



# Adopting a holistic approach

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One of the major challenges facing the Caribbean and Latin American Shipping industry is the conflicting role of the customs department

The new logistic concepts such as globalisation, Just-In-Time (JIT) and outsourcing have created the need for the establishment of a complex international distribution chain. Their ultimate goal is to allow shippers to place the right product on the manufacturing or retail floor anywhere in the world at the right time and at the right price. As a result, global logistic service providers have emerged in the past three decades. Their priority objectives emphasise the paramount need to satisfy customer-driven demand. To achieve this objective, they frequently rely on partnership with industrial, distribution and transport entities.

Two forces, scale and technology, drive the global shipping industry. Caribbean and Latin American countries comprising groups of disparate nations sharing common space are challenged to find relevance within this paradigm. It is true that sustained globalisation and global logistics would not be possible without a dense and efficient transport network. It is equally true that both the concept and its enabling tools have had a tremendous impact on maritime transport. This global trend begs the question “how does the Caribbean and Latin American region fit into this picture?” The Caribbean and Latin American maritime transportation network is a legacy of “piracy, colonialism and slavery”. The 1960s, for example, posed the first challenge with the advent of the container revolution. By this, the Caribbean and Latin American region was characterised by finger piers and large transit sheds. Very little was done to facilitate the new container paradigm which called for large open spaces, shore-based cranes, land-side heavy duty container handling equipment, and later a sophisticated computerised management information system (MIS). Many countries treated this new container phenomenon as a passing wave and continued with the old infrastructure and operational systems.

Today, the container revolution is in its sixth

generational phase with 15,000 Twenty Foot Equivalent Unit Vessels (TEU) on order, and the Caribbean and Latin American countries are constantly dredging and upgrading infrastructure in an attempt to remain relevant in a changing global environment. The pressure on the Caribbean and Latin American region has not just been on the physical infrastructure, but on finding and retaining qualified human resources. Equally, the region has not kept pace with the advancement in information technology, or the wide disparity between countries of the region.

There has been a disconnection over the years between the Caribbean, Latin America and the rest of the world. This new thrust of trying to bridge the divide has brought about challenges and opportunities for the region to re-invent itself. One of the major challenges facing the Caribbean and Latin American shipping industry is the conflicting role of the customs department. In the G7 countries for example, customs and excise taxes account for less than four per cent of GDP, while in the Caribbean and Latin American region, this figure exceeds 35 per cent on average. The role of customs in the G7 countries is primarily to facilitate trade, while in the Caribbean and Latin American region it is to collect revenue. This reverse relationship has created an unhealthy trade atmosphere both for the shipping and logistics industry.

Given the poor performance of the container terminals, it is not surprising that handling charges are two or three times as high as in similar ports in other regions and that the overall cost of transport and insurance in the Caribbean basin and Latin America is some 30 per cent higher than the world average.

This therefore suggests the establishment of a holistic and united regional approach to the shipping industry in light of the global trends. The total population of Caribbean countries, including CARICOM, amounts to six million. When we group the Caribbean with Latin America we are looking at a group of 520 million



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people competing with a global population of 6 billion, consisting of China 1.3 billion, India 1.2 billion, the European Union 450 million, and the United States with 300 million. Ironically, 300 million represents the number of children in elementary schools in China. This therefore calls for the Caribbean and Latin American region to come together in developing a holistic approach to repositioning the region. In addition to the above, several countries in the region use their limited resources to cater to cruise and cargo shipping companies during the cruise season (November-March) when many cruise ships are redeployed to the Caribbean. During that time, productivity and efficiency figures for cargo operations are usually very low, while operation costs spike drastically. In some countries throughout the region, the cruise ships are given priority berthing consideration, while the cargo ships are forced to work after the cruise ship sails for its next port of call. Operations during this window attract premium overtime rate. This in turn drives up the price of goods from the merchants. Another challenge facing the region is a lack of standards for labour practices and operational efficiency factors. Many ports in the region are labour intensive and operate on the basis of archaic restrictive labour practices. Intra island/country competition and global pressure has resulted in many positive changes throughout the region as a key node in the global logistics chain.

The inherent imbalance of trade between the developed countries, in particular North America, Europe, the Far East and the Caribbean and Latin

American region, places financial pressure on importers to pay for a return of empty containers. For most countries in the region, the cargo movement is primarily one-way flow. Tourism and other services account for the majority of revenue earned for the smaller territories and not from the manufacturing sector. Latin America, on the other hand has a better balance of exports versus imports. The demise of the sugar and banana industries, which was the primary legacy of slavery and colonialism, saw the Caribbean moving to a new mono crop (tourism) to substitute the loss in income from sugar and bananas.

The tourism industry has been embraced as a development tool for many countries in the region; however, the approach to development has been fragmented, and thus could be unsustainable in its current form. The fastest growing segment of the industry is the cruise for which the Caribbean and Latin America accounts for 50 per cent of the global market share by vessel calls and passenger count, but receives less than five per cent of the total industry revenue. The cruise ships have now become a destination and floating theme park. This happens only within the Caribbean and Latin America, which has been reduced to a low value, high volume destination. Equally, there is an urgent call for the region to re-invent itself and find a new theme other than 'sun, sea and sand'.

The events of 9/11 have changed the face of the Caribbean and Latin American shipping industry. Ports are no longer laid-back and charming facilities for passengers to relax, but premium spaces targeted by global terrorism outfits. The high cost of the system



Container port facilities, Port of Spain, Trinidad and Tobago



and infrastructure was not an option, but the Caribbean and Latin American regions made the investment in an attempt to survive. This has affected both cargo and cruise segments of the industry.

The future sustainability of the industry would see many Caribbean and Latin American ports relocating to new green-field areas as they are currently locked between the city and the harbour, leaving little or no room for expansion and development. In the Dominican Republic, the port of Caucedo was built to facilitate development and expansion for which the port of Rio Haina could not accommodate. Likewise Trinidad saw many new developments moving to the new industrial port at Point Lisas, San Fernando. The Kingston container terminal in Jamaica chose to expand into the sea by reclaiming a large portion of land. The Kingston container terminal had its own environmental and social challenges, and is also faced with limited opportunity for future expansion.

### Implications for sustainability

In order to remain relevant, ports have to re-invent themselves. The traditional roles of receiving, storing and delivering cargo are no longer sufficient to maintain competitive advantage. Ports are more than natural sites for shipment to transfer goods from one mode of transport to another. They have historically provided a link between maritime and inland transport and the interface between sea, road, rail and air. Increasingly, ports are playing a more important role in the management and coordination of materials and information flows, as transport is an integral part of the entire supply chain. This role is changing more towards creating synergies, as well as converging interests, between the players of port and community in order to guarantee reliability, continuous service and good productivity levels.

In order to develop as logistics platforms, ports have to simultaneously work in several directions, by also taking into account the requirement of the senders and the receivers of goods, as they become business partners in addition to the traditional ones such as shipping companies, terminal operators, forwarding companies etc. The requirements for seaport services are growing accordingly. Physical accessibility from land and systematic organisation of the information flow are decisive factors for the industry with regards to the choice of seaports. The competitive position of the port is not only determined by its internal strength

(efficient cargo handling and hinterland connections) but also is affected by its link in a given supply chain. Port competitiveness is becoming increasingly dependent on external coordination and control by the whole supply chain.

As ships become bigger and bigger, many ports are forced to dredge channels and alter coastal infrastructure and harbours to facilitate expansion. This carries its own environmental, social and economic challenges. The cruise industry has moved from a cottage industry to a global business. The Caribbean and Latin American region has for years enjoyed the position of being the destination with the largest deployment of cruise vessels. The time has come for the region to reassess its strategy of sitting back as one generic destination of sun, sea and sand. Clearly the market share is not proportionate with the earnings from cruise tourism. It is time for the Caribbean and Latin American region to redefine itself and find a new theme and approach to the industry – “Collaborate instead of Compete” against each other. Reunite as one region with different sub-themes and sub-brands reflecting the uniqueness of the territory. The region also needs a united marketing strategy and developmental plan for the industry.

### The Caribbean Shipping Association (CSA) role

The CSA, as the lead think tank in the shipping industry, serves as the information exchange, research, business development, training and network platform that seeks to strategically focus on the diverse interests of all stakeholders in one sustainable industry, bringing together both cargo and cruise sectors. In addition to the Caribbean and Latin American region, the CSA also now serves members both in North, South and Central Americas and Europe, covering both cargo and cruise interests. It also serves as an industry-lobbying machinery for its members, governments, organisations and associations. The CSA annual general conference held in October of every year attracts in excess of 400 participants from around the world and exhibitors with a diverse range of products from education to port and maritime-related enterprises. Their highly interactive website provides research and information sources for industry partners, stakeholders and the general public. Through its flagship Caribbean Maritime publication, the CSA informs its members on global and regional trends in the cruise and cargo industry. ■

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