impacts or impacts to historic resources. The first was SPA's *An Estimate of the Economic Contributions of the SC Sate Ports Authority's 2010 Cruise Ship Activity to the Region's Economy,* estimated that Carnival will create $37 million in yearly revenue ($16, 193, 200 in labor income; $39,786 in wage earnings; and $3,483,113 in state sales and income taxes) for Charleston.[292] HCF's report, *The Cruise Industry in Charleston: A Clear Perspective* was largely a rebuttal to SPA's report. The HCF report, published in April 2012, claimed that the port authority will collect $9 million a year in fees from the cruise industry, none of which will go to the City.[293] Both reports estimated that cruise passengers spend between $45-70 in Charleston, per person, while stay-over tourists spend over $700. Cruise tourists only represent a little more than three percent of all tourists to Charleston, yet the cruise infrastructure will cost $35 million in revenue bonds, not to mention the physical, environmental, and aesthetic impact or the costs to the City. This report also found that only 35% of the economic income

[291] Richardson, Tyrone, "SPA Reaffirms Commitment to Lessening Air Pollution." *The Post and Courier,* April 3, 2013. http://www.postandcourier.com/article/20130403/PC05/130409834/1268/spa-reaffirms-commitment-to-lessening-air-polution&source=RSS

[292] Crotts, John and Hefner, Frank, *An Estimate of the Economic Contributions of the SC State Ports Authority's 2010 Cruise Ship Activity to the Region's Economy.* South Carolina State Ports Authority, February 1, 2010

[293] Miley & Associates, *The Cruise Industry in Charleston: A Clear Perspective-Executive Summary.* Historic Charleston Foundation, April 2012

from jobs and wages, that SPA's report calculated, would actually impact Charleston as cruise companies often use their own employees and suppliers.

The financial impacts of cruise tourism are extremely important because development and pressure from the cruise industry can change the commercial mix of Charleston's downtown so that it only serves tourists and not residents. Like the example of Juneau, Alaska, this could result in a downtown that is only active during peak tourism seasons, which could cause year-round business to decline or close, leaving historic buildings empty and, possibly, without maintenance.[294] As retail businesses seek to increase sales to cruise passengers, who may not be interested in making large purchases, they could rely on cheaper merchandise and replicas that eventually supplant traditional artisanal crafts, resulting in a loss of Charleston's intangible culture. In 2006, the South Carolina Legislature made Charleston's traditional sweetgrass baskets an official state handcraft. Charleston already has a persistent problem with manufacturers making knockoff baskets that sell for $25 as compared to the $200 price of authentic handcrafted baskets. Basket weavers are worried that mass marketers are taking away their livelihood.[295] In Venice, the city is also trying to protect its artisans by having their products designated intangible culture.[296]

I conducted 21 man-on-the–street interviews in Charleston with a mix of residents, employees, and tourists to get a sample of the general public's opinion (see Appendix II). Although this sampling is not statistically significant, I was surprised that the majority of responses were in favor of cruise ships in Charleston. One employee at an art gallery said that

[294] "Historic Preservation in Juneau," City/Borough of Juneau.
[295] Kropf, Schuyler, "Lowcountry's Sweetgrass Basket Makers Fear Knockoffs." *The Post and Courier, May 22, 2012* http://www.postandcourier.com/article/20120522/PC16/120529790
[296] Squires, Nick, "Venice to Apply for World Heritage Status for Gondolas." *The Telegraph,* October 12, 2010 http://www.telegraph.co.uk/news/worldnews/europe/italy/8059717/Venice-to-apply-for-World-Heritage-status-for-gondolas.html

even though cruise passengers don't spend much in his gallery, they do help the other small businesses. The survey responses indicated a dichotomy, which has been present in the larger discussion, between lay residents and those that have been heavily involved with the fight for cruise ship management. While advocates for regulations are, in general, concerned with long-term macro issues such as community impacts, pollution, wear-and-tear, and cost of infrastructure, residents and the business community are judging based on the amount of incremental sales and revenue, which benefit their lives. An art gallery can depend on a few high end sales, but small shops depend on volume. The pro-regulation cohort has not been able to appeal to the average resident or address the concerns of many small business owners. This issue was particularly evident during the *Harboring Tourism: An International Symposium on Cruise Ships in Historic Port Communities*, which did not draw many attendees from the general public.

Incompatible Development

Furthermore, investing in incompatible cruise infrastructure takes the emphasis off the historic resources and character that make Charleston unique.[297] Especially, when the port collects cruise ship fees that could be, at least partially, set aside for the restoration of historic resources that are heavily used by cruise tourists or damaged by the ships' pollution. New infrastructure that is not carefully designed with heritage in mind could also disrupt Charleston's historical relationship with the waterfront as well as historic viewsheds. In fact, the Charleston Historic District's nomination to the National Register of Historic Places includes "'the unique visual appeal of old Charleston, a picturesqueness created by the close proximity of buildings, in a wide variety of architectural styles, general harmony in terms of height, scale and proportion,

[297] McCarthy, John. pp. 341-350

materials, textures, colors, and characteristic forms and a flavor of an earlier America.""[298] Finally, investing in cruise tourism over historic preservation is, potentially, a short-term investment as cruise companies are known to change markets abruptly. In fact, Historic Charleston's report found that Charleston isn't Carnival's strongest port, in terms of low cost to the cruise line, therefore, Charleston will need to keep competing with other ports, namely New Orleans, in order to keep Carnival's business.[299]

The HCF report also found evidence to suggest that the terminal does not need to be in historic Charleston since there is a developable port in North Charleston, closer to the airport and many of the hotels where most of the cruise passengers are believed to stay. On the other hand, supporters of the cruise industry argue that these tourists could be spending more time in Charleston; there is not enough location-specific research to justify either claim at this point. This dichotomy is also created by the difference in port-of-call visitors versus embarkation tourists—a distinction that has been lost in the arguments. Embarkation tourists are in Charleston to get on the ship and go elsewhere, while port-of-call visitors are there to spend the day in Charleston. This too is controversial because it is not clear whether port-of call-tourists tourists are spending their money in Charleston and its local businesses or experiencing the city through excursions and deals purchased through the cruise line, in which case most of the money would be funneled back to the ship. Charleston currently does not allow walk-ons onto the ships, so passengers must drive to the terminal. Since embarkation is often early in the morning, it follows

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[298] *Preservation Society of Charleston, Historic Charleston Foundation, Historic Ansonborough Neighborhood Association, South Carolina Coastal Conservation League, Charlestowne Neighborhood Association, Charleston Chapter of the Surfrider Foundation, and Charleston Communities for Cruise Control v. South Carolina State Ports Authority and South Carolina Department of Health & Environmental Control* (2013)

[299] Miley & Associates, *The Cruise Industry in Charleston: A Clear Perspective-Executive Summary*. Historic Charleston Foundation, April 2012

that these passengers are not spending time in Charleston before embarkation; however, this does not mean that passengers don't come a day or two earlier.[300]

In order to understand who is benefitting from cruise passengers a study, such as the one done in Victoria, British Columbia (BC), should be conducted. In *Costs and Benefits of Cruise Ship Tourism in Victoria*, Brian Scarfe determined that embarkation ports receive more economic impact from cruise ships than ports-of-call. Scarfe found that Vancouver, BC, an embarkation port with 259 cruise calls, received 90 percent of the total cruise tourism economic impact in British Columbia, even though Victoria, a port-of-call with 201 cruise calls, only received 8 percent of the economic impact. Compared to Victoria, Vancouver received six times the "expenditures per cruise ship" due to the time passengers and crew members spend in the city before and after cruises.[301] Based on this report, Charleston could reap more economic benefit from being an embarkation port than a port-of-call.

The Need for Additional Research in Charleston

There are significant obstacles to researching this topic. Firstly, there has not been much research on the subject of cruise ship impacts to historic resources, so there is a very limited amount of secondary literature from which to draw background information. Secondly, since Charleston has not completed any comprehensive impact, economic, or environmental studies, nor any tourist or resident surveys, there is no baseline data from which to measure impacts caused by cruise ship tourism. Thirdly, the political climate, in the wake of the recent conflicts and lawsuits, does not promote sharing information that is related to the ongoing litigation. City, state, and Port Authority officials are reluctant to discuss the issue or provide supporting

[300] Ibid
[301] Scarfe, Brian, *Costs and Benefits of Cruise Ship Tourism in Victoria.*

documentation. Entities from both sides of the conflict over cruise ship regulations are quick to discredit the other side.

However, until an impartial and comprehensive study is done, it will be difficult to draw conclusions about the ships' exact impacts. While cruise tourism's effect in Charleston isn't clear, what is clear is that with approximately 4 million tourists a year, tourists already outnumber residents 35 to one on a yearly basis.[302] This thesis argues that the experience of other historic ports indicates that unregulated cruise ship traffic can become detrimental to the local environment, culture, and infrastructure—eventually, creating an unpleasant environment for residents. HCF's report observed a 2 percent increase in absentee ownership and a 464 decline in residency between 2000 and 2010; however, this change is not necessarily related to the cruise industry.[303] Much can be learned from studying trends; however, applying research from other locations cannot substitute for location-specific studies and passenger and resident surveys, which must be conducted in order to implement the correct management practices.

It can be concluded that the current unmanaged increase in cruise tourism and the redevelopment of Union Pier is not in keeping with the holistic management of the city. This lack of regulation makes Charleston vulnerable to the adverse impacts described in this chapter. The next chapter will present my policy recommendations for Charleston.

[302] Wise, Warren, "Conde Nast Declares Charleston Top Tourist City in the World." *The Post and Courier,* October 17, 2012 http://www.postandcourier.com/article/20121017/PC05/121019368
[303] Ibid

CHAPTER 4. RECOMMENDATIONS & CONCLUSION

Recommendations for Charleston

The relationship between Charleston and its historic port is not simply a question of urban design; it is also a jurisdictional and scientific problem. The situation is complicated and it will not be solved by the court proceedings alone, although they may force city and state officials to conduct environmental reviews and act with more transparency and collaboration. What is needed is a comprehensive study and analysis that looks objectively at the key issues identified in this thesis, as well as city and port leaders that are willing to enforce the stewardship of Charleston's historic resources and create a thorough management plan.

Charleston, with around 200,000 cruise passengers, is not under the same pressure from cruise tourism as Venice or Caribbean ports, such as Puerto Rico, that receive more than a million cruise passengers a year.[304] With its terminal not yet built and its cruise market not yet established, Charleston is still able to act preemptively and implement sustainable assessment and management practices that will help the city preserve its unique character. Towards these goals, I make the following phased recommendations for Charleston.

1. Charleston's preservation community should contact the SHPO and investigate the possibility of triggering a Section 106 review. Section 106 requires the review of a proposed project if it uses federal funding and affects historic resources on or eligible for the National Register of Historic Places. Charleston's historic districts are within walking distance of the proposed project and there are many possible adverse impacts to historic resources in the

[304] Deane, Zaine, "Cruising Into Puerto Rico." *About.com* http://gopuertorico.about.com/od/gettingthere/p/CruisePR.htm

area, which this thesis has identified. A Section 106 review would investigate ways to prevent the new development from harming the historic district.

2. Whether court-ordered or not, SPA and Charleston should pause the Union Pier project and conduct and invest in, baseline studies and assessments of the potential impacts on the overall environment, economy, and community, including historic and cultural resources. As public agencies with the decision-making power, they should have a clear understanding of the costs and benefits to all major stakeholders. Towards these goals, SPA and Charleston can work with the community and preservation professionals to establish limits of acceptable change (LAC), develop a clear definition of neighborhood character, and an inventory of potentially impacted tangible and intangible heritage resources. Environmental and heritage impact studies can help with this process. Cruise ships have a potential benefit to port cities, and establishing limits of acceptable change will allow Charleston to benefit from the cruise industry while minimizing and mitigating the detrimental aspects of cruise ship tourism. In order to establish limits of acceptable change, Charleston should follow the four-part process described in Chapter 2.

3. Once costs, benefits, impacts, and desired outcomes are established, a heritage tourism management plan/local action plan should be created between the city, state, preservation professionals, and the tourism/cruise industry. The city and port should forge relationships between stakeholders to ensure that the resulting management plan is symbiotically beneficial to both the community and the cruise industry. For example, the Cruise Traffic and Urban Regeneration network in Europe has promoted sustainable development and port regeneration in historic ports such as Naples, Italy. Their local action plan has, so far,

successfully protected the historic landscape while enabling residents and cruise tourists to enjoy the historic areas. A management plan would also ensure that new development is compatible with its historic surroundings and that the appropriate type of cruise market is targeted—this would include selecting the right location, design, and size for the cruise terminal.

4. In pursuit of the goals and constraints established in the management plan, Charleston and SPA should implement appropriate taxes, fees, and funds that will offset management and maintenance costs. A percentage of these fees should be set aside to be applied directly to historic preservation and environmental conservation. These fees can also go towards investing in pollution-reducing technology, such as shore power. Additionally, congestion fees and dynamic pricing can balance tourist traffic by incentivizing tourists to visit during off-peak seasons. Charleston and SPA should also facilitate partnerships with cruise companies and local business to ensure that there is a direct benefit to the local economy, as well as the preservation of authenticity in souvenirs and cultural/historic demonstrations.

5. When Charleston and SPA understand the constraints of the local community and infrastructure, they should implement strict and binding passenger and ship quotas and limitations, such as the ones recommended in the voluntary agreement. The Dubrovnik example, in Chapter 1, demonstrates the successful use of quotas. Limiting the amount of ships allowed would also limit the amount of new infrastructure needed and have the added benefit of preventing Charleston from being overrun by tourists.

6. A buffer zone concept should only be pursued, by the port and city, if problems with noise, pollution, or other emissions or physical threats are identified. The barrier could be set up as a no discharge zone, or a specified distance ships must remain from identified resources. Buffers put the responsibility of meeting the port city's requirements on the cruise lines and allow them to meet those standards using their own methods. Imposing a clear standard will eliminate the need for arguments regarding the onboard noise, fuel types, or shore power. If the ships cannot meet the standards, they will be denied access.

7. Finally, Charleston and SPA should collaborate with other ports in the region or country to strengthen cruise ship regulations, increase bargaining power, eliminate the intra-port competition that allows cruise companies to demand cheaper accommodation, and develop itineraries that reduce cruise traffic congestion.

This thesis does not pretend to be the answer to all of Charleston's problems nor does it claim to understand the city better than those who live and work in it. However, these recommendations are based on objective studies of the cruise industry's effects on international historic port cities as well as international best practices. My hope is that Charleston will use these recommendations to develop a comprehensive management strategy that protects the city's unique historic resources and character, as well as a better understanding of its own heritage tourism market and the impacts that will result from increasing cruise ship traffic and developing a new terminal. This framework can also be used as a model for other historic port cities facing similar challenges.

Recommendations for Future Research on Cruise Ships & Historic Port Cities

With cruises costs starting at a range from $38 to $149 per person for an international trip, cruise ships are quickly becoming a preferred method of travel.[305] The *2013 Cruise Industry News Annual Report* projects that the global cruise fleet will grow at an average rate of 2.2 percent between 2013 and 2021 and that passenger capacity will grow from 20.4 million, in 2012, to 23.6 million in 2021.[306] Furthermore, cruise companies are now developing new markets in Australia and Asia.[307] As new cruise ports are developed in old worlds, extensive research will need to be conducted on impacts to historic port cities. Besides the impacts, issues, and tools that this thesis has identified, there are two broad categories that need additional research and development.

1. <u>The feasibility of developing national and international standards and policies for regulating cruise ship activity in historic port cities.</u> As it stands, there are no such collective initiatives outside the realm of health, safety, and environmental concerns. Although the International Maritime Organization has been relatively successful in creating international standards for issues such as pollution, as discussed in Chapter 2, UNESCO has been less successful in employing binding heritage management guidelines. Future efforts, should consider how the mandates of these two entities can either be combined or developed by a separate organization with the goal of researching and developing strategies for managing cruise ship impacts in historic port cities.

[305] Tuttle, Brad, "Caribbean Cruises for Less than $50 a Day? Fire Sales (Quite Literally) from Carnival." *Time,* April 15, 2013 http://business.time.com/2013/04/15/caribbean-cruises-for-less-than-50-a-day-fire-sales-quite-literally-from-carnival/

[306] "Global Fleet Growth at 2% Per Year to 2021." *Cruise Industry News,* April 10, 2013 http://www.cruiseindustrynews.com/cruise-news/8996-global-fleet-growth-at-2-per-year-to-2021 html

[307] "Spring 2013: Itinerary Planning: What's Trending?" *Cruise Industry News,* Spring 2013 http://www.cruiseindustrynews.com/cruise-news-articles/67-articles/8799-spring-2013-itinerary-planning-whats-trending.html

2. The ability to understand and assess historic port cities as holistic cultural landscapes. In this thesis it was very difficult to inventory the specific historic resources that are being negatively impacted by cruise ship tourism because the impacts (economic challenges, incompatible development, carrying capacity, pollution…) are not simply threatening individual monuments, but the entire cultural landscape including natural resources, historic resources, and way of life. UNESCO defines cultural landscapes as the "combined works of nature and humankind [that] express a long and intimate relationship between peoples and their natural environment."[308] Historic port cities are defined by their relationship with the surrounding bodies of water and the types of people, activity, and industries that these waterways supported. However, the field of preservation planning has not yet developed a succinct strategy for identify and dealing with cultural landscapes because of the difficulty with identifying, assessing, quantifying, and managing the many components involved, which range from the environment and natural resources, to historic resources, to human activity.[309] Additional research should consider historic port cities as cultural landscapes and seek to understand how cruise ships impact the relationships between history and culture, the natural and built environment, and the lives of the residents.

Conclusion

The purpose of this study was to highlight the trend of impacts caused by cruise ships, as well as present tools for evaluation, regulation, and mitigation. I have used the Charleston case study to show how these tools could be applied to any historic port city. However, each port city

[308] "Cultural Landscape." UNESCO. http://whc.unesco.org/en/culturallandscape/#1
[309] UNESCO, *World Heritage Papers 7: Cultural Landscapes: The Challenges of Conservation.* Shared Legacy, Common Responsibility, Ferrara, Italy. November 11-12, 2002.

has different needs and circumstances. Consequently, each port should assess the specific impacts to its particular historic and cultural resources and community in order to create a targeted management approach that will preserve its character and quality.

The issue of cruise ships in historic port cities is a relatively new preservation planning challenge that has just begun to develop. During the last few decades, the cruise industry has significantly expanded and evolved and it is projected to continue doing so for the next decade. This growth will create a greater, international need for research management guidelines regarding cruise ships in historic port cities, which are not equipped for mass tourism. An influx of uncontrolled cruise ship activity drastically impacts a historic port city's historic resources, character, community, and environment—international examples reflect this trend. There are also many obstacles to assessing and managing these impacts; therefore, historic port cities should integrate proactive assessment and management strategies into all levels of tourism, port, and city administration in order to create a strong preservation and heritage tourism policy that balances the costs and benefits of cruise ship tourism.

APPENDIX I—RESEARCH DESIGN

In order to better understand the situation in Charleston, through a cultural/heritage tourism management lens, I conducted primary research in Charleston to observe the effects of cruise tourism and gather resident and expert opinions about cruise tourism and terminal development in Charleston and the circumstances of its assessment, management, and jurisdictional conflict. I returned to Charleston, in February 2013, to attend Harboring Tourism: An International Symposium on Cruise Ships in Historic Port Communities, where I also prepared a brief recap for the Coastal Conservation League. I was able to observe the visual impact of a cruise ship in port and I viewed DHEC's file on Union Pier. Additionally, I was able to conduct 22 brief, anonymous (although some respondents will be referred to by occupation) surveys with tourists, residents, and employees in Charleston, as well as have numerous informal conversations with stakeholders and experts. The questions used to guide my interviews and surveys can be found in Appendix III & IV. This data is not statistically significant but provided a snapshot of residents and tourists' opinions. I also interviewed:

- Carrie Agnew, Executive Director of Charleston Communities for Cruise Control (C4)
- Yvonne Fortenberry, Division Director of Design, Development and Preservation for the City of Charleston
- Robert Gurley, Director of Advocacy for the Preservation Society of Charleston
- Winslow Hastie, Chief Preservation Officer for the Historic Charleston Foundation
- Tim Keane, Director of Planning, Preservation, and Sustainability for the City of Charleston
- Katie Zimmerman, Project Manager at the Coastal Conservation League

It is unfortunate that Tim Keane cut our interview short after 15 minutes and both SPA representatives, Allison Skipper and Patrick Moore, canceled our meetings for last minute engagements.

APPENDIX II—RESEARCH RESULTS

Visual Observation

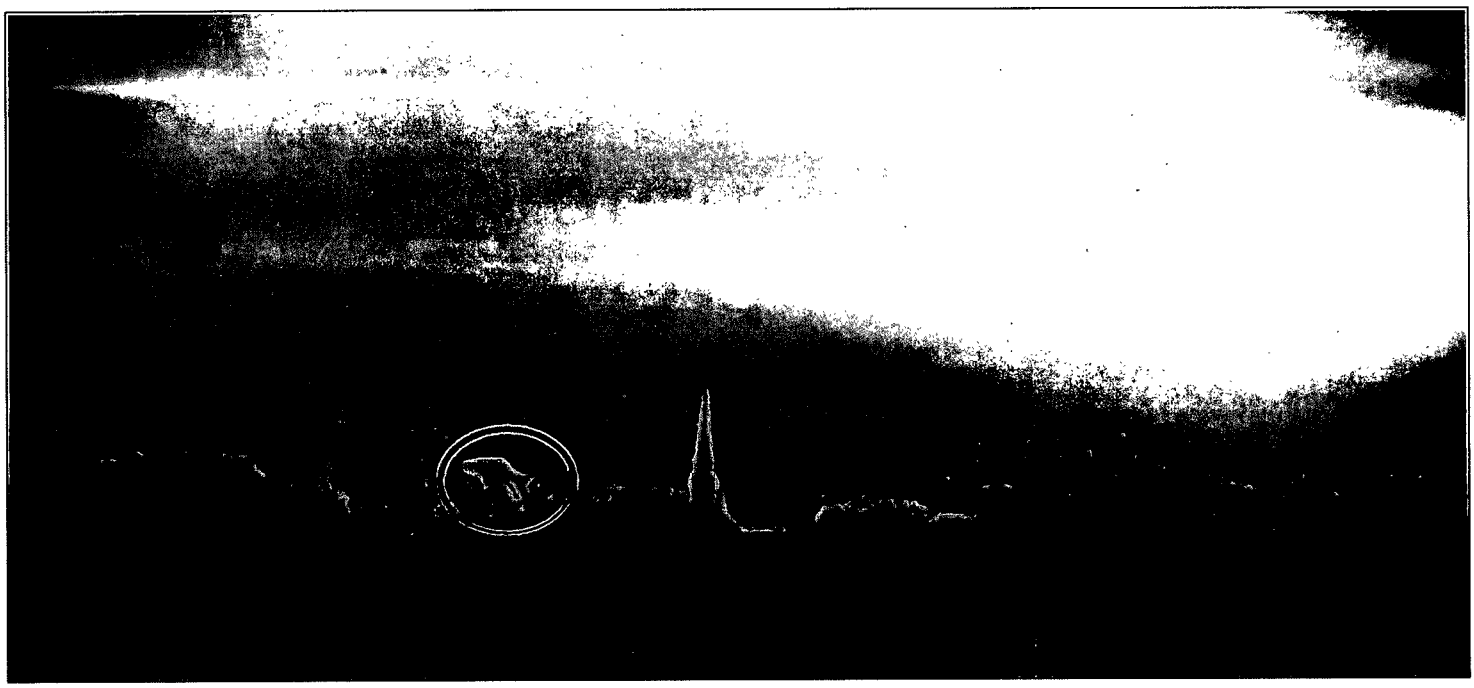


Figure 23. Carnival Ship's Fin Next to Church Steeple, 2013 (Lauren Hoogkamer)

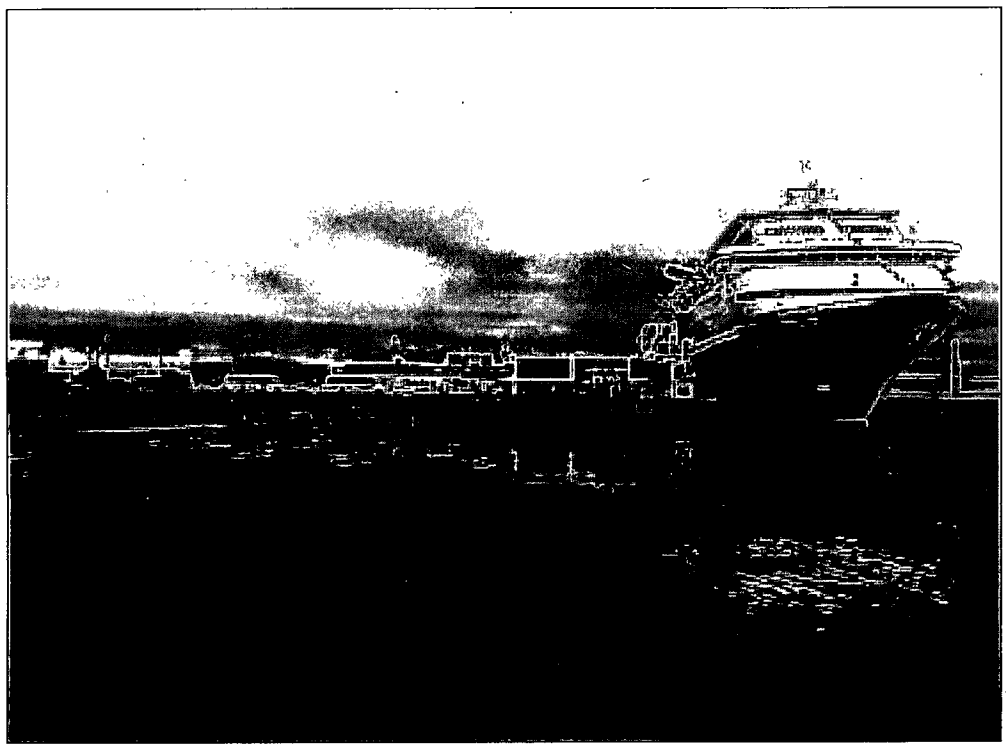


Figure 24. Carnival Ship in Port, 2013 (Lauren Hoogkamer)

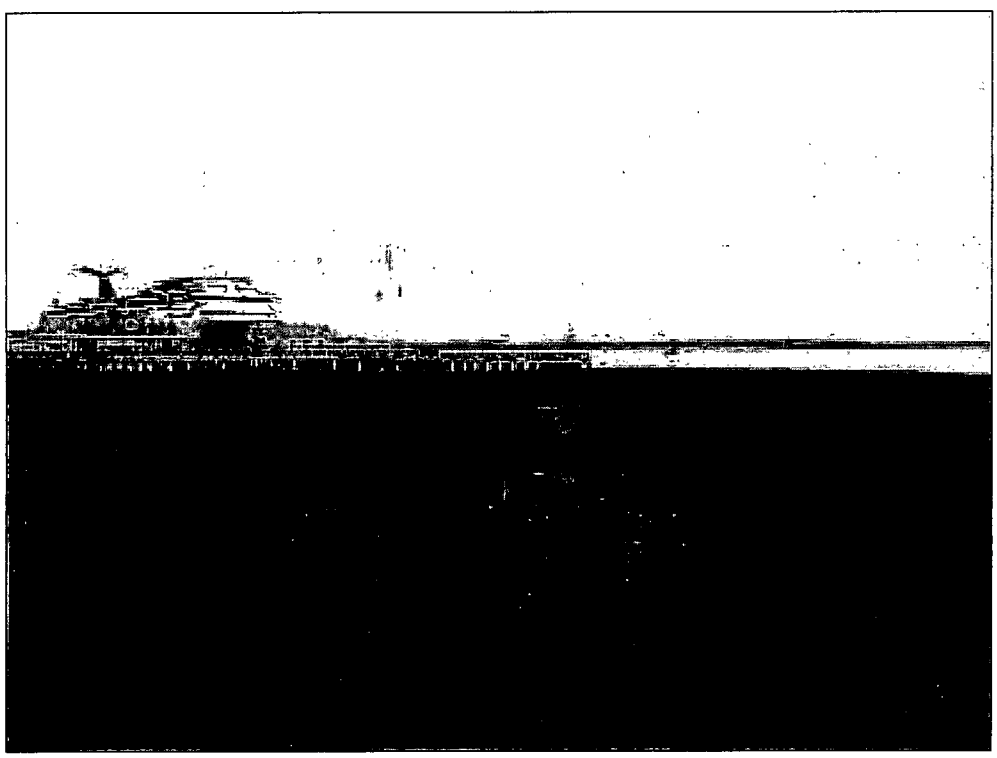


Figure 25. Same as Above

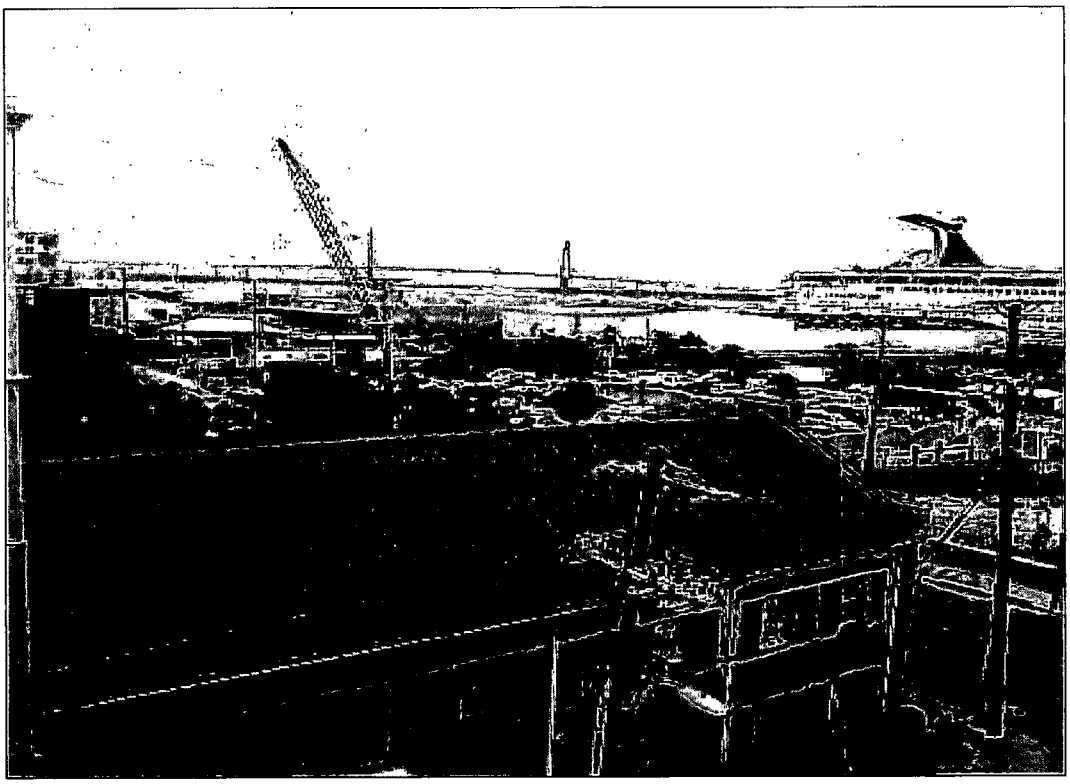


Figure 26. View of Carnival Ship from a Rooftop, 2013 (Lauren Hoogkamer)

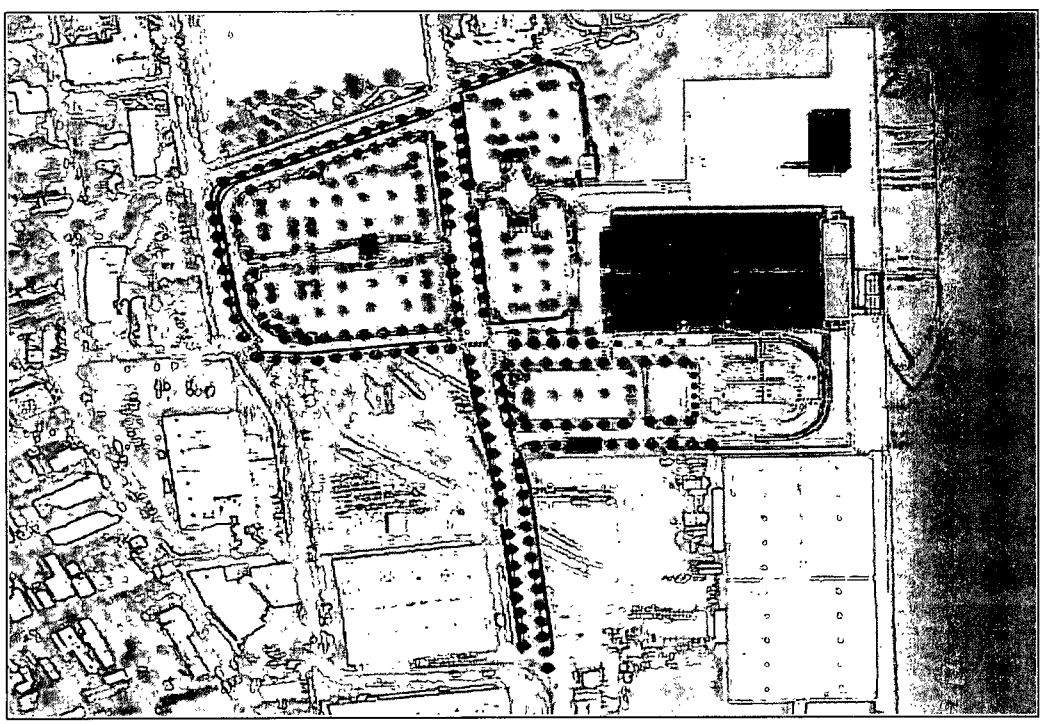


Figure 27. Aerial of Union Pier with Site Plan Rendering, 2011 (SPA)



Figure 28. View from the corner of Market St. and E. Bay, 2013 (Lauren Hoogkamer)



Figure 29. View from Market St., 2013 (Lauren Hoogkamer)



Figure 30. Entrance of the Charleston City Market while Ship was Docked, 2013

(Lauren Hoogkamer)

Lay Interviews

I conducted 21 man-on-the–street interviews in Charleston with a mix of residents, employees, and tourists. Respondents ranged in gender and age.

Summary of Responses

Good for Business/Economy	Bad for Business/Economy	Needs Balance	Residents/Employees	Tourists
7	1	1	14	7

Pro Cruise Ships	Against	Ambiguous	Mentioned Traffic	Mentioned Crowding
16	2	3	1	4

Key Points

- 6 tourists said they came early to spend time in Charleston and spent "a lot of money."
- 1 waitress said her restaurant gets a lot of business from cruise passengers and she thinks hotels do too. "This Christmas Eve, every table was going to the Bahamas," she said.
- 1 flower shop owner reported servicing Carnival ships and said that business would be harmed if the terminal was moved.
- 2 residents said that luxury cruise lines would be better and the terminal should be relocated.
- 2 residents said even though they see the pros and cons of cruise tourism, they don't usually come out during port days when it's crowded.
- 1 hotel doorman said that "small businesses need it" and that those opposing the cruise terminal were acting out of "selfishness."
- 1 respondent said only "old Charleston has a problem" with the ships.
- 3 thought it would be more harmful to bus tourists in from a remote terminal location.
- 2 tourists responded that the port made cruising easier for people from the area.

- 1 resident noted soot on historic buildings and that cruise ships bring a "different type of tourist" that doesn't spend too much money in port.

Participant Observation

I attended Harboring Tourism: An International Symposium on Cruise Ships in Historic Port Communities as a media intern for the Coastal Conservation League. The conference allowed me to have informal conversations with stakeholders and included panels, hosted by local and international experts, on volume, economic impacts, policy tools, environmental issues, management, and heritage. Many of the issues discussed have already been addressed in this thesis. It is important to note that the same international trends of effects and economic impacts, resulting from unmanaged cruise ship tourism, were identified in each panel, as well as some of the assessment and management tools.[310] Some key observations, specifically pertaining to the Charleston case, were:

- The lack of diversity and resident representation present.
- The constant denigration of cruise passengers, who were considered cheap and uncultured, despite the call to focus on the real issues of assessment and management.
- The simultaneous denigration of the cruise industry and port and city staff while calling for collaboration.
- Allusions to perceived political corruption at city and state levels; the lack of early communication with the State Historic Preservation Officer (SHPO). The South Carolina SHPO reported not being asked to weigh in on the overall situation, although Charleston preservationists reported issuing and invitation to the conference.[311]
- The lack of transparency and willingness to negotiate at both city and state levels.

[310] *Harboring Tourism: An International Symposium on Cruise Ships in Historic Port Communities,* February 6-8, 2013

[311] Emerson, Eric. W, South Carolina State Historic Preservation Officer. Email, January 25, 2013

- The lack of hard data.[312]

These observations are highlighted because they hinder the overall goal of sustainable cruise ship management, assessment, and coalition building.

[312] *Harboring Tourism: An International Symposium on Cruise Ships in Historic Port Communities,* February 6-8, 2013

APPENDIX III—QUESTIONS FOR EXPERTS IN CHARLESTON

1. Name and age
2. How long have you lived/worked/stayed in Charleston?
3. What regulations govern the development of ports and cruise terminals?
4. Is the proximity to residential neighborhoods or historic districts taken into concern, should it be?
5. Are there regulations that establish buffer zones or restrict where cruise ships can go?
6. What entity regulates ports and cruise terminals, city or state?
7. What entity funds ports and cruise terminals, city or state?
8. How does the proximity affect the surrounding area?
9. What would you think if the cruise terminal was located elsewhere, such as in North Charleston near the airport?
10. Do you notice the presence of the docked cruise ships? Does the ships' presence affect Charleston's character?
11. Do you think that cruise ships are good for Charleston/are there negative effects?
12. Do you feel that Charleston is dirty, crowded or noisy?
13. Do you think Charleston needs more hotels or amenities?
14. Should the cruise terminal be right next to the historic districts and residential areas?

APPENDIX IV—QUESTIONS FOR TOURISTS/RESIDENTS/EMPLOYEES IN CHARLESTON

1. Name and age
2. Do you live/work in Charleston?
3. Do you notice the presence of the docked cruise ships? Does the ships' presence affect Charleston's character?
4. What would you think if the cruise terminal was located elsewhere, such as in North Charleston near the airport?
5. Do you think that cruise ships are good for Charleston?
6. Do you feel that Charleston is dirty, crowded or noisy?
7. How long have you lived/worked/stayed in Charleston?
8. Have you been to Charleston before and will you visit again?
9. How did you travel to Charleston?
10. What location did you lodge in, by the airport or in downtown Charleston?
11. Where did you shop and how much did you spend?
12. Did you spend money in the historic downtown, how much?
13. Do you think Charleston needs more hotels or amenities?
14. Should the cruise terminal be right next to the historic districts and residential areas?

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