

The diversifying business of Port authorities: from commercial ports to commercial waterfronts

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In the past decade, it is observed that port authorities have become active in developing port lands, either obsolete old port areas or actively acquired lands, into urban waterfronts.

Why do port authorities do so? Part of the answer is because of the global financial crisis. With the ports facing declines of their cargo volumes, they have actively sought other means of business, diversifying their portfolio. Another reason is that port authorities believe in urban waterfronts as revenue generators. Employment is a third reason why port authorities seek opportunities in urban waterfront development.

At first glance, it does make sense: ports are working waterfronts, port authorities have the experience of using the water's edge to generate profit from leasing it or giving it in concession to parties that use both the land and water for their business.

However, developing and operating a commercial waterfront and marina, is something different. Port authorities experience difficulties in setting up the correct business case for such urban waterfronts, as they do not have the experience in combining real estate knowledge with water related leisure knowledge, and they often lack an appropriate management organisation to plan, realise and operate such a facility.

Two very different examples will be provided to showcase the challenges of a port authority when embarking on a waterfront development mission.

1. Walvis Bay

The port authority in Walvis Bay owns most of the coastal zone directly adjacent to the urban areas of the city of Walvis Bay. The port is very successful and is undergoing a program of major expansion of the commercial port facilities. The port authority acknowledges that due to its activities, there is little land left for the citizens to enjoy the views of the coastal lagoon.

The port authority therefore has earmarked a large plot of obsolete port area for development into a waterfront and marina development project to cater for the Walvis Bay citizens as well as for tourists. Plans have been drafted to develop a new mixed use area, with various residential and commercial functions. A small marina facility complements the new urban and public waterfront. The port authority requested support on the development concept for the project. How to create a business case, what elements should it consist of, what role should the port authority take on and how could the new marina and waterfront best be connected to the commercial sea port, where a large cruise terminal was going to be built adjacent to the project. These questions have been transferred into a development strategy for the project. The port authority has taken these suggestions on board and is currently developing the plans together with project developers to the next stage.

2. Kuwait

In Kuwait, the port authority not only manages the commercial sea ports, but is also responsible for smaller facilities used by (recreational) fishermen. The cultural heritage of the country is connected to the sea, where trading, pearl diving and fishing have been the main sources of economic development until oil was discovered. These small ports are dotted along the long coastline of Kuwait. Some of these facilities are very rudimentary, and the port authority, as part of the Kuwait government, has embarked on a plan to develop some of these locations to modern marinas and waterfronts. In this case, the port has been assigned the use right of the land and water in the specific spots and wants to create a vision and design to realise not only a new recreational fishing facility, but to create a world class waterfront that will attract local citizens as well as international tourists. The reason to create this project is to provide Kuwait with:

- More yachting facilities, as Kuwait lacks sufficient berthing for certain types of yachts
- New public waterfront space, as most of the waterfront is private, either by hotels or clubs, or with beachfront residences.
- New urban hotspots, such as commercial real estate (mall, entertainment, hotel, etc.)

The port authority embarks on this project as it sees a new way of business and revenue generation. The current development plans will provide designs and the capex side of the business case.

Concluding, it is observed that ports seek new business diversification, by means of developing their waterfront land (and water) into urban marinas and waterfronts. Generating profits from real estate and marina operation is a new means of business for port authorities, where earlier this was mainly the domain of municipal bodies and real estate developers. Having the land and water as their assets, port authorities can have a very strategic position to develop these projects. However, running urban marinas and waterfronts requires different knowledge and skills than operating a sea port. Successful examples exist, where broad minded port authorities have taken on board the knowledge of marina and waterfront development and operation, and have set up dedicated teams in their organisation to oversee this specific business.

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Topics: 5.2 - Marinas as part of Tourism, Ports and Urban Master Plans (best practices and case studies)