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ISSUES IN OCEAN TRANSPORTATION IN THE CARIBBEAN COMMUNITY

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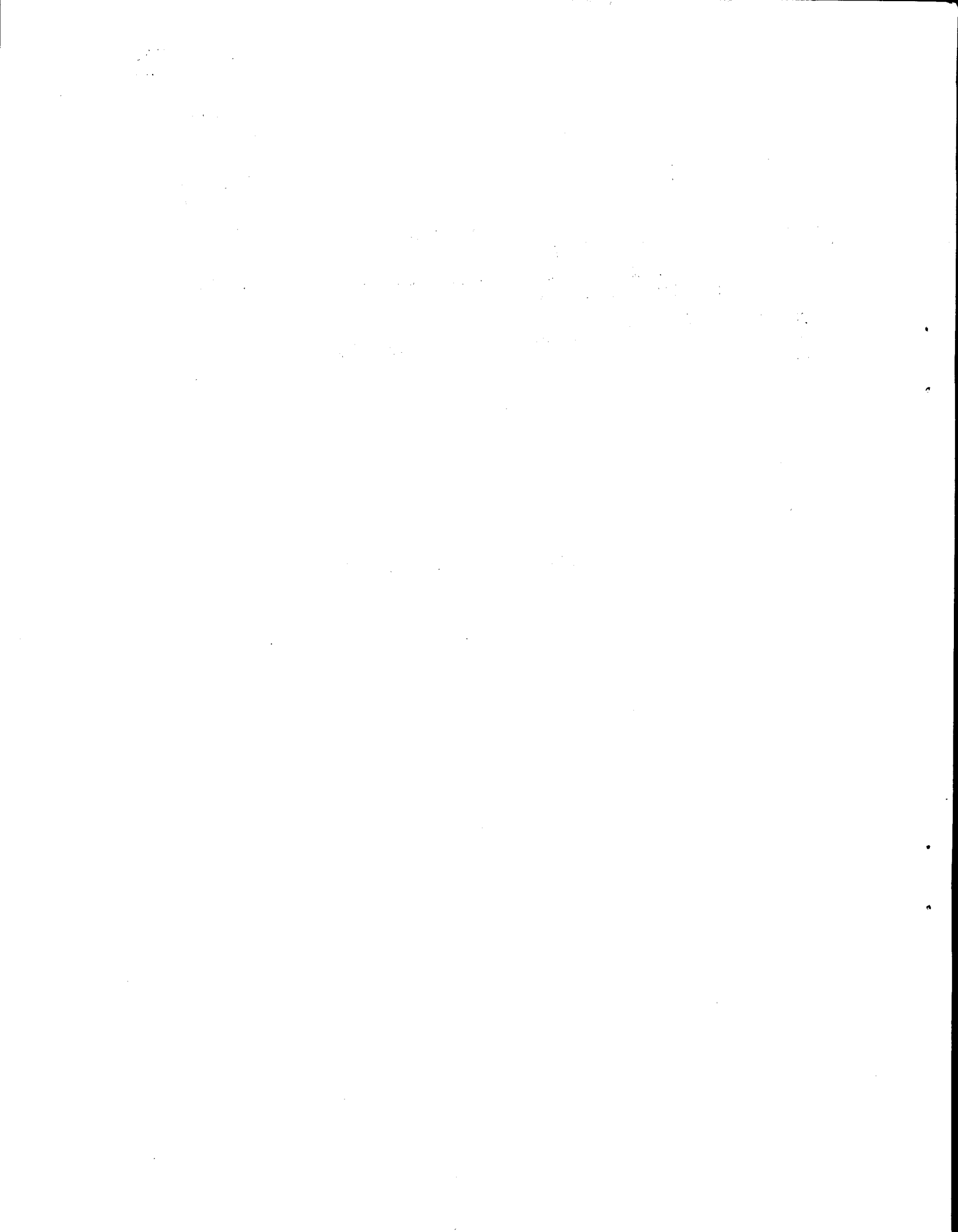
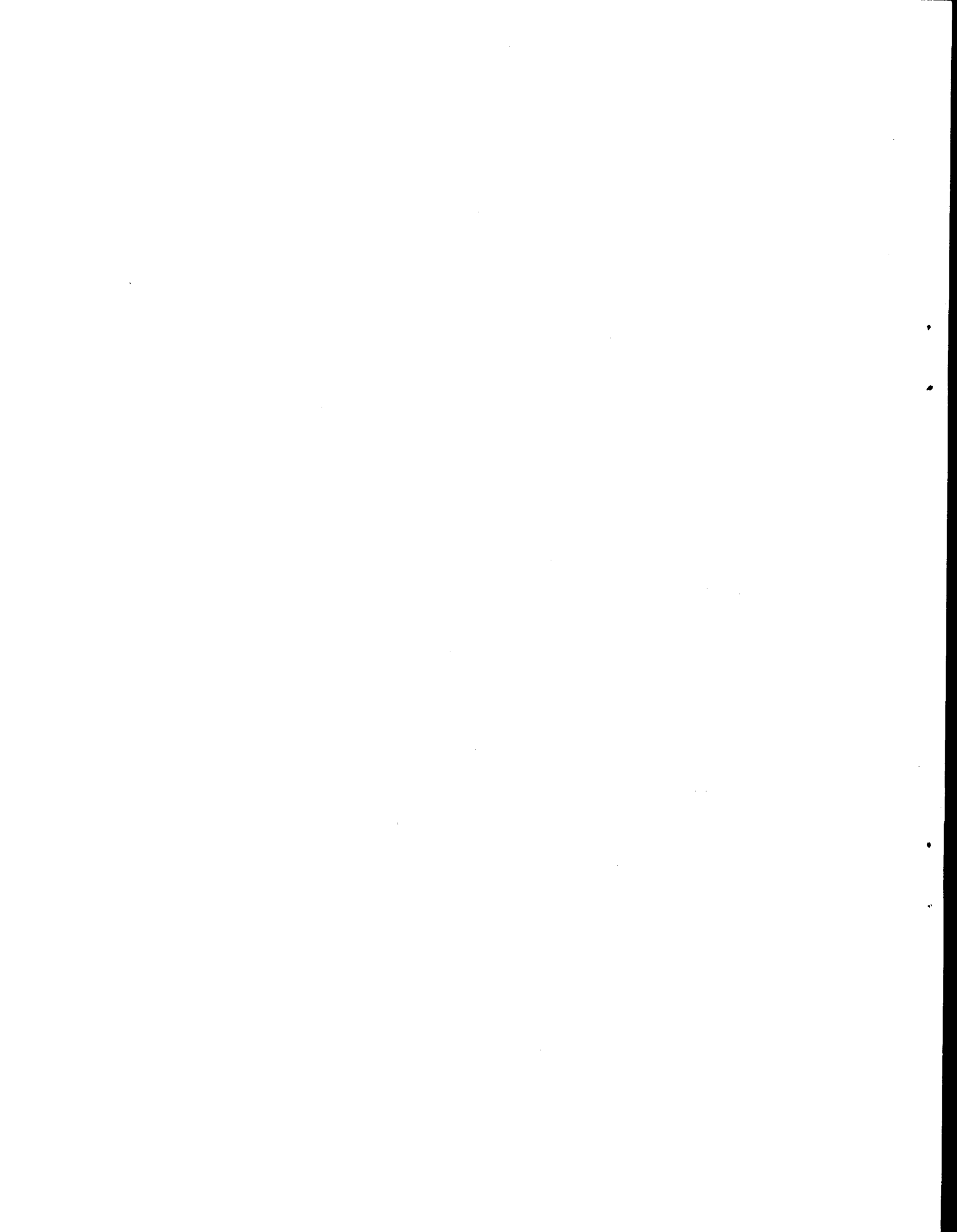


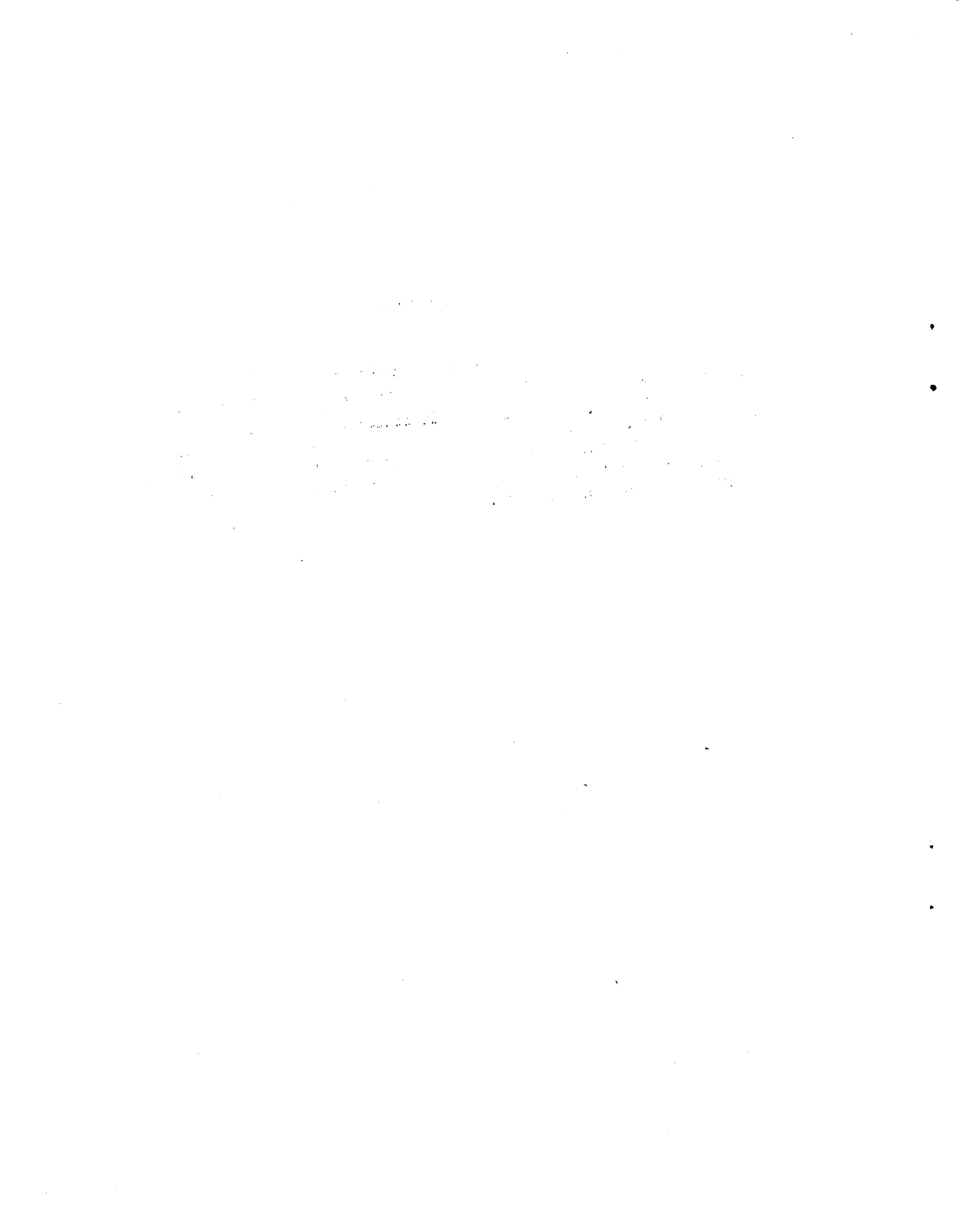
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FOREWORD

While this document includes contributions by ECLA staff based on missions to the Caribbean during 1974, it is essentially a condensation of Ocean Transport in the Caribbean Community (ECLA/POS 75/2, 30 January 1975), prepared by Mr. Jules Dekock, ECLA Consultant. His full report, which contains a wealth of statistical and background information not reproduced here, can be obtained from the ECLA Port-of-Spain Office.



Chapter I

INTRODUCTION

The countries of the Caribbean Community depend on maritime transport for virtually all of their trade, both within the region and with the rest of the world. They are thus understandably concerned that the shipping and port services and facilities available to them should be adequate to their needs. This concern is reflected in the reports of the United Nations Regional Advisers in Shipping and Ports and of other experts working under multilateral and, in particular, bilateral arrangements for technical cooperation during the last ten years. It was reflected in the UNDP/UNCTAD/IMCO joint mission to the Caribbean in August-September 1974, which is expected to make detailed recommendations as to the form of aid that would be of greatest value to the region, and in recent loan activities of the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Caribbean Development Bank. It is reflected in the continuing work programme of the Caribbean Community Secretariat, whose recommendations have led the Conference of Heads of Government to designate a Standing Committee of Ministers Responsible for Transport as an Institution of the Community to replace and expand the scope of action of the present Regional Shipping Council.

"Ports, interisland shipping, and overseas shipping are... of much greater importance to the welfare and progress of developing island economies than to mainland countries." ^{1/} The 13 members of the Caribbean Community - 11 island states and territories and two continental states that are virtually islands in their isolation from adjacent lands - are spread over an arc of ocean space more than three thousand kilometers long. This arc is interspersed with other islands having different historical and cultural traditions, different languages, and varying degrees of freedom of action in the political and economic fields. "There have been few established communication links and no tradition of travel between the countries, so that the stock of

^{1/} United Nations, Developing island countries, TD/B/443, Rev. 1, 1974, p. 15.

everyday knowledge which populations usually have about neighboring countries barely exists." 2/ All the governments of the area are keenly aware of their dependence on adequate maritime transport, yet with few exceptions they have been unable to have much influence on the services offered them. They often have had no alternative to accepting what they consider to be inadequate or inequitable shipping terms and technologies introduced and practically imposed by liner conferences, individual shipping lines, and foreign companies.

In an era of growing rejection of dominance of shipping from abroad, governments are seeking effective means of exerting sovereignty over the activities related to their foreign trade, including a substantial and equitable participation in its carriage. In this, the Caribbean countries so far have been largely frustrated by their political and economic fragmentation. Few of them acting alone are in a position to persuade and if necessary force conferences, lines, and shippers to arrange terms and technology more suitable to the region's requirements. The best prospect for improving their position with respect to overseas interests is for them to bargain collectively. This has been one of the objectives of CARICOM, its predecessor CARIFTA, and the Regional Shipping Council. Nonetheless, day-to-day policies of individual governments largely continue to be determined by immediately observed or pressing national interests, giving insufficient consideration to possible longer-run and more substantial benefits of joint action. Regional organizations thus far have produced little real impact on maritime transport in the Caribbean, except to some extent in intraregional transport. Apart from freight rates, which have been the subject of several fruitless negotiations, shipping terms and technology in transocean transport practically have not been questioned.

Even within the region itself, the CARICOM governments have not been able to resolve satisfactorily the problem of their interisland sea transport, which is not well organized and lacks equipment appropriate for service to some areas. Nor have the governments squarely faced the problem of whether or how to cooperate in the matter of rationalization and coordination of port development and investments on a regional basis. A number of costly projects are either being implemented or contemplated that, in the light of an overall regional evaluation, might be modified or reduced in scale with substantial savings to the region's relatively limited economic resources.

2/ ECLA, Widening of the Caribbean integration process - note on some institutional procedures and aspects, E/CN.12/976, 20 May 1974, p. 1.

If greater control over extraregional shipping and greater economy of investment in and operation of intraregional shipping and ports are to be achieved, modification of present transport policies and practices must be considered. A number of possible modifications are expressed in the following questions.

- (i) To what extent are the governments of the Caribbean Community prepared to grant to a joint negotiating body, under the aegis of the Standing Committee of Ministers Responsible for Transport, the necessary powers and authority for effective negotiation on a regional basis with conferences and other foreign shipping interests with regard to freight rates and other conditions of maritime transport?
- (ii) To what extent will the governments of the Caribbean Community be prepared and able in the near future to coordinate their shipping policies with those of other countries in the area, both in relation to liner conferences and to ensure and strengthen the contributions of the Caribbean countries' national shipping lines to regional goals?
- (iii) To what extent would the governments of the Caribbean Community be prepared, in order to achieve such goals, to grant preferences to the national lines of other countries in the area and, in the event a CARICOM transocean merchant marine is set up, to enter into joint operating arrangements with these lines?
- (iv) To what extent are the governments of the Caribbean Community prepared to attempt to regulate the types of shipping technology employed in the region by foreign shipping lines?
- (v) To what extent are the governments of the Caribbean Community prepared to intervene in transshipment arrangements proposed and established by foreign shipping lines?
- (vi) To what extent are the governments of the Caribbean Community prepared to insist on rationalization of services, such as by reducing the frequency of sailings, so as to lower costs and thereby lower rates?

/(vii) To what

- (vii) To what extent are the governments of the Caribbean Community prepared to coordinate port investments, both among themselves and with other countries of the region?

It is not implied that the above questions have been overlooked by the CARICOM governments. However, they now urgently require further study with the aim of achieving positive action on a regional basis. Along these same lines, there are problems yet to be resolved even in cases such as the following, where some limited progress has been made:

- (i) A regional shipping line to provide service to Europe and North America continues to receive serious consideration, although to date no firm decision one way or the other has been made.
- (ii) Subsidies for intraregional shipping services, which have helped to strengthen the participation of the Leeward and Windward Islands in regional trade and integration, have been maintained for a number of years, and steps recently have been taken to expand the capacity and improve the services of the West Indies Shipping Corporation, CARICOM's regional line.
- (iii) The governments of Guyana and Jamaica are preparing to participate in the ocean carriage of their bulk exports, thus including transport of their principal products in their overall commercial policies.

If the governments are indeed prepared to modify present policies and practices, an integrated maritime transport study is urgently needed to establish guidelines for such modifications. The remainder of this report explores the following current issues in ocean transportation in the Caribbean Community, from which the terms of reference for the study should be drawn:

- (i) Extraregional shipping
- (ii) Intraregional shipping
- (iii) Port development.

Chapter II

EXTRAREGIONAL SHIPPING

A. Bulk cargo trades and liner conferences

The extraregional foreign trade of the CARICOM countries is, with one minor exception, 3/ carried in its entirety by foreign ships and shipping companies. These countries thus do not participate in an activity of vital importance to their trade and economic development. As is the case in many other developing areas of the world, shipping activities can be divided into four distinct sectors:

- (i) Tankers and the transport of petroleum and petroleum products.
- (ii) Bulk carriers and the transport of bulk cargoes, primarily bauxite and alumina, and also sugar and molasses.
- (iii) Specialized carriers, including those for the transport of such commodities as anhydrous ammonia and bananas, operating partly within the framework of shipping conferences.
- (iv) Cargo liners engaged mainly in the carriage of general cargo and operated within the framework of liner conferences.

Although there is some overlap between some of these sectors, 4/ the overwhelming importance of bulk carriers in the outward trade and of cargo liners in the inward trade may well be considered the predominant feature of shipping activities in the Caribbean Community.

1. Bulk cargo trades

It has frequently been emphasized in various UNCTAD studies and reports that the continuous slow decline of the developing countries' share in world shipping tonnage is due mainly to the fact that, in the

3/ That of the Jamaica Banana Producers' Steamship Company, which participates in the carriage of the banana trade of Jamaica.

4/ Banana ships and bulk carriers carry some general cargo on the return voyage, and conference cargo liners lift some lots of bulk cargoes in the export trade.

last ten or fifteen years, growth of tonnage has been primarily in the tanker and dry bulk carrier fleets. This observation is of particular relevance for the CARICOM countries, which export several bulk commodities in addition to petroleum. If they are to have a substantial participation in the carriage of their maritime cargoes in compliance with the objectives of the International Development Strategy of the United Nations, they must give special attention to the tanker and bulk cargo trades.

Transport of bulk products will have to be examined within the framework of overall policies regarding effective control of the exploitation of the natural resources involved. Some joint industrial development projects presently under consideration may require a substantial volume of intraregional movements of bauxite or alumina. Bulk carriers needed for these short-sea shipments would be of a different type from bulk carriers used in deep-sea transport. For the deep-sea routes, thought should be given to operating bulk carriers under joint agreements between governments or government-owned mining corporations and foreign shipowner, at least during a first or transitional phase.

Of great significance in this connexion is the announcement made in December 1974 that the government-owned Guyana Bauxite Company (Guybau) has entered into partnership with the Norwegian shipping company Bulkhandling A/S, which has been shipping a large portion of Guybau's bauxite (calcine and alumina) since 1971, to form a new company, Guybulk Shipping Ltd. Guybau and Bulkhandling each will contribute 50 per cent to Guybulk's share capital of US\$1 million. According to available information, the new company has been incorporated in Bermuda. It will start operations early in 1975 with two bulk carriers of 16 000 DWT, each fitted with its own gear for self-loading and discharging. In addition, it is expected that two or more vessels will be operated on a time-charter basis, according to need. The crews of the new company's vessels will be Guyanese. The officers initially will be Norwegian, but in compliance with an agreed training programme they will in due course be replaced by a full complement of Guyanese officers.

It was also announced recently by official spokesmen of the Government of Jamaica that plans were under active consideration for the development of a national merchant marine. No precise information is as yet available, but the proposed fleet would be engaged mostly in the carriage of a part of Jamaica's bulk trade in bauxite and alumina.

/In line

In line with the studies undertaken by the Secretariat of UNCTAD on the ocean transport of some bulk and other commodities of strategic importance in the foreign trade of developing areas, it would seem desirable that high priority be given, both by the regional bodies concerned and within the framework of the proposed joint UNDP/UNCTAD/IMCO project in shipping, to a study of the transportation of bauxite and alumina. The study should include the types of shipping techniques and port installations required on the relevant regional and extraregional routes. With regard to the transport of bananas, another product of importance to the Caribbean, an UNCTAD report is expected to be completed in the near future.

2. Liner conferences

There are at present four major conferences of cargo liners serving CARICOM ports: (i) WITASS (the Association of West India Trans-Atlantic Steam Ship Lines), (ii) the Leeward and Windward Islands and Guianas Conference, (iii) the United States Atlantic and Gulf-Jamaica Conference, and (iv) the Japan-Latin America Eastbound Freight Conference. No conference is now in existence between the CARICOM countries and Canada. A number of other conferences, based in the United States of America, operate on the various routes between the Atlantic, Gulf, and Pacific coasts of the United States and the Caribbean and Pacific coasts of Central America, Mexico, and Northern South America.

(a) WITASS

The most important of the conferences operating in the area is WITASS. This conference, whose head office is in Farnham, Surrey (United Kingdom) embraces the entire Caribbean Basin, including the Pacific coasts of Mexico, Central America, and Panama. It is divided into four sections with different routes and freight tariffs: the General Section, the Islands Section, the Mexican Section, and the Cuban Section (which was described as "dormant" in the annual report of WITASS for the year 1973).

On the European side, the various sections include all important ports in Ireland, the Mediterranean, Northern and Western Europe, and the United Kingdom as a combined European trading sphere. On the Caribbean Basin side, the General Section comprises Central America (Caribbean and Pacific coasts), Colombia, the Dominican Republic, Haiti, Jamaica, Mexico (Pacific coast), and Venezuela. The Islands Section comprises Barbados, Guyana, the Leeward and Windward Islands, and Trinidad-Tobago, and also

French Guiana, Guadeloupe, Martinique, and Surinam. The Mexican Section covers the Mexican Gulf coast, while the "dormant" Cuban Section served the Cuban ports.

WITASS presently is composed of 29 full member lines and three affiliated associated members. Some of the full members have that status only in particular sections, and are affiliates or associates of others. In addition, according to the annual report for 1973, WITASS has working arrangements - the precise nature of which was not described - with a number of other lines not directly affiliated or associated, under which these lines participate in the trade in certain specific areas covered by WITASS.

The General Section, the most important of the four, has 21 full members and four affiliated or associated lines. The Jamaica Banana Producers' Steamship Co. Ltd., and four shipping companies of Latin American countries (Colombia, Mexico, Nicaragua, and Venezuela) are full members of the General Section. The Islands Section has 12 full members, which are all extraregional. The Colombian and Venezuelan companies, and also the Surinam Shipping Company, are affiliate or associate members of the Islands Section.

Among the most significant recent developments regarding the membership of WITASS is the fact that two American container lines - Sea-Land Service, Inc., and Seatrain Lines, Inc. - which carry cargo to and from WITASS destinations via their home ports in the United States of America, became full members of the General Section in 1973. Sea-Land also became a member of the Islands Section. Although Seatrain's rights included the Dominican Republic, Haiti, and Jamaica, it has restricted its services to the Dominican Republic. Early in 1974, the Geest Line, whose services are of particular importance to the Windward Islands, became a full member of WITASS after having been an associate member for several years. It should be stressed that not all the full members of either the General or Islands Sections operate services to all the main ports in the relevant areas. The ports served by the various member lines are the subject of detailed arrangements and agreements within the conference.

(b) Conferences on the Caribbean-U. S. Atlantic and Gulf port routes

Members of the Leeward and Windward Islands and Guianas Conference, based in the United States of America, operate services to and from these

/islands (excluding

islands (excluding the U.S. Virgin Islands), Barbados, French Guiana, Guyana, Surinam, and Trinidad-Tobago. Jamaica is covered by the closely associated United States Atlantic and Gulf-Jamaica conference. In each case, only one member is a Latin American flag carrier. Two members of the Guianas Conference provide Brazil and Peru with services to and from Amazon River ports as far upstream as Iquitos, but this area is covered by another conference.

(c) Japan-Latin American Eastbound Freight Conference

This conference, based in Tokyo, Japan, covers eastward shipments from base ports in Japan and Korea to Central America, the East and West coasts of South America, Mexico, and the West Indies. However, only some of the participating carriers operate regular services to and from CARICOM ports. Three Latin American lines are members of this conference.

(d) Australia and New Zealand route

Although there is considerable traffic between the CARICOM countries and Australia and New Zealand, there is at present no conference on this route. The three lines that carry most of the trade apparently operate within the terms of a so-called "gentlemen's agreement," with all lines charging the same freight rates.

B. Technological developments in shipping

The most important technological innovation in the Caribbean is containerization. Containerized traffic has been increasing rapidly in the last few years, especially on the routes to and from the United States of America. The data collected by the ECLA Regional Adviser in Ports for the year 1973 are of particular significance. Table 1 shows that 22 per cent and 14 per cent of total general cargo traffic in Jamaica and in Trinidad-Tobago, respectively, was containerized. Containerization has further increased in 1974.

A development of major significance is the recent announcement of the formation of a container consortium by four member lines of WITASS - Compagnie Générale Transatlantique (France), Hapag-Lloyd (Germany), Royal Netherlands Steamship Company (K.N.S.M.), and Thos. & Jas. Harrison Ltd. (United Kingdom). The consortium, to be called CAROL (Caribbean Overseas Lines), will begin operating fully containerized services on the transatlantic routes starting in mid-1976.

CONTAINERIZED CARGO TRAFFIC - CARIBBEAN REGION - 1973

<u>Place or Country</u>	<u>Containerized Cargo</u> (Metric tons)			<u>Break-Bulk & Container Cargo</u> (Metric tons)	<u>Ratio of Column (3) to Column (4)</u> %
	Inbound (1)	Outbound (2)	Total (3)	(4)	(5)
Antigua			4 941	76 596 ^{a/}	6.5
Aruba			19 284	750 000 ^{d/}	2.6
Barbados			22 754	344 758	6.6
Belize	1 934	448	2 382	113 429	2.1
Cap Haitien		80	80		
Curacao	30 000	7 000	37 000	1 936 000 ^{d/}	1.9
Fort-de-France	33 815	55	33 870	536 000	6.3
Grand Cayman	9 832	92	9 924	41 350	24.0
Grand Turk			2 108	11 213	18.8
Guyana			78	609 000 ^{e/}	
Kingston	224 940	55 592	280 532	1 256 864	22.3
Montserrat			105	9 545	1.1
Nassau			200 000	260 000	77.0
Pointe-a-Pitre	25 967	21 363	47 330	219 120	21.6
Port-au-Prince			72 160 ^{b/}	152 822 ^{a/}	47.2
Port of Spain	83 514	41 695	125 209	875 587	14.3
San Juan			4 465 000	6 183 540 ^{a/}	72.2
Santo Domingo			114 040	1 382 000 ^{e/}	8.3
St. Kitts	5 171	369	5 540	89 355	6.2
St. Maarten	9 543		9 543	50 000 ^{d/}	19.1
Vieux Fort	387		387	47 300 ^{a/}	8.8
Virgin Islands, British			1 662	31 636	5.3
Virgin Islands, U.S.			119 178		
Total			5 573 407	14 976 115	36.4

Source: ECLA Office for the Caribbean, Intermodal Transport in the Caribbean Region, ECLA/POS 74/5, 27 May 1974, Table A.

Notes to Table 1

- a/ 1973 data not available are assumed to be 10 per cent greater than the amount in 1972.
- b/ 3 392 inbound containers and 3 187 outbound containers were reported, sizes not stated, and the total amount of cargo was stated to be 278 191 metric tons. This amounts to an average of 42.3 metric tons per container which is clearly unrealistic. The following assumptions are made:
- (1) the tonnage figure is for manifest tons;
 - (2) weight of cargo per full containers is 18 metric tons; and
 - (3) 10 per cent of inbound containers and 70 per cent of outbound containers are empty.

Then the estimated weight of container cargo is:

$$3\ 392 \times 0.9 \times 18 + 3\ 187 \times 0.3 \times 18 = 72\ 160 \text{ metric tons}$$

- c/ Based upon the sums of containerized and non-bulk cargoes excluding Cap Haitien and U.S. Virgin Islands for lack of a basis to estimate the amounts of non-bulk cargo.
- d/ Estimated total of Netherlands Antilles traffic, from United Nations Statistical Year Book of 1972, total dry cargo for year 1971 = 3 469 000 tons, less 733 000 tons of chemicals presumed to be bulk cargo (based on United Nations Year Book of International Trade Statistics 1970-1971) leaves 2 736 000 tons which is presumed to be the amount of non-bulk cargo for the entire Netherlands Antilles. Allocated arbitrarily: 750 000 tons to Aruba; 50 000 tons to St. Maarten; and 1 936 000 tons to Curaçao.

/According to

According to present plans, six cellular vessels will be in operation by the end of 1977. Representatives of the lines involved have recently visited various ports in the Caribbean Basin to determine whether the necessary container port facilities will be available when required, but no final decision has yet been taken regarding the ports to be served by the consortium. However, depending on available inward and outward traffic, the following will probably be included, with varying service frequencies: one port in the Dominican Republic and one in the French Antilles; Kingston, Jamaica, Port of Spain, Trinidad-Tobago, and possibly Bridgetown, Barbados, in CARICOM; and Puerto Cortes, Honduras, and/or Matias Galvez, Guatemala, and Corinto, Nicaragua.

Each of CAROL's container vessels will have a deadweight capacity of 19 000 tons, carry approximately 1 200 twenty-foot equivalent ISO containers, have a speed of 21 knots, and a draft of 30 feet. The introduction of these vessels will have considerable impact on the traditional route and service patterns of shipping in the Caribbean, even though this impact may in some respects make itself felt only gradually. A number of conventional cargo vessels of the members of the consortium and of other WITASS members will continue to follow traditional service patterns for a few years, but may eventually be eliminated if virtually all the region's traffic becomes containerized.

Of significance for the Windward Islands is the interest being shown by the Geest Line in transporting bananas in refrigerated containers. Present levels of production would require some 100 twenty-foot containers per week out of St. Lucia alone. It is even conceivable that the reefer boxes themselves could be stuffed with general cargo outbound from the United Kingdom to the islands, since the marginal cost of such an operation should be low.

Other recent important developments related to container shipping are projects for the construction of modern container port facilities in Kingston and Port of Spain. The more important project is that of the port of Kingston, which may have far-reaching implications for the Caribbean area. It includes four modern high-capacity container berths, together with a major transshipment and redistribution center for containerized cargo in the Caribbean Basin and also for the longer container shipping routes linking Europe, the Atlantic, and in particular the Pacific coasts of North and South America and the Far East, through the Panama Canal. Simultaneously the project provides for the establishment of a free zone industrial complex, with a view to the promotion of reexports to Caribbean Basin countries and the wider areas referred to above.

In a related action, Sea-Land Service, Inc., one of the most important container operators on the trans-Atlantic and Pacific routes, early in 1975 will transfer its transshipment base and operations for services to the CARICOM countries from San Juan, Puerto Rico, to Kingston. Sea-Land Service became a full member of the General and Islands Sections of WITASS in 1973, and therefore may be expected to use Kingston as a transshipment base for its services between Europe and the United Kingdom and the Caribbean. Sea-Land already operates a weekly container service between Port of Spain, Kingston, and San Juan carrying intra- and extra-regional cargo, the latter being transhipped at San Juan. This service will probably be expanded to Georgetown, Guyana, which Sea-Land so far has visited only to pick up tank containers of rum.

The most important consequence of these various developments will be the limitation of services by container vessels to a few base ports in the Caribbean area, with regional feeder operations serving the secondary ports. The implications of increasing containerization of CARICOM's overseas trade require urgent analysis and evaluation by the regional bodies concerned, including the ECLA Office for the Caribbean. Among the major problems that should be considered are

- (i) Optimum patterns of trunk and feeder container services from the point of view of CARICOM and other Caribbean Basin countries.
- (ii) Coordination of port development and investments in relation to service patterns.
- (iii) Measures to counteract the potential strengthening of the container operators' monopolistic powers.
- (iv) Inclusion in the proposed United Nations Convention on International Intermodal Transport of adequate provisions to safeguard the interests of developing countries.

While most of the new transport technology being introduced to the Caribbean is oriented to the lift-on/lift-off handling of containers, other forms of unitization have been studied for application in the region. These include prestrapping and preslinging cargo, systematic use of palletization, and operation of roll-on/roll-off or barge-carrying vessels. Preslinging of sugar has been done in Cuba. Many Caribbean ports can receive roll-on/roll-off ships, which already have had a large impact on the Dominican Republic and Puerto Rico. Delta Steamship Lines

/has proposed

has proposed a mini-LASH service for the Caribbean and Central America to connect with its large barge-carrying vessels at San Juan. Each of these technological alternatives has its own advantages and disadvantages for different types of cargo, but the countries of the region have not participated in the study and selection of the technologies most appropriate to their needs except as by-products of port investments and of arrangements between port authorities and steamship lines regarding changes in cargo handling systems. 5/

Pressures for a number of institutional changes in the organization of international trade and transport generally accompany the introduction of the new technologies considered here. These changes include consolidation or "packaging" of services to international trade, new liability regimes, modification of documentation requirements and processing, new forms of consolidation and inspection of cargo, agreements on interchange and handling of containers and other transport devices, new procedures regarding charges and payments for transport and other services to international trade, the effectiveness of governmental regulatory activities and shippers' representation, and social effects of the new technologies. Pressure for institutional change is a natural outgrowth of technological change, since economies attributed to technology really are in great measure the result of institutional changes that enable fullest advantage to be taken of technology.

The Latin American governments have been concerned with the new institutional arrangements adopted in key world trades along with the introduction of new transport technologies. They see the apparent repercussions of such changes on the bargaining power of users in relation to recently-formed intermodal transport consortia, and on the possibilities for protecting and increasing the developing countries' participation in different services to international trade such as transport, insurance, banking, customs brokerage, and forwarding. At the

5/ ECLA, Economic and institutional implications of the new transport technologies in Latin America, E/CEPAL/L.113, 17 September 1974.

first meeting of the Latin American governments on the Preparation of an International Intermodal Transport Convention (Mar del Plata, Argentina, 21-30 October 1974), the delegates agreed on a broad set of principles that should guide the introduction of new types of transport enterprises, documentation, liability systems, and other institutional arrangements. The governments also have participated fully in the deliberations of the Intergovernmental Preparatory Group for a Convention on International Intermodal Transport, which has been holding a series of meetings in Geneva in order to draw up norms for intermodal transport operators and the use of an intermodal transport document. They have planned a second regional meeting to define more precisely their position regarding the proposed convention and to consider the institutional arrangements most appropriate for the region, taking advantage of experiences such as that of Port Contractors Ltd., of Trinidad-Tobago in rationalizing the handling of containers through the port of Port of Spain, and that of Cuba in centralizing the booking of cargo space. 6/

C. Establishment of a regional merchant marine

One of the most important contributions to the bargaining power of developing countries in their relations with shipping conferences is the establishment of a national or regional merchant marine. An additional factor justifying such a step is the International Development Strategy for the Second Development Decade of the United Nations, which states that "the principle that the shipping lines of developing countries should have an increasing and substantial participation in the carriage of cargoes generated by their foreign trade should be implemented in the Decade ...". Furthermore, the Strategy calls upon developed countries

6/ ECLA, Institutional aspects of international intermodal transport, E/CEPAL/L.111, 17 September 1974; ECLA, Liability and insurance in international intermodal transport, E/CEPAL/L.112; ECLA, Documentation forms relevant to international intermodal transport, E/CEPAL/L.114; ECLA, Report of the rapporteur, Latin American meeting of experts on transport insurance, 31 January 1975; UNCTAD, International multimodal transport operations, TD/B/AC.15/7, 28 August 1974.

to extend, "directly or through international institutions, financial and technical assistance, including training, to developing countries to establish and expand their national and multi-national merchant marines, including tanker and bulk carrier fleets." 7/

The share of the Caribbean Basin countries as a whole in world shipping tonnage is strikingly small when compared with their participation in world sea-borne trade. In the case of the CARICOM countries, virtually all their tonnage is engaged in regional trading. The first section of this chapter mentioned some of the problems related to the objective of their substantial participation in the carriage of their bulk cargo exports, which will continue to represent the greater part of their ocean cargo exports for some time to come. It is thus not surprising that over the past years first CARIFTA and then CARICOM have repeatedly considered the possible establishment of a regional transocean merchant marine. 8/

Following directives originally issued in 1970 and reiterated in 1972 by the responsible bodies of CARIFTA, feasibility studies of a preliminary character were undertaken by the Secretariat of the Community. In view of the magnitude and complexity of the project and the fact that priority had to be given to the strengthening of the West Indies Shipping Corporation for regional trade, no decision was taken on the matter. It was referred to the governments for further comments or observations. More recently, in March 1974 the Regional Shipping Council decided to pass the matter on for consideration by the proposed Standing Committee of Ministers Responsible for Transport. During December 1974, the Working Party of government officials engaged in drawing up the terms of reference for the Committee recommended that the Secretariat, in cooperation with the Caribbean Development Bank and the West Indies Shipping Corporation, be requested to undertake studies for the establishment of a Caribbean Shipping Corporation. It may be expected that the matter will remain

7/ United Nations, General Assembly, Resolution 2626 (XXV), adopted 24 October 1970, International Development Strategy, para. 53(a) and (f). See also UNCTAD, Establishment or expansion of merchant marines in developing countries, TD/26/Rev.1, 1968.

8/ With regard to the benefits of multi-national shipping enterprises, see UNCTAD, Multinational shipping enterprises, TD/108/Supp.1/Rev.1, 1972. Reference may also be made to UNCTAD, Trade and Development Board, Resolution 101 (XIII), adopted September 1973 on developing island countries and dealing in particular with the establishment of regional shipping lines by these countries.

high on CARICOM's agenda in the near future.

One factor requiring special attention in any study of a regional merchant marine is the question of the routes to be served. Traditionally, most of the CARICOM members have conducted the majority of their trade with Europe, especially the United Kingdom. Changing conditions and technologies could produce a reorientation of this trade toward the East and Gulf Coasts of North America, or could reinforce existing trans-Atlantic ties. A tendency is appearing for shipping lines based in North America to make increasing use in relatively short distance trades of roll-on/roll-off vessels that do not require elaborate handling equipment and are flexible in the type of cargo they can carry. These ships could reduce the relative costs of trade with North America enough so that trading patterns would shift in favor of Canada and particularly the United States of America. On the other hand, the introduction of CAROL's container services could reinforce traditional patterns, where already a growing portion of the traffic is containerized.

Closely related to the effect of technology on trade orientation is the possible effect of the types of products carried on the technology employed. In the foreseeable future, the region will continue to import mostly general cargo and export bulk commodities. It usually has been the case that general cargo vessels have not transported bulk cargoes and bulk carriers have not lifted general cargoes. However, containerization makes feasible the carriage of commodities such as bananas or sugar in one direction and general cargo in the other direction in the same containers. There are even ships now in operation that can carry full containers one way and loose bulk cargo such as bauxite or sugar plus empty containers the other way.

Also related to the technology question is the choice of whether to operate alone or as part of a consortium. If a regional merchant marine were to sail general cargo or roll-on/roll-off vessels, it might wish to do so as an independent line with membership in the appropriate liner conferences and possibly with some joint arrangement with other Latin American lines. However, if container vessels appeared to be its best choice, it would be well-advised to consider trying to join the CAROL consortium or other group as an equal member supplying an equal part of the share capital. This arrangement would reduce the risk of operating an expensive fleet of container vessels in competition with better established and more experienced lines, since even within the protective framework of a liner conference there may not be room in the CARICOM trade for two separate container operations. This consideration is likely to have been behind the decision to form CAROL in the first place.

/Recently,

Recently, the Government of Mexico has suggested the formation of a regional merchant marine that would embrace virtually the entire Caribbean Basin. This idea has grown out of Resolution 2 adopted in November 1971 by the Meeting of Foreign Ministers of nations bordering the Caribbean. According to the present proposal, the multinational line would not supplant existing national lines, but rather would complement their services. A meeting to consider this proposal is to be held in May 1975 in San Jose, Costa Rica, with a total of 17 countries from the Antilles, Central America, and northern South America invited to participate.

D. Consultation and negotiation with liner conferences

The Caribbean area is a classical example of the difficulties encountered by developing countries in establishing effective machinery for consultation and negotiation between shippers' organizations and liner conferences. This matter has been the subject of various resolutions by the UNCTAD Conferences and by UNCTAD's Committee on Shipping. It also stands out among the measures required for the achievement of the objectives of the Second Development Decade of the United Nations in the field of ocean transport. More recently, the General Assembly, in its resolutions concerning the Programme of Action on the Establishment of a New International Economic Order, 9/ emphasized that all efforts should be made "to arrest and reduce the ever-increasing freight rates in order to reduce the costs of imports to, and exports from, the developing countries, and to ensure the early implementation of the Code of Conduct for Liner Conferences."

The UNCTAD-sponsored Convention on a Code of Conduct for Liner Conferences, in the development of which Jamaica and Trinidad-Tobago played an active part, is a recent international development that may have an important impact on relations between developing countries and liner conferences. The Convention was opened for signature as of 1 July 1974, and will enter into force after its ratification or accession by not less than 24 states whose combined tonnages amount to at least 25 per cent of the 1973 world total of general cargo and fully cellular container vessels. 10/ If its entry into force is abnormally

9/ Resolution 3202 (S-VI, General Assembly, Sixth Special Session April/May 1974.

10/ For the full text of the Convention, see document TD/CODE/11/Rev.1 and Corr. 1, 9 May and 5 June 1974.

delayed or if difficulties are encountered in its implementation in a country or region, consideration may be given to the adoption of national legislation on conferences or on certain of their practices. Legislation could be based on the Convention itself.

In a recent report, the UNCTAD Secretariat summed up the experience regarding conferences and consultation in words that in many respects reflect the situation in the Caribbean. The report emphasized that to make consultation machinery fully effective in developing countries, two changes appear to be needed that so far have been strongly resisted by the shipping conferences. "The first is proper representation of the interests of small shippers, of exporters on fob terms and importers on cif terms - neither of whom have any direct contractual relationship with shipping lines- and of consumers." "The second change which appears to be needed is a much increased capacity for negotiation within the consultation machinery, so that solutions to problems can be determined by mutual agreement." 11/

The report further referred to the continued reluctance of liner conferences to publish or make available adequate information about their costs, an aspect that is especially relevant for the Caribbean experience. The large number and heterogeneity of liner conference members operating in the Caribbean makes uncontrovertible cost determination very difficult. The difficulty is enhanced when ships are frequently switched from one route or section of the conference to another, and when a considerable degree of interdependence between levels and structures of rates is maintained.

Because of the ability of conferences to raise freight rates without consultation and the inability of individual islands to achieve any form of consultation with the conferences, a joint effort was undertaken. Under the guidance of the ECLA Regional Adviser in Shipping, the Regional Shipping Council in 1970 decided to set up a Freight Investigation Committee (subsequently renamed the Eastern Caribbean Consultative Committee) to negotiate with the Islands Section of WITASS. The Committee consisted of representatives from the Associated States (Leeward and Windward Islands), Barbados, Guyana, and Trinidad-Tobago. Although the basis for consultations on rate changes was to have been a set of cost distribution formulas that have been employed in this type

11/ UNCTAD, Shipping in the seventies, TD/177, 1972, paras. 46 ff.

of negotiation elsewhere, no satisfactory arrangement has ever been made with WITASS. In December 1972 the Regional Shipping Council finally recommended the adoption by participating governments of legislation for the regulation of shipping conference practices, including in particular the prior approval by a regional body - possibly the Eastern Caribbean Consultative Committee - of conference decisions on liner freight rates. This recommendation is still under study by the governments and the CARICOM Secretariat. Apart from the substantive problems involved, the adoption of such legislation raises special legal difficulties for the Associated States, in view of their constitutional status. Matters related to their defense and foreign policy, including international transport policy and regulation, still remain within the competence of the United Kingdom.

Jamaica is not represented on the Eastern Caribbean Consultative Committee because it is not served by the Islands Section of WITASS. It conducts its own negotiations with the General Section, apparently with reasonable success, through its Ministry of Trade. This success may be due in part to the fact that the Jamaica Banana Producers' Steamship Line is a full member of the conference.

To date, no consultations or negotiations have been held with any conference serving the Caribbean other than WITASS. While freight rates from U.S. ports are substantially higher than on the trans-Atlantic routes, cargo volumes are considerably smaller, particularly in the case of the Eastern Caribbean countries. Thus the problem may not be viewed as quite so serious.

The establishment in the Caribbean of adequate machinery for consultation and negotiation stands in need of urgent reevaluation and reactivation. According to the provisions of the Convention on a Code of Conduct for Liner Conferences, in order to justify general freight-rate increases, conferences would have to submit to the parties participating in the consultation machinery "a report from independent accountants of repute, including an aggregated analysis of data regarding relevant costs and revenues which in the opinion of the conference necessitate an increase in freight rates." ^{12/} The CARICOM governments thus should continue to press for the submission of adequate cost and revenue data.

^{12/} Article 14 (3) of the Convention, op. cit.

/There are

There are a number of matters related to the consultation process that probably should be dealt with by a unit especially set up for the purpose within the CARICOM Secretariat. Among its tasks might be to study:

- (i) The general structure and level of rates, particularly for commodities of vital importance to the region's economy.
- (ii) The possibility of instituting promotional rates to foster nontraditional exports.
- (iii) Means for rationalizing sailing schedules.
- (iv) Methods to reduce the number of financial and particularly of cargo handling documents and to make them conform to the international standards that are now being developed.
- (v) Measures to modify the existing predominance of the traditional fob terms for exports and cif terms for imports.
- (vi) A variety of conference tariff provisions relating to conditions of transport.

The terms of reference of the Standing Committee of Ministers Responsible for Transport contain a provision related to the establishment of shippers councils in the region. The Regional Shipping Council endorsed these terms at its December 1974 meeting. Although conditions vary considerably between countries, the prevailing situation is that shippers councils are lacking, weak, or of dispersed and heterogenous character. Many producers and trading interests are partly or predominantly foreign-owned or directed from overseas. The Caribbean Shipping Association, which has played an important role in the study of shipping problems in the area, is above all an association of ship owners and shipping agencies.

Government participation will be necessary for setting up the necessary regional shippers council. The governments also may have to take the initiative in establishing or promoting the establishment of national shippers councils. In several countries, governmental or public agencies, corporations, or marketing boards are entrusted with the control and regulation - directly or indirectly - of certain sectors of the import or export trades. Such bodies frequently will be shippers or consignees themselves. In line with the resolutions of UNCTAD, many of them, and possibly also port authorities, should serve on the proposed

/councils.

councils. Nonetheless, the overall participation of CARICOM and the individual governments is indispensable to ensure an effective capacity for negotiation. 13/

13/ See the following UNCTAD reports: Consultation in shipping, TD/B/C.4/20 Rev. 1, 29 November 1966; Consultation in shipping, second report, TD/B/C.4/78, 21 December 1970; and Consultation machinery, TD/B/C.4/127 with six supplements, January 1975.

Chapter III

INTRAREGIONAL SHIPPING

A. Intraregional traffic

Considering the great importance of intraregional sea transport for the Caribbean, relatively little attention has been given to the systematic study of its problems. Exceptions are the studies made in 1969-70 by the ECLA Office for the Caribbean of the motor vessel and schooner fleet and traffic, the 1970-72 studies by the ECLA Regional Adviser in Shipping of WISCO (the West Indies Shipping Corporation, CARICOM's regional line), and the recent WISCO five-year investment programme prepared by the CARICOM Secretariat. In addition, the work of ECLA Regional Advisers in Shipping and Ports made it possible for the first time to obtain a detailed statistical picture of intraregional traffic ^{14/}. Unfortunately, these data are limited to the year 1971. Only global estimates, always open to doubt, are available for other years.

No precise information is available on the growth of the physical volume of intraregional trade over the last decade, but there is no doubt that it has been considerable. The CARICOM Secretariat, in connexion with its WISCO study, made the estimates shown in Table 2 of the growth of intraregional trade since 1965 for the four MDCs (more developed countries - Barbados, Guyana, Jamaica, and Trinidad-Tobago), whose exports constitute 90 to 95 per cent of the total trade among the CARICOM members. Where trade statistics were expressed in units other than weight, conversion factors were applied. In addition, to determine the volume of general cargo, a number of commodities such as cement, lime, fertilizers, molasses, sand and gravel, asphalt, petroleum, and petroleum products were excluded. The estimates for recent years are based on a rate of growth of approximately seven per cent ^{15/}.

^{14/} ECLA Office for the Caribbean, Ocean cargo movements - 1971 - Eastern Commonwealth Caribbean, ECLA/POS 74/2, February 1974.

^{15/} Over the period 1967-1971, total regional trade approximately doubled in terms of current values.

Table 2

INTRAREGIONAL GENERAL CARGO TRADE

(More developed countries)

<u>Year</u>	<u>Weight Tons</u> <u>(long)</u>	<u>Freight</u> <u>Tons</u>
	(Thousands)	
1966	109	163
1970	156	234
1972	172	258
1973	184	276
1974	197 a/	295

Source: CARICOM Secretariat

a/ Of this total, approximately 17, 86, 23, and 72 thousand tons corresponded to Barbados, Guyana, Jamaica, and Trinidad-Tobago respectively. The estimate for Guyana includes rice.

No data or estimates are available on the distribution of this traffic between the various carriers in intraregional trade. However, the figures shown in Table 3 for the traffic carried by WISCO make it evident that, largely as a result of insufficient carrying capacity, WISCO captured a relatively small share of the increase. As total general cargo traffic increased by some 130 000 freight tons over the period in question, 85 per cent of the increase in the traffic must have been taken by WISCO's competitors, including various scheduled services, small motor vessels, and schooners. This portion in reality is somewhat higher than 85 per cent, since WISCO's tonnage includes a share of the exports of the LDCs (less developed countries). Overall intraregional exports are probably five to ten per cent greater than those for the MDCs alone.

General cargo constitutes about half of intraregional traffic. The data on total traffic in 1971 gathered by the ECLA Regional Advisers in Shipping and Ports show intraregional ocean cargo movements of

/Table 3

Table 3

WISCO TRAFFIC

(Freight tons)

1965	47 300
1970	49 900
1972	53 100
1973	59 200
1974	67 900

Source: WISCO

538 500 freight tons 16/. About 78 000 tons correspond to bulk shipments, of which most (69 300 tons) were molasses going from Guyana to Trinidad-Tobago for transshipment in overseas trade. The remainder was molasses and natural asphalt carried by regional shipping companies. Break-bulk movements thus amounted to approximately 460 000 freight tons. Cement and fertilizers, among the types of cargo known to be carried primarily by small motor vessels and schooners, accounted for 212 000 tons. The great majority of the traffic in these two items originated in Trinidad-Tobago and was destined for Barbados, Guyana, and the Windward Islands.

By far the largest part of intraregional break-bulk cargo movements (about 430 thousand freight tons - 93 per cent) originated in the MDCs 17/ Primarily as a result of the disequilibrium in traffic outward from and

16/ See Ocean cargo movements - 1971, op. cit., and ECLA Office for the Caribbean, Ocean transport in the Caribbean Community, ECLA/POS 75/2, 30 January 1975, Tables IV-A, -B, -C, and -D.

17/ Barbados - 7.5 per cent; Guyana - 21 per cent; Jamaica - 9.5 per cent, and Trinidad-Tobago - 55 per cent. About 92 per cent of shipments from Trinidad-Tobago (excluding transshipments) corresponded to cement and fertilizers. Although WISCO apparently carries little of this traffic, its tariff nevertheless quotes rates for fertilizers (in bags) and cement; for cement in lots of over 200 tons, the rate is not fixed, but "open," i.e., negotiable in each case.

inward to Trinidad-Tobago, destinations were more evenly spread: about 60 per cent to the four MDCs, 32 per cent to the Windward Islands, and eight per cent to the Leeward Islands. A slightly different picture emerges if cement and fertilizers are excluded. Origins are then somewhat less concentrated in the MDCs (89 per cent) ^{18/}, while destinations are more concentrated (68 per cent).

The data also show the participation of various carriers in intraregional traffic. In 1971, 92 per cent of the tonnage was carried by regional shipping companies operating mainly small ships registered in Caribbean countries, and by miscellaneous small ships. WISCO's traffic amounted to only 56 900 freight tons, or about 12 per cent of the total excluding bulk cargoes. Foreign transoceanic shipping lines carried approximately eight per cent.

In regional shipping circles it is estimated that some 40 per cent of the general cargo shipments over the "trunk" route between the MDCs is presently containerized. The share of containerized cargo may be expected to reach 70 to 80 per cent in the relatively near future.

B. Intraregional break-bulk shipping

Intraregional break-bulk services are shared among the following three groups of ships:

- (i) Transoceanic and private regional lines
- (ii) WISCO
- (iii) Small motor vessels and schooners

1. Transoceanic and private regional lines

Intraregional traffic carried by foreign lines is for the most part of only marginal importance, and is indeed of little interest to those lines in view of the high costs associated with such small volumes. An exception is Sea-Land Service, Inc., which serves the MDCs with the fully-containerized operations mentioned above.

^{18/} Barbados - 9 per cent; Guyana - 39 per cent (probably mostly rice); Jamaica - 18 per cent; and Trinidad-Tobago - 23 per cent (including transshipments).

There are two private regional lines that provide services more or less similar to WISCO's. One is the Carib Shipping Service, a small line based in Trinidad-Tobago that operates one or two part-container vessels over the trunk route. The other line is Booker's CARIFTA shipping Service, which makes monthly runs with a small (950 dwt) freighter between Port of Spain, Bridgetown, and the Windward Islands.

The two regional lines pose little threat to WISCO's traffic. They are both small and local, and so can easily be controlled by any government interested in doing so. Sea-Land, however, could become a major challenger for traffic and a major problem for the governments. It is a large, efficient, highly-capitalized operator that apparently provides a high standard of service. While it could be prevented by law from lifting intraregional cargoes, resistance to such action might be encountered among shippers and consignees alike who are satisfied with Sea-Land's performance. It is helping to reestablish Port of Spain as a major transshipment point for traffic to and from the north coastal countries of South America because of the low handling costs for containers. Its establishment of transshipment facilities in Kingston may increase both the attractiveness of its services and its bargaining position with the governments. Relations between Sea-Land and WISCO thus should be the subject of special consideration in any future study of regional shipping activities.

2. WISCO

The West Indies Shipping Corporation is the regional shipping instrument of CARICOM. It was established in 1961 by the West Indies Shipping Corporation Act of the Parliament of the West Indies Federation. After the dissolution of the Federation, the Act was kept legally in force by the member countries of the former Federation. Overall authority for WISCO was vested in the Regional Shipping Council, consisting of appropriate ministers of the participating governments. The Council's powers include appointment of a Board of Management and approval of the annual budget as well as of the routes, frequencies, fares, and charges for shipping services. The Regional Shipping Council is soon to be replaced by a Standing Committee of Ministers Responsible for Transport, and a new regional Agreement Establishing a West Indies Shipping Corporation is at present under consideration by the CARICOM governments.

(a) Historical perspective

The functions of WISCO are to operate and maintain an orderly, adequate, regular, and efficient intraregional merchant shipping service

/to and from

to and from participating states. While by charter it may serve nonparticipating states within and outside the Caribbean region, to date it has not done so. Its operations are confined to the so-called "trunk" route linking Barbados, Guyana, Jamaica, and Trinidad-Tobago, and the "through" route linking Antigua, Barbados, Dominica, Grenada, Jamaica, Montserrat, St. Kitts, St. Lucia, St. Vincent, and Trinidad-Tobago.

The outstanding feature of these services has been their low frequency. In 1973 WISCO operated 17 round voyages on the trunk route and 11 on the through route. In 1974 both routes were being operated on a monthly schedule until September, when service on the trunk route was upgraded to a fortnightly basis following the chartering of an additional ship. Despite the improvement, schedules on both routes are inadequate to permit WISCO to play its intended role as a primary agency for the promotion of economic integration and development of the CARICOM states, particularly the less developed Associated States. In purely commercial terms schedules are also inadequate, as indicated by recent shortages of general cargo shipping space.

WISCO originally operated two mixed passenger/cargo vessels - the "Federal Maple" and the "Federal Palm" - donated by the Government of Canada. The "Federal Palm" was sold in October 1972 and the "Federal Maple" is to be disposed of in the near future. Although these ships made it possible to acquire experience and to perform a vital service for the area, it has been recognized for several years that they were in various respects unsuitable for the operation of efficient and economical cargo services. As mixed passenger/cargo vessels, their operating costs were relatively high, and they were not adaptable to efficient cargo-handling methods.

Between its inception in 1961 and 1974, WISCO had a total operating deficit of approximately US\$ 8 million (total of annual deficits in current values). In 1974 the deficit approached US\$ 1 million. The real deficit is even larger, considering indirect subsidies deriving from WISCO's fiscal advantages and of the fact that no accounting is made for depreciation of the ships.

While the bulk of the deficit has been covered by contributions from the MDCs, it is nevertheless a heavy burden for all the countries concerned. A substantial part of these deficits is due to the inadequate technical characteristics and operating conditions of WISCO's mixed cargo/passenger vessels, and another part to the rate policy of the Regional Shipping Council. For a protracted period, rates often have been

/held deliberately

held deliberately low or their readjustment to cost increases delayed as an incentive to the promotion of regional trade and a restraint on rate increases by WISCO's competitors. Although no precise data or estimates are available thereon, a good part of the deficit is imputable to the through route because of its intrinsically unfavorable traffic and operating characteristics. This route is still served by the "Federal Maple." The managerial and administrative organization of WISCO also has been the subject of much criticism, and part of the deficit is widely believed to derive from its deficiencies. While the situation probably has improved in recent years, the problem is still apparently far from solved.

The introduction of containerization has significantly reduced cargo handling costs, a major component of WISCO's operating costs. Cargo handling costs for the "Federal Maple" on the through route were more than double those of the chartered container vessel on the trunk route. With increasing containerization of traffic, a further reduction should be possible that would help reduce the deficit. Data on cargo handling costs per ton for WISCO's traffic in various ports for the year 1973 would seem to bear out this contention. These costs varied widely, as shown in Table 4, but tended to be high.

Until early 1974, a major characteristic of WISCO's rates was their uniformity. Although they differed between various commodities, they were the same between all ports served, irrespective of distance. Following a decision of the Regional Shipping Council early in 1974, rates between the four MDCs were raised by 50 per cent, while rates to and from the LDCs were raised by only 25 per cent. Rates for transshipment cargo also were increased by 50 per cent, except in the case of Montserrat where the increase was 25 per cent.

According to the freight tariff effective 1 February 1974, a large number of rates are within the range of approximately US\$ 26.00 (\$21.50) to \$ 38.50 (\$ 32.50) per ton weight or measurement for the MDCs (LDCs). Rates on some commodities - in particular refrigerated cargo - were very much higher. A degree of differentiation is introduced by the fact that landing charges must be added to all rates. These charges vary from US\$ 4.50 per ton weight or measurement in Bridgetown to US\$ 9.78 in Basseterre. Rates are further subject to a bunker or fuel surcharge of US\$ 3.00 per ton and, in Port of Spain, a stevedoring surcharge of US\$ 1.40 per ton. Additional charges for heavy lift cargo are applied on a differential basis between the more and the less developed countries.

Table 4

WISCO CARGO HANDLING COSTS, 1973

(US\$ per ton)

Antigua (St. John's)	10.74
Trinidad (Port of Spain)	9.63
St. Kitts (Basseterre)	8.01
St. Lucia (Castries)	7.74
Jamaica (Kingston)	7.34
Montserrat (Plymouth)	6.26
Grenada (St. George's)	5.84
Dominica (Roseau)	5.32
Barbados (Bridgetown)	5.00
St. Vincent (Kingstown)	3.57
Guyana (Georgetown)	1.80

Source: WISCO, Annual Report, 1973

(b) Improvement program

At its meeting in March 1974, the Regional Shipping Council decided that the CARICOM Secretariat "should be requested to prepare a Programme for the improvement of shipping in the region, including the acquisition of additional vessels, over the next five-year period, for consideration by the Regional Transport Council." ^{19/} In December 1974, the Shipping Council examined and endorsed, with some amendments, an extensive report of the Secretariat on a "Five Year Investment Programme for the Improvement of the Regional Shipping Service." This programme provides for the acquisition within the next five years of two fully containerized feeder-type vessels for the trunk route and two multiple-purpose (mixed container and break-bulk cargo) vessels for the through route. These vessels would approximately double WISCO's present owned and chartered carrying capacity and substantially improve the frequency of its services. With the four vessels in operation, a nine-day service frequency on the trunk route and a fortnightly frequency on the through route are planned. In addition, the vessels would introduce refrigerated container capacity on the trunk route and double the present refrigerated cargo capacity on the through route. Apart from the reduction in

^{19/} The proposed Regional Transport Council was subsequently redesignated the Standing Committee of Ministers Responsible for Transport.

operating - in particular of cargo handling - costs resulting from containerization, the quality and adequacy of WISCO's services would be considerably improved. This is of particular importance for the LDCs, in view of their potential for exports of perishables.

According to traffic projections by the CARICOM Secretariat, WISCO's traffic should increase from approximately 68 000 freight tons in 1974, to 125 000 or 142 000 tons in 1980. Of these totals, 89 000 tons would correspond to the trunk route and the remainder (depending on the low or high projection) to the through route. WISCO's proportional share of the increasing intraregional general cargo traffic would rise from 22 per cent in 1974 to 30 per cent or 33 per cent and then by 1980 drop to 27 per cent or 30 per cent, according to the projection used, if its carrying capacity did not increase after 1978/79.

As a first move towards the implementation of the improvement programme, in June 1974 the Caribbean Development Bank granted a loan of approximately US\$ 2.2 million for WISCO to acquire a new container vessel for its trunk route. Steps are presently being taken to purchase this ship, whose total cost is estimated to be US\$ 2.7 million.

As approved by the Regional Shipping Council, capital expenditures for the acquisition of all four vessels and a number of containers were estimated at about US\$ 11 million. Other prospective arrangements for financing the programme include raising loans of some US\$ 9 million over the next five years, an issue of shares by WISCO to its members, and the provision by the Corporation of a replacement reserve for vessels of not less than 30 per cent of their initial cost.

The precise technical specifications (such as size, type, and speed) of the four ships are still under examination. The trunk route vessels should carry at least 84 and possibly up to 108 twenty-foot containers, while the through route vessels should have a capacity of 1 000 to 1 500 dwt. Problems encountered during the selection process are by no means unexpected or exceptional, because, as noted by a recent UNCTAD report, development of feeder shipping technology has been lagging 20/ High priority should be given to this matter by WISCO and the regional bodies concerned, with the cooperation, it is hoped, of the proposed UNDP/UNCTAD/IMCO project in the area.

20/ UNCTAD, Developing island countries, TD/B/443/Rev.1, March 1973, para. 66.

The CARICOM Secretariat believes that the implementation of the improvement programme would eliminate the operating deficit, excluding capital charges and depreciation. The trunk route should be able to make a profit, and the Regional Shipping Council has agreed that it should be operated on a commercial basis. The overall profit, however, should be reduced considerably by the projected loss on the through route. In estimating the total financial deficit, account was taken of the capital and interest charges corresponding to the loans required for the investment programme, and of a replacement reserve provision for the four vessels amounting to 30 per cent of their initial cost. On this basis, the total deficit would be in the neighborhood of US\$ 700 000 to \$ 800 000 during the repayment period of the loans.

When this estimate was made, fairly pessimistic assumptions were adopted with regard to the operation of the through route, in particular a relatively low vessel loading coefficient of 40 per cent. However, a significant increase in regional container feeder traffic is expected to result from the large-scale introduction of trans-Atlantic container service in 1976/1977. If WISCO can capture a substantial part of this traffic, the through route could become at least a break-even operation, thereby eliminating the projected deficit. It has been reported that the extraregional lines involved are examining the situation with WISCO. Consideration might even be given to the adoption of a joint operating arrangement between WISCO and the extraregional lines.

The assumptions adopted with regard to total time spent by ships in ports and in cargo handling were also conservative. Port development projects now under way in many of the CARICOM countries should cause these times to be reduced, further lowering the deficit. In addition, an acceleration in the turnaround time of the vessels will increase their annual cargo carrying and earning capacity.

(c) Rate adjustments

Despite the differential rate increases applied early in 1974, there is still a large degree of rate equalization between the various ports. This situation favors the more distant countries, and as a result, WISCO's competition from other carriers should be more effective on the shorter routes. The regional motor vessels on the Windward Islands route in particular are likely to be active competitors. However, in view of the relative closeness of most countries in the region as a whole, a substantially higher proportion of total operating costs than is normally the case in sea transport is independent of distance. This characteristic of short-sea operating costs reduces the

/ability to

ability to differentiate rates between ports when rates are related to costs. It also may be argued that, in this particular case, rate equalization on the basis of two different groups of countries offers to all an equitable access to supply and market areas in the region. On the other hand, this rate practice may lead to distortions in the optimum location of some agricultural or industrial activities in the region.

A major argument against averaging or equalizing rates is that it "destroys any incentive for an inefficient port to improve itself, because an improvement does not secure any reduction in rates." ^{21/} This practice in ocean shipping has been the subject of considerable controversy. In the particular case of the Caribbean region, it does not constitute an arbitrary cross subsidization determined by a group of shipowners, but rather a system of cross subsidy deliberately adopted by a regional group of countries. Nevertheless, the potential disadvantages of this system should not be overlooked.

One possible way to avoid the disincentive to port improvements inherent in rate averaging is the introduction of a three-tiered rate structure, under which the charges in the loading port, for the sea transport, and in the discharging port are separately identified. If either port makes an improvement that results in a reduction of costs, an adjustment in the corresponding port charge component of the rate can be made in order to pass the saving on to the shipper. This sort of rate structure would need to be adopted by the more important liner conferences in addition to WISCO for it to have much effect on the larger ports. In the smaller islands, however, WISCO's traffic is important enough by itself that unilateral adoption of a three-tiered structure by WISCO could be a definite incentive to port improvements.

WISCO's rate policy is related in another sense to the problems of deficit and subsidy. In view of the disadvantages of so-called "across-the-board" or blanket subsidies, it has been suggested that the "across-the-board" subsidy should be replaced by specific subsidies for a number of commodities of particular importance for the promotion of balanced regional development and integration. A serious objection is that the implementation of such a "specific commodity" subsidy policy is fraught with practical difficulties. It may well be more appropriate to examine the possibility of introducing promotional rates for certain

^{21/} Shipping in the seventies, op. cit., para 64.

commodities instead of subsidy rates, along lines proposed by UNCTAD 22/. Such commodities would tend to be those encountering difficulties in successfully penetrating regional markets as a result of high transport costs. Special attention should be given to factors in the production and trade of these commodities that would lead to a reduction in costs of production in the future, so as to make it possible for the commodities to bear a higher rate if necessary. Promotional rates thus should be subject to review from time to time. It is suggested that criteria and procedures for the introduction and periodic review of promotional rates be instituted as soon as possible by the CARICOM Secretariat in consultation with WISCO and other bodies and organizations concerned.

3. Small motor vessels and schooners

At the end of 1968, 135 small vessels were in operation on interisland routes in the Eastern Caribbean. Table 5 presents the composition and tonnage of the fleet. The schooners are all registered in the Eastern Caribbean, mainly in the Windward Islands. Probably more than half of the motor vessels also are registered in the region, but a number maintain their registry in outside countries such as the Bahamas, Bermuda, the Cayman Islands, and even Panama.

According to data for 1971 for motor vessels and schooners calling at the port of Castries, St. Lucia, schooners ranged in length from 50 to 100 feet with drafts of 12 to 15 feet. Motor vessels had lengths ranging from 100 to 200 feet and a maximum draft of 18 feet. Although much of this fleet was reputed to be old, no complete information about age was available. The year of construction of about half the motor vessels and schooners was reported as not known.

Since the first motor vessels appeared in the Eastern Caribbean, their average tonnage - if not their numbers - has increased continuously. Their total tonnage is now estimated to constitute about 80 per cent of the region's small vessel capacity, as compared with 70 per cent in 1968. Many schooners and smaller motor vessels have been replaced in recent years with larger and more modern motor vessels, most of them acquired second hand in the Netherlands or the United Kingdom. Of the total of

22/ See Freight markets and the level and structure of freight rates, TD/B/C.4/38/Rev.1 and Corr. 1, Chap. IX; and Promotional freight rates on non-traditional exports of developing countries, TD/105 and Supp.1.

50 to 55 now reported by regional shipping circles to be operating in the Eastern Caribbean, about ten are considered obsolete. Lack of adequate maintenance is a continuing problem.

Table 5

EASTERN COMMONWEALTH CARIBBEAN ACTIVE SMALL VESSEL FLEET, 1968

<u>Type of vessel</u>	<u>Units</u>	<u>Total</u>		<u>Motor vessels</u> ^{b/}		<u>Schooners</u> ^{c/}	
		<u>NRT</u> ^{a/}	<u>NRT</u>	<u>Units</u>	<u>NRT</u>	<u>Units</u>	<u>NRT</u>
All vessels	135	10 237	56	6 992	79	3 245	
Less than 30 NRT	29	539	5	69	24	470	
30 to 50 NRT	43	1 727	7	309	36	1 418	
50 to 100 NRT	32	2 343	13	986	19	1 357	
100 to 350 NRT	30	5 147	30	5 147	-	-	
Over 350 NRT	1	481	1	481	-	-	

Source: ECLA Office for the Caribbean, Small vessel shipping in the Eastern Caribbean (Draft), ECLA/POS 70/6, 10 November 1970.

a/ Net Register Tons (1 NRT = 100 cubic feet).

b/ Mostly steel-hulled vessels, but also some with wooden hulls.

c/ These wooden-hulled vessels, also called "auxiliaries," use their engines full time, frequently in combination with sails. Operating speed varies from five to eight knots.

The number of schooners today is believed to be substantially smaller than in 1968. Only 40 to 50 are thought to be still active in trade, each with a capacity of 60 to 125 dwt. They are generally considered to be on their way out, but their eventual elimination will be a slow process. Although schooner building skills are disappearing, a few new boats have lately been reported in the Grenadines.

Small vessel shipping services are irregular, operating without fixed schedules but on fairly regular routes serving mostly the same ports, depending on demand. Motor vessels and schooners occasionally carry full ship loads of commodities such as cement. Their break-bulk cargoes include cement, fertilizers, rice, and other general cargo in regional trade, in particular in the case of the better motor vessels. A major drawback in the quality of the small vessel services is that they can carry perishable agricultural products only over short distances

/where refrigeration is

where refrigeration is not required. This is of particular significance for LDCs, considering their potential for the production and export of such commodities. According to recent information, only two motor vessels, operating mainly from St. Lucia to other countries northward, have elementary refrigerated cargo facilities.

The highest density routes link the ports of Bridgetown, Georgetown, and Port of Spain, or radiate from these ports. Motor vessels now predominate, although schooners still carry a fairly important share of the traffic to and from the Windward Islands. The longer the route or the denser the traffic, the more motor vessels tend to predominate. A basic problem for both the motor vessels and schooners remains, however, the directional imbalance in traffic - the lack of sufficient return loads from the smaller to the larger islands, in particular to Trinidad.

The administrative and commercial organization of the small vessel services is of a simple character, comparable in many ways to that of truckers in road transport. The number of companies or partnerships owning and operating two or three vessels is limited to perhaps five or six. The remainder, together with the schooners, are family or individual affairs. Cargo is generally obtained through a small number of shipping agencies in the various ports, each agency working with a group of owners and operators. Although a Schooner Owners' Association, established many years ago in Bridgetown, Barbados, acts as a shipping agency for its members, dependency of many small vessel owners on shipping agencies may be excessive and detrimental to their legitimate interests. This in part may explain why many schooner operators and some motor vessel operators do not make sufficient profits to pay for the depreciation of their vessels.

Tariff and rate practices of the small vessel fleet are related to ownership and operating conditions. Rates for many commodities are "open," i.e., negotiable in the case of each shipment. These rates, which vary within a relatively stable range, are negotiated through shipping agencies acting as intermediaries between operators and shippers. From time to time, however, shipping agencies quote fixed rates for a number of specific commodities, as well as a general cargo rate applicable to a wide variety of manufactured goods. It thus would seem that open rates are applied mainly in the case of larger shipments of cement, fertilizers, building materials, rice, and other agricultural commodities. As a rule, both fixed and open rates are also broadly related to the published rates of WISCO, the rates of the motor vessels and schooners being negotiated or fixed at slightly lower levels.

A major problem affecting the operations of small vessels is port facilities and conditions. Practically all ports in the Eastern Caribbean, with the exception of lighterage ports, have special schooner and motor vessel wharves that offer only open storage facilities without transit sheds. Loading and unloading operations generally consist of the direct transfer of cargo to and from motor trucks on the wharf. Several of the existing wharves are at present in poor condition. Congestion is frequent.

Improvements planned or under way at a number of ports will help alleviate many causes for complaint about small vessel services. They may also help bring down insurance rates if cargo damage can thereby be reduced. However, means still must be found to deal with problems such as damage at sea due to seepage and improper stowage, also sources of complaint about service and of high insurance rates.

While the upgrading of services may be of immediate benefit to shippers, it will have little effect on fundamental economic factors upon which depends the survival of this form of shipping. Its survival as a viable transport sector may be at stake if many operators are in fact not earning replacement costs of their vessels, as is believed in regional shipping circles. In view of the importance of the small vessel fleet in the carriage of intraregional commerce, a study of the fleet's organization and economics is urgently needed. Such a study should consider first of all whether the small vessel fleet should constitute a regional transport service officially sanctioned by CARICOM. If the conclusion is positive, the study should then consider the need for a body such as the Schooner Owners' Association to formally represent the interests of all operators, perhaps under the aegis of the Standing Committee of Ministers Responsible for Transport. It should consider the possible role of the Caribbean Development Bank in rationalizing and modernizing the fleet. It should consider the desirability of and the manner in which joint operating arrangements might be made with WISCO for the fleet to provide some kinds of feeder and transshipment services. And it should consider means to improve the commercial organization of small vessel operations.

Chapter IV

PORT DEVELOPMENT

A. Recent progress

The geographical location and characteristics of the CARICOM countries make ports one of the most important factors in the development of their trade and regional integration. Port problems have been the subject of a series of reports by the Regional Adviser in Ports and Harbors, by several Dutch consultants to the ECLA Office for the Caribbean, by other international organizations such as the Canadian International Development Agency, and by private consultants. These studies have helped to lay the groundwork for the concentrated construction efforts now being financed by the Caribbean Development Bank and the Inter-American Development Bank, and expected to be financed by the International Bank for Reconstruction and Development.

In the LDCs, financing is being done by the Caribbean Development Bank. Belize, Cominica, Montserrat, St. Kitts, St. Lucia, and St. Vincent are all receiving loans for the construction of deep-water ports. When these are in operation, all the LDCs will be equipped with wharf facilities for the direct mooring of ocean-going ships. The Bank considers these to be basic facilities, which later may be expanded to meet specific needs.

The Government of Barbados recently has been granted a substantial loan by the Inter-American Development Bank for the improvement and expansion of the port of Bridgetown. Although its existing deep-water berths are modern, they are becoming increasingly congested by the growing port traffic. An important feature of the project is the provision of facilities for small vessels, which at present must use an old, overcrowded inlet in the heart of the business district. Due to Bridgetown's position as a principal base for small vessels serving the Eastern Caribbean, these new facilities should produce indirect benefits for a number of other islands in the area.

Trinidad-Tobago is negotiating with the International Bank for Reconstruction and Development for a large loan to modernize and expand the port of Port of Spain. The main feature of the project is a container port. Containerized traffic in Port of Spain has been growing rapidly despite the lack of specialized facilities, and by 1980 the Port Authority believes that more than 80 per cent of all nonbulk traffic through the port may be containerized. Although not specifically planned with

/transshipment cargoes

transshipment cargoes in mind, the new container berths will in fact provide improved transshipment service to the Leeward and especially the Windward Islands, increasing amounts of whose imports are containerized and being transhipped through Port of Spain.

The most ambitious port project of all is in Kingston, Jamaica, where a modern container port is nearing completion. It has been designed specifically for both transshipment traffic and domestic imports and exports. In a companion project, a free zone is being developed as a redistribution center for the entire Caribbean Basin and as an industrial complex for export-oriented industries making the fullest possible use of Jamaican labor, raw materials, and other inputs. Several Japanese banks are helping to finance the container port, and both Japanese and European investors are being sought for the free zone. Significantly, Sea-Land Service, Inc., has decided to relocate its container transshipment operations for the CARICOM countries from San Juan to Kingston.

For ports not managed by port authorities, loan agreements with regional and international lending agencies normally carry the stipulation that an authority be established in accordance with criteria acceptable to the agencies. Where authorities exist, their practices may be revised to conform to those criteria. Of great importance in this connexion is the adoption of rational policies of port charges, a significant factor in the effectiveness with which port assets are used.

Port improvement programmes are undertaken in order to produce some form of benefit. All too often, however, the rate-making practices of shipping lines are such that the benefits are retained by the lines and not passed on to the shippers. In order for the benefits to accrue to the countries that improve their ports, provisions for the adjustment of liner freight rates to account for reduced port costs must be included in any machinery set up for consultation and negotiation with the liner conferences. Such an adjustment could be obtained by applying the three-tiered rate structure referred to above.

The port and shipping developments outlined in this report will have far-reaching implications for traditional port management and port labor methods and practices prevailing with conventional break-bulk cargo operations. The change from traditional port operation and administration methods to new methods - in particular those imposed by container services - will require extensive measures for retraining and reassigning both

management and labor ^{23/}. Greater flexibility and interchangeability must be obtained in the use of all port labor - for example, through the elimination of the traditional distinction between laborers who work aboard ship, and on-shore or transit-shed labor. This separation, a heritage of conventional break-bulk cargo operations, loses its validity where containerization prevails.

Redundancy of traditional port labor skills is an inevitable consequence of the development of container operations, and it may be aggravated further by technical progress in bulk cargo handling operations. Retraining for new skills in container handling may be difficult where a sizeable part of the port labor force is relatively old. However, adequate and timely measures to retrain and reallocate port labor, together with the growth of traffic and the creation of new employment opportunities, may well go a long way towards solving the problem.

The growth of roll-on/roll-off and container traffic also will require that attention be given to road transport conditions. Because many of the Caribbean islands are mountainous, roads tend to be steep, narrow, and winding. It would be too great a financial undertaking to make all of them suitable for the transport of containers. Improvements should be concentrated on main routes, upgrading them to cope satisfactorily with anticipated traffic. In some countries, inland movement of large containers or trailers may require road investments that could not be economically justified.

B. Port coordination

Coordination of port development in the Caribbean is urgently needed. Each state, notwithstanding the fact that its decisions might affect decisions taken by other states, now determines its port requirements strictly in the light of its own development programmes. As yet, there has been no significant effort to maximize the benefits of port investments on a regional basis. It seems that an overall economic analysis of the various port projects would be highly desirable. Such an analysis might deal mainly with an appraisal of the projects in relation to expected patterns

^{23/} A number of suggestions for improving port practices already have been made by the Caribbean Shipping Association in its "Report by the committee convened to examine the present practices with reference to the custody and liability of cargo, and to develop a blueprint for the future," May 1973.

of trade and regional integration, taking into account that the projects themselves may be important factors in promoting new trade flows. It may well be that the generally global basic trade projections supporting the projects are not all mutually consistent. A study of this sort might serve as a useful guide for CARICOM to help ensure adequate coordination for the implementation and operation of the various port projects.

Another approach that could prove fruitful would be the formulation by the Standing Committee of Ministers Responsible for Transport, with the aid of the CARICOM Secretariat, of a regional port policy. This policy should be a major instrument for dealing with the following problems, among others: (i) transshipment, (ii) the selection of forms of shipping technology compatible with the region's economic and social objectives, (iii) the roles of WISCO and the small vessel fleet, and (iv) the need for simultaneous port developments.

Transshipment of cargo from outside the Caribbean region has always been a common practice in the case of a number of the smaller islands because of their extremely low traffic levels and their lack of port facilities to accommodate ocean-going ships. With the introduction of large-scale use of containers, the economic benefits to shipping lines from further concentrating their container operations in a few ports are greatly enhanced. If an appropriate portion of these benefits can be passed along to users, transshipment may well be economically justified from the point of view of the Caribbean countries themselves. There is no reason to believe, however, that the decisions made unilaterally by the shipping lines will result in net benefits for each of the Caribbean countries nor for the region as a whole.

Coordination of port investments is an important instrument that can be used by governments of the region to guide patterns of transshipment. The location of container facilities in the Caribbean should reflect a regional policy in this respect. An explicit policy is also essential to assure that individual countries do not invest heavily to expand port capacity for transshipment traffic that will never develop. The existence of excess capacity, in addition to signifying a waste of resources, would permit shipping lines to play one country off against another in order to obtain benefits for the lines that otherwise could accrue to the countries.

Partly as a consequence of lack of coordination in port investments, the region has been largely passive in regard to the introduction of new shipping technology such as containerization, roll-on/roll-off, and LASH. Different types of technology have sharply differing economic and social

/impacts on

impacts on developing countries, and it is essential that these countries have an active participation in the selection of appropriate technologies. For the most part, recent port investments in the Caribbean have been designed to accommodate technology selected by foreign shipping lines, rather than serving as an instrument to guide this selection.

Closely related to the problems posed by foreign shipping are those associated with WISCO and the regional small vessel fleet. The technology employed by WISCO's ships, especially their cargo handling methods, cannot be divorced from the facilities available in the ports served. At a time when WISCO is about to expand and modernize its fleet, an analysis should be made to determine the best possible combination of shipboard and shore equipment to handle intraregional traffic. In addition, if it is concluded that schooners and motor vessels should play a recognized role in the carriage of regional traffic, the planning of port facilities also must take into account the special requirements of these vessels.

Any port policy that seeks to modify existing trends in technology or service patterns runs the risk of disrupting services to some extent if all ports affected by the policy do not coordinate their investments in time as well as in type. Even if active disruption does not occur, tangible economic returns may be delayed to the point that economic benefits attributable to the investments are seriously reduced. It has been stated that "improvements leading to efficient and cost-reducing sea transport can only be achieved by an integrated and synchronized approach. Operational improvement in any single port hardly affects ship's time spent in all ports together, and benefits derived from investment in one of these ports alone are therefore limited, when viewed from the integration aspect." ^{24/} A port development policy that promotes region-wide planning can avoid such a dilution of benefits by identifying the proper timing of investments.

The establishment and implementation of a regional ports policy at this time is hampered by the lack of an appropriate coordinating body. To this end it might be convenient to establish a regional association of port authorities officially sanctioned by the Standing Council of Ministers Responsible for Transport. In addition to advising on port policy matters,

^{24/} ECLA Office for the Caribbean, Report of mission on ports and harbours development and planning in the Eastern Caribbean countries, ECLA/POS 71/2, January 1971, Para. 14.

the association could promote the collection and processing of statistics vitally important for planning purposes, the modernization of administrative practices, and the rationalization of labor useage. By fostering a regional policy of coordinated port development, it could be instrumental in resolving many of the Caribbean's maritime transport problems.

