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ECONOMIC COMMISSION FOR LATIN AMERICA
Office for the Caribbean



SUGGESTED CRITERIA FOR REVISION

of

WISS FREIGHT TARIFF NO. 3

Suggested Criteria for Revision

of

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1. In view of mounting costs in shipping operations, particularly cargo handling costs and slow despatch of ships in certain Caribbean ports, there is a need to revise WISS Freight Tariff No. 3. To facilitate this task, the enclosed synopsis of specific commodity and special rates was prepared by ECLA.

2. The following criteria for revision of freight rates are suggested:

(i) freight rate level should not be indiscriminately increased by a fixed percentage, because the synopsis indicates that it is the tariff structure which needs revision;

(ii) therefore, rates for individual commodities should be examined, so that required rate increases are imposed without impediment to cargo flow;

(iii) freight rates for

(a) essential (developmental) commodities;

(b) commodities moving regularly in large quantities;

(c) commodities exported from small CARIFTA States and

(d) potential commodities requiring promotional rates

would have to be examined with particular attention;

(iv) the examination of rates for individual commodities should consider:

- (a) value; theoretically, the higher the value of a commodity, the lower the component of transport cost in the CIF value. Hence, freight rates can be revised up-wards without affecting the volume moved;
- (b) the stowage factor, so that commodities for which a ton measurement of 40 cubic feet weights less than one ton of 20 cwt., are charged a rate per ton measurement and vice versa. (The usual practice in general cargo trade is to charge one rate per ton measurement or ton weight, whatever brings a higher revenue to the carrier);
- (c) costs of handling of individual commodities in ports. In particular incentives to shippers who unitise cargo (by palletizing, pre-slipping, containerising) should be considered. These incentives would include a (slightly) reduced rate for unitized cargo and no charge on the pallet, flat, tray, container measurement or weight should be made, subject to the usual conditions. (There would be, of course, a comparatively low rate on returning empties). Additional charges for Heavy Lift Cargo should be revised and the Landing, Storage and Delivery charges should be adjusted to those applied by other operators.
- (d) quantities carried: The best financial results will be achieved if rates for commodities moving in large quantities be increased, but care should be taken not to impede their flow, because these commodities are the basis of commercial viability of the service. Rates for commodities moving in very small quantities and "paper" rates (= commodities not moving at all but rated) should not be increased and in some cases may be lowered, because increases would bring an insignificant or no financial effect, and because these commodities include potential cargoes requiring promotional rates;
- (e) effect which freight rate increases may have in respect of losing cargo to competitors. This applies particularly to valuable cargo and cargo moving regularly in large quantities;

(v) freight rate level should be related to distance, which in practice would mean introduction of two separate new tariffs:

- (a) for the Trunk Route - higher
- (b) for the shuttle services - lower

therefore the above mentioned principles for the examination of individual commodities should be made entirely separately for each of these two operations;

(vi) in all this work consideration should be made to introduce class rates, so that the tariff is simplified by a smaller number of individual rates. To fit into a class, current commodity rates might be increased or lowered.

3. The new (proposed) rates should be compared with the present ones. In the absence of commodity statistics, this can be done by re-creating several recent voyage accounts by substituting new rates. Such comparisons would indicate the effectiveness or otherwise of the proposed revisions of commodity rates.

4. Moreover, flexibility should be assured, by which the Board should be free to contract cargo at special (lower) rates in order to assure cargo flow of main commodities which will not move at the proposed rates or are vulnerable to competition, and of overseas transshipment cargo eventually obtained in large quantities by agreement. These instances should be considered when preparing comparative voyage accounts.