

## **THE NINTH INTER-AMERICAN PORT CONFERENCE**

The ninth Inter-American Port and Harbour Conference of the Organization of American States (OAS) was held in Asuncion, Paraguay, from 23 to 27 September 1996, and was declared open by His Excellency Mr. Juan Carlos Wasmosy Monti, President of the Republic of Paraguay. Representatives from 24 countries of the Americas, four European countries and one Middle Eastern country participated. The Conference was also attended by observers from six regional or international organizations and by special guests from business and academic circles.

### **Background and main objectives of the Conference**

- To study the process of port development in the region, problems and available options for promoting this development and to foster cooperation in this field with a view to promoting the harmonious development of ports in this hemisphere.
- The eight previous conferences had been held in San José, Costa Rica (1956); Mar del Plata, Argentina (1963); Vina del Mar, Chile (1968); Mexico City, Mexico (1975); Guayaquil, Ecuador (1978); Mexico City, Mexico (1982) Washington, D.C. (1986, Extraordinary Conference); Santo Domingo, Dominican Republic (1987), and San Pedro Sula, Honduras (1993).
- Forthcoming meetings: the XVIIIth Meeting of the Permanent Technical Committee on Ports, in San Carlos de Bariloche, Argentina, in the first two weeks of December 1996; the Xth Inter-American Port Conference will be held in Guatemala in 1999.

### **Summary of presentations and reports submitted at the IXth Conference**

The following is a summary of some of the presentations made during the meetings of the Working Committees (Groups): I (the Port authority), II (Port operations), III (Port training) and IV (Port policy):

#### **Port Administration**

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#### **The role of the State in modernizing port operations**

A presentation was made by Mr. Diego Sepúlveda, consultant, who explained that there are no hard and fast systems or formulas and that there were different types of port models ranging from one extreme to the other. He used as an example the ports of Hong Kong (private) and Singapore (state-owned) which handled the greatest volume of containerized traffic in the world and which both boasted highly efficient operations and optimum operating and economic performances. He referred to the need to examine the sphere of influence of the ports and countries, as determined by the macroeconomic model, since the ports and the State's role in their

operation is affected by this. The most important aspect of a port was its staff and port reforms implied huge social costs. Given the problems of restructuring and retrofitting, the State should assume a new role, setting the legal framework, regulating competition, monitoring environmental quality and seeking to achieve sustainable development and the proper balance between the public and private domains. Only the State could carry out certain duties and the nature of these had changed with current economic and social developments. The State had a role to play in the process of economic integration, such as the problem of designing hub ports. In conclusion, he said that total privatization was a fallacy since Governments invariably had a role to play in replacing the traditional monopolistic and centralized style of administration with a new outlook and vision for the future.

### **New port labour relations in the hemisphere**

Mr. Torcuato Vilchez, of the International Labour Organization (ILO- Inter-American Research and Documentation Centre on Vocational Training -CINTERFOR), reported on the ILO Tripartite Meeting, held in Geneva in May 1996, where a study had been presented on the social and employment implications of port modernization in various countries. The main outcome of this meeting was the interest it aroused in generating a new structural and tripartite management model between the Government, workers and employers. The above-mentioned meeting considered the process of economic globalization and introduction of new technologies, which affected world ports. There had admittedly been an increase in productivity in the sector, but this was accompanied by job losses. This trend also increased income through higher productivity rates, and offered greater security of employment to workers who remained in the system. Notwithstanding privatization, most ports still remained the property of the State, which intervened by outlining policies, setting the regulatory framework, the role of the port and by insuring investments. He pointed out that requirements for port reform varied from one country to another so that the same rules would not be relevant in all cases. Lastly, he mentioned that the meeting had called for ratification of ILO Agreement 137, application of a new human resources development policy, implementation of a new methodology for interpretation and had stressed the importance of ongoing training.

### **Port operations**

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#### **Use of computerized systems, implementation of electronic data interchange (EDI) and standardization of documents relating to transport, customs and government controls**

Mr. José Oriol Carreras, of the Port Authority of Barcelona, Spain, explained the concept of electronic data interchange and the prospects for its use in external trade and port management. He set out the practical applications of the system in ports, comparing the physical flow of goods with the amount of paper work and the way in which EDI could help to control and manage both operations. He stressed the need to ensure that the greatest number of economic and government agents were included in the network which should provide a link between ship operators, terminals and consignors, on the one hand, and port and government authorities, in particular the customs department, on the other. He described the practical application of this system in the port of Barcelona, through the COMPASS project, gave background information on its advantages and the positive results it had provided for the port. Lastly, he drew a comparison between the different methods of port

administration showing to what extent EDI was relevant or not to each case.

## **Training in port management**

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### **Global training programmes and modern port management training techniques: national and regional experience**

Mr. Uwe Brietling, of the German Agency for Technical Cooperation (GTZ) and the United Nations Conference on Trade and Development (UNCTAD), gave a presentation on the organization and structure of the Training Development Programme in the Field of Maritime Transport (TRAINMAR) in the Southern Cone countries, established in 1992 in conjunction with GTZ and UNCTAD. This network included seven institutes and public and private universities which offered management training in Argentina, Bolivia, Brazil, Chile, Peru and Uruguay. During the four preceding years, the capacity of these institutions had been strengthened by the methodology of the international TRAINMAR programme for development and execution of training programmes geared to the needs of the regions port, shipping and multimodal transport sectors. To date, over 120 courses and workshops had been held for around 2,500 administrators and specialists within the region and 140 professionals had been trained in the use of the TRAINMAR technology. In May 1996, the network founded the TRAINMAR Association of Latin America (ATAS) which had been preparing an advanced training programme in port management and international transport, to be organized jointly with universities and institutes from various countries of the region in March 1997.

## **Port policy**

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### **Towards an Inter-American port policy**

Mr. John Pisani, of the United States Department of Transportation, said that countries had shown considerable interest in the issue of port policy and stressed the importance of having achieved a consensus document (CIDI/PUERTOS/doc.14/96-OEA). He then described the advantages for the OAS member States of each item and area covered by the above-mentioned proposal and referred to in the Asunción Declaration. The two instruments identified in the document were vital for implementation of this policy: i) The Acuerdo de Cooperación y Asistencia Técnica (Cooperation and Technical Assistance Agreement) between hemispheric authorities, and ii) upgrading the Inter-American Port Conference, into an OAS permanent expert committee. He stressed that the conclusions of the Second Hemispheric Summit on Transport held in Santiago, Chile, in April 1996, were fully in keeping with the proposals set out in the document on port policy. Lastly, he urged countries to follow up with the same consistency on the work of the three previous years to achieve the goals of economic development and social progress for the peoples of the Americas.

## **Practical examples of port modernization in the region**

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The following are extracts of the study presented at the Ninth Inter-American Port and Harbour Conference, entitled Principios de autonomía y modernización de las entidades portuarias en América Latina (CIDI/PUERTOS/doc.42/96, OEA - Principles of autonomy and modernization of port authorities in Latin America), prepared by the consultant, Eduardo R. Alvarez Mazza.

**ARGENTINA** - The Ports and Harbours Act no. 24093 of 1993, decentralized authority for national

ports to the provinces, and conferred the legal framework for privatization, port leases and licences for dredging navigable waterways. The system of transfer involved two steps: i) small ports were transferred directly to provincial governments, and ii) larger ports such as those of Buenos Aires, Bahía Blanca, Quequén and Santa Fé, were also transferred to the provinces, but were subject to the establishment of Port Management Corporations (SAP), for improvement of port operations, thus encouraging competition between and within ports.

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<b>Implications and effects of reform at the Port of Buenos Aires:</b>		
<b>Trends and advantages of the transfer</b>		
<b>Year</b>	<b>1991</b>	<b>1995</b>
Volume in tons	4,000,000	6,000,000
T.E.U Containers	300,000	540,000
Operating area (in has.)	65	95
Heavy equipment/port cranes	3	13
Total investment (millions of US\$)	-	135
Productivity (tons/pers./year)	800	3,000
Capacity (containers/year)	400,000	1,000,000
Average no of lay days: ships	6.2	3.1
Average no. of lay days: full-container vessels	2.5	1.5
Average cost per container - imports (in US\$)	450	120

Harbour dues (US\$/ton):	6.69	3.00
Import.		
Export	2.10	1.50

**BOLIVIA** - Given its land-locked position, Bolivia has developed a system of river transport on the Upper Paraguay river, belonging to the company Hidrovía Paraná-Paraguay, based in the Río de la Plata basin. The greatest boost in the port sector is coming from a private enterprise in Puerto Aguirre on the Tamengo canal, which flows into the Paraguay river. Projects for the development of Puerto Bush are in the pipeline. The bulk of Bolivia's foreign trade is carried out by sea through pacific ports in Chile (Arica and Antofagasta) and Peru (Ilo).

**BRAZIL** - The new situation in the country and the reforms undertaken by the Federal Government underscored the need for the adoption of new procedures in the port area. Brazil has 8,500 km of coast, 32 ports and approximately 500 private terminals and facilities. Its inland waterway system measures 40,000 km of which 28,000 km are navigable with a minimum depth of 0.8m. and there is a large network of river ports. The register of port employees lists 17,000 persons on the payroll and 20,000 casual workers.

The first step in this reform process was taken in Brazil in 1993 with enactment of Law No. 8630 on port modernization which makes special provision for privatization of the sector, and for complete deregulation of the port services and operations. Port authority boards and a labour management body have been established in all public ports for the supply of port workers, including dockers, for whom no official register had existed previously, and as a means of rationalizing hiring practices. The port privatization programme provides for the following measures: port operating concessions; leasing out premises and facilities to private entities; restructuring port authorities; granting licences to port terminals for public and private use. Currently, various bids are under consideration for port terminals.

**COLOMBIA** - The Framework Act of 10 January 1991 and its rules and regulations provided for :

- a) Liquidation of the Colombian Port Authority (COLPUERTOS);
- b) Eliminating free use of the low-water lines;
- c) Establishment and organization of a General Port Administration (SGP);

- d) Preparation of port expansion plans as development projects, including charges and income in these plans, setting two-year targets and port policies for the first 10-20 years following enactment of the Basic Law;
- e) The specific functions of the SGP are as follows: monitoring, control and supervision of the public and private port sector and avoiding monopolies in the regional port authorities. COLPUERTOS had 4,000 to 5000 officials and over 2 000 external dockworkers. There are now fewer than 100, approximately 75 officials in the Administration, in addition to the employees of the Regional Authorities and operators, all few in number. There have been voluntary retirements, with highly attractive benefits. Demurrage has been reduced from 10 to two days. Charges, both for working at moorings and for loading have gone down by 50% in real terms. Between 1990 and 1994, average productivity in tons/ship/day went up by 400%. Heavy investments were made in infrastructure and superstructures.

**DOMINICAN REPUBLIC** - Originally, this country's port system was operated jointly with the General Customs Administration. In 1970, legislation was passed establishing the Dominican Port

Authority, an institution through which the State controls and manages all the country's commercial ports. Since the establishment of this Authority, the Dominican Government has welcomed private sector involvement thus ensuring an efficient system of harbour services and operations. The private sector has worked directly to provide a range of services and amenities in construction, use of equipment, hoisting devices and tugboats, without limiting the State's right to maintain control over priority activities and matters falling under its jurisdiction.

**ECUADOR** - The Plan of Action for Port Modernization falls within the framework of a State Modernization Plan and was started in March 1993. It covers the ports of Guayaquil, Manta, Bolívar and Esmeralda. The National Merchant Marine Board has appointed a coordinating and executive unit to implement the modernization plan for Guayaquil Port and to reorganize the country's other ports.

The plan received the support of major business and commercial sectors including: exporters, importers and ship operators, and covered legally instituted reforms, administrative restructuring, a new system of charges with the establishment of open competition for services and maintenance by the port authority, the supervisor and port administration. Historically, the unions were considered very strong in the state sector, and were strongly opposed to modernization. In the port sector, docker monopolies were not unknown and in particular exercised control over job succession in the sector. Once modernization has been completed, the port structures will gradually and calmly be relieved of some of the burden, with very substantial compensations and application of the valid and acknowledged right of the employer to lay off staff. At the same time, privatization of services will be started by eliminating activities carried out by the authority and by contracting out various functions on a planned basis. The payroll moved from 2,000 to 100 officials with a number of contracts about to expire, plus 76 on the new structure. Redundancy payments amounted to US\$ 30 million with an average of US\$ 23,500 per official. The ports operate on a continuous basis 365 days of the year and have managed to cut costs and charges substantially.

**HONDURAS** - One of the Government's objectives in establishing a state reform programme was to include the ports. Improving efficiency and increasing terminal capacity, in response to world traffic requirements were identified as priority goals to be achieved with assistance from the private sector, which is in a position to react promptly to the demands of foreign trade.

The National Port Authority (ENP), through its Board of Directors and the Ministry of Planning, Coordination and Budget, have defined a ports and budget policy for the five ports under its responsibility. A plan of action covering various issues is now underway. It is based on the Charter of the EPN, which is currently authorized to sign contracts with private ports and port companies designed to fulfill the objectives established under the law. Various mechanisms or modalities have been set up for furthering these changes, including concessions and authorizations granted to companies operating in specific terminals and in which port-workers are shareholders. Port modernization tends to promote objectives such as export growth, trade liberalization and private investment.

**MEXICO** - A far-reaching programme aimed at decentralizing, reorganizing, and reducing the bureaucratic structure of the port system has been undertaken. The *requisa* operation (revoking permits from unions and private individuals for provision of port services ) was applied pending establishment of the new system. The guiding principle is that a port should be an integrated service, and in its turn should be coordinated with the rest of the general transport system. With this

in mind, integrated port authorities were set up as trading companies, which will ultimately be sold with or without government involvement. Private terminals such as ICAVE, in Veracruz, have achieved an average productivity level of 72 containers per hour, in some instances achieving up to 90 containers per hour and at competitive rates.

**NICARAGUA** - In 1980, the National Port Authority (ENAP) was established pursuant to Executive Decree no. 480, as a semi-autonomous body under the Ministry of Construction and Transport (MITRANS). The functions of ENAP are as follows:

- Formulating policy for national port development;
- Operating the country's sea, river and lake ports;
- Planning, construction and maintenance of existing and new facilities;
- Providing storage and handling of cargo, pilotage and towage;
- Signing lease agreements and granting concessions;
- Administering various ports on the Atlantic coast, on the Pacific and on Lake Nicaragua.

In 1990, the Government put forward a proposal for decentralization and/or privatization of public corporations including ENAP.

**PANAMA** - Modernization of the country's port systems assumes special significance given its strategic geographic location for trade. The forthcoming integration of the Panama Canal into the country's economic system is an added incentive to boost port activities, the role of the National Port Authority (ANP) in this regard being to take the necessary steps to improve efficiency. The ANP has adopted a dynamic modernization policy, with the private sector maintaining a high profile in a number of areas, including the ports of Balboa and Cristóbal, especially as centres of international shipping activity.

The National Government has prepared and adopted the Port Sector Reform Programme with the following aims in view:

1. To transfer to the private sector, through awards based on competitive bidding, those activities related to handling of cargo, working of ships and all operations involving the use of equipment;
2. To set up a regulatory and fiscal framework to facilitate and encourage private involvement in the port subsector within the existing ports and in the development of new sites and facilities.;
3. To reserve for the State responsibility for control of monopolies, establishment of a competitive framework for harbour services, appropriate use of scarce national resources and environmental policy.

The State would also be responsible for regulatory functions and application of charges.

**PARAGUAY** - the National Navigation and Ports Administration (ANNP) was established by Law No. 1066 of 23 August 1965. It is an independent body, established for an indefinite period, with legal capacity and equity capital, and its principal objectives are to administer and operate all

ports and to ensure that rivers remain navigable. Its development objective is to surmount its difficulties as a landlocked country, strengthen its river transport capacity by maintaining and improving the navigability of its rivers through dredging, buoyage and placing of beacons and through the construction, expansion and modernization of port infrastructure.

The ANNP administers the ports of Asunción, Villeta, José A. Falcón, Ita Enramada, Encarnación, Ciudad del Este, Saltos del Guaira and Concepción. In view of its strategic role in the Hidrovia Paraguay-Paraná river system, which runs through Argentina, Bolivia, Brazil Paraguay and Uruguay, in relation to the Villeta Port Terminal it formulates ideas on the possibility of providing container operation services including loading, unloading and related activities by sub-contracting to private firms; no specific project has yet been officially set up in this regard since no controversial situations have yet arisen in Paraguay to hamper the normal process of port activities under State control. There are workers who do not depend on the ANNP as is the case of dockers and tallymen belonging to the Union of dockers and tallymen, whose working conditions are governed by Article No 213/93 of the Labour Law, which provides for safety standards and social security benefits . The dockers work only on the ships and are not allowed to work on the quays.

**PERU** - In recent years, conditions at the ports have improved significantly, especially in the port of Callao. The National Port Enterprise of Peru (ENAPU) has developed an economic policy favorable to foreign trade thereby reducing substantially not only the cost of loading and unloading goods but also charges for the ships themselves. The economic principle was to avoid exporting indirect taxes. The private sector is involved both in shipping and in port operations where terminal operators have been organized in some cases with dock-worker cooperatives thereby obtaining considerable cost reductions.

**URUGUAY** - Law No 16.246-92 provides that i) the Ports of Montevideo, Nueva Palmira, Fray Bentos and Colonia are considered open ports; i i) Port services are provided on a 24-hour, 365 days of the year, under the direction and control of the private port operator, who holds full responsibility for work on board and on land; iii) With respect to the provision of port services, the legal system offers a series of options based on the principle governing intervention in private enterprises, and iv) the legal system also provides for presentation of port investment projects by interested parties setting out full details and presented along with feasibility studies, market analysis, investment and repayment plans, projected returns and other data of relevance to the national, regional or international context.

Impact and results: There has been a voluntary reduction in the number of employees on the Authority's payroll and a virtual elimination of registered dock workers, as a result of incentives offered under the Ports and Harbours Act. Approximately 40 operating companies were set up on an open market basis in the different commercial ports under an authorization system, leading to an immediate improvement in productivity and handling services provided.

**VENEZUELA** - The port system in this country plays a major role as the principal link between this economy and the rest of the world. In 1977, the National Port Council and the National Port Institute were founded, with responsibility for planning, construction and maintenance of facilities and for management of operations. Goals set under existing government policy included contributing to the expansion of foreign trade and especially exports. In 1985, port activities were declared to be a public service thus making it possible for operations to be offered by private entities. In 1989, a major step was taken towards decentralization of jurisdiction for the different ports, transferring

administration of public ports to the states. In the nineties, successive legal changes to the port system were made to introduce the concepts of private port and open competition.

On 13 August 1991, legislation was passed conferring on the State of Carabobo exclusive jurisdiction over the commercial ports; the Autonomous Port Institute of Port Cabello was established and legal provisions made for port administration and maintenance. Leases and authorizations were also granted to allow for investment in the construction of private ports. In 1992, the National Port Institute was abolished and instructions given for winding-up of its operations. In 1993, by virtue of the Basic Port Act, the National Port Council within the Ministry of Transport and Communications was designated as the competent body for setting policy guidelines for national ports, and for formulation and monitoring of implementation of this policy.

## **BARBADOS - GRENADA - SAINT LUCIA - TRINIDAD AND TOBAGO**

Given the importance of foreign trade for the different Caribbean countries and with expansion of cruise ship tourism, port operations are clearly of national interest and Governments have identified the improvement of port efficiency as one of their primary objectives; various management options are in use from State-owned corporations to State-run management entities which lease out specialized terminals to the private sector.

**BARBADOS** - The Port Authority was established on 1 January 1979 and received land and property transfers. Cargo throughput in 1994 amounted to 667,084 tons excluding bulk shipments of sugar, rum, molasses and grains. These movements amounted to 80,000 tons. In 1994, containerized shipments totaled 38,500 twenty-foot equivalent units (TEU), accounting for 80% of total cargo throughput. Cruise ship arrivals stood at 475,000 for the year. The port budget based on efficiency has made it possible to speed up operations, thanks to the acquisition of equipment such as cranes and tugboats, without any increase in user charges. Currently, a feasibility study is being carried out on port reform and expansion.

**GRENADA** - The Government has commissioned a series of studies on privatization of State enterprises. It has been recommended that one such study should be devoted to the Port Authority. Working of ships is now in the hands of private operators. An association comprising the major shipping agents contract out this work directly to a union. Nevertheless, in 1993, the Government began to seek ways of amending the system to allow permit hiring of non-union labour.

**SAINT LUCIA** - In 1990, the Government implemented a programme for rehabilitation of the port of Vieux Fort. The programme profile included development of a specialized container terminal and rehabilitation of existing quays to satisfy the requirements of a modern port. It included: i) purchasing proper equipment for handling loads; ii) establishing a private company to manage and operate the port, subject to the following terms:

- The port shall be a Landlord;
- The port will be leased to a joint venture company with the Authority as the majority shareholder and shipping lines specializing in transshipment of cargo in the Caribbean as co-owners;

The Authority will receive an annual rental for its property and will have a share in the profits through the relevant contract. It will not be involved in the day-to-day running of the port.

**TRINIDAD AND TOBAGO** - In 1988, efforts were made to reduce the operating costs in the country's ports and approximately 1,000 jobs were cut out of a total of 3000. According to a 1992 report, the Port Authority was overstaffed, workers were not paid on time, loan payments were not met and maintenance work not carried out. Work stoppages were common and the port had a very poor image. A strategic plan formulated at the time of the 1992 assessment was put into effect in 1993. It entailed a 60% reduction in staff and other structural changes. In 1994, the first audit of the restructured system was carried out and demonstrated the financial position of these operations. In 1995, studies on restructuring were undertaken with international consultants, and independent business units set up for the operation. Cross subsidization was abolished and the operation of equipment was handed over to a new private company with responsibility for administrative procedures.