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ECONOMIC COMMISSION FOR LATIN AMERICA  
Office for the Caribbean

**PRELIMINARY NOTES**  
**ON**  
**SHIPPING CONFERENCE PRACTICES**  
**AND**  
**METHODS OF CONSULTATIONS**

PRELIMINARY NOTES ON SHIPPING CONFERENCE PRACTICES  
AND METHODS OF CONSULTATIONS

Introduction

1. At the Fifth Heads of Government Conference in February 1969, discussion on shipping centred, inter alia, on the crucial problem of freight rates on overseas imports which are in several instances discriminatory vis-a-vis the Associated States. It was stated that such a situation is detrimental to the economic development of the Commonwealth Caribbean, and has an adverse impact on the cost of living in the smaller Caribbean countries. The following resolution was passed:

"Agreed that a Committee of the Heads of Government Conference consisting of Ministers and/or Officials should be set up to collect information and prepare data which could be used as a basis for commencing negotiations with extra-regional shipping interests with a view to securing general reduction and equality of freight rates for cargoes entering the Caribbean at various points."

2. As it was understood by the Conference that the problem was far-reaching and that a solution to it could only be achieved by organized and concerted action, the Conference requested the Director, ECLA Office for the Caribbean, that the Regional Adviser in Maritime Transport prepare a paper on methods of consultations with shipping conferences. Realising the urgency of the problem, it was agreed that such a paper would be submitted in the second half of March 1969.

Shipping Conferences

3. A Shipping Conference is an association of competing liner/shipowners engaged in a particular trade who have agreed the limit to competition. As a minimum, they agree to charge uniform freight rates (or fares) according to an agreed schedule. Frequently, Conferences also agree to regulate sailings and allocate ports of calls. The first stage of arrangements eliminate price competition but not competition in the quality of service.

4. The next organizational stage is to add a pooling agreement under which profits and losses on the trade covered by a Conference are shared among members.

5. The affairs of a Conference are usually controlled by a qualified majority of member companies irrespective of the volume of their tonnage. The votes of members determine freight rates and services. Since 1963, most Shipping Conferences\* have accepted national shipping companies as members in trade from and to their national ports.

6. Conferences protect the interests of shipowners because they:

- i. limit and often eliminate competition from independent cargo-liner and tramp shipowners;
- ii. protect the considerable investments in ships and equipment;
- iii. allow for monopolistic profits, although recent independent investigations indicate that earnings of shipping companies are comparatively low.

#### Caribbean Conferences

7. Liner shipping is organized into conferences on all major trade routes linking the Caribbean area. The exact number of conferences is not known because conference meetings and decisions are hardly ever publicized. The major conference in the area, the Association of West India Trans-Atlantic Steamship Lines (WITASS), is a closed conference, which means that new lines can be admitted only on a unanimous vote of all existing members.

8. Preliminary enquiry on the main shipping conferences operating in the Caribbean area reveal the following -

I. The Association of West India Trans-Atlantic Steamship Lines operates from and to UK/Continent and is divided into the following sections:

- i. General Section to Central America including Jamaica and Dutch West Indies (islands only)  
Members are:

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Note: \* There are about 400 Shipping Conferences in the world and several hundred freight agreements, i.e. quasi conferences in the world.

**Cobelfranline**

Compagnie Generale Transatlantique

Compania Anonima Venezolana de Navegacion

Elders & Fyffes Ltd. (only Jamaica)

Compania Transatlantica Espanola S.A.

Floata Mercante Grancolombiana S.A.

Hamburg-Amerika Linie

Thos. & Jas. Harrison Ltd.

Holland-Amerika Line

Horn Line

Italia Societa per Azione di Navigazione

Jamaica Banana Producers' Steamship Co. Ltd.  
(only Jamaica)

Rederiaktiebolaget Nordstjernen (Johnson Line)

Koninklijke Nederlandsche Stoomboot Mij. N.V. (KNSM)

Mamenic Line

Norddeutscher Lloyd

Fred Olsen Line

Royal Mail Lines Ltd.

ii. Islands Section to Trinidad, Tobago, Barbados, Guyana, Surinam and Windward and Leeward Islands. Members are:

Booker Line Ltd.

Compagnie Generale Transatlantique

Compania Transatlantica Espanola S.A.

A/S Det Ostasiatiske Kompagnie

Hamburg-Amerika Linie

Thos. & Jas. Harrison Ltd.

Horn Line

Koninklijke Nederkandsche Stoomboot Mij. N.V. (KNSM)

Royal Mail Lines Ltd.

The Geest Line

Scheepvaart Mij. Surinam

iii. French Section to all French territories. Members are:

Compagnie Generale Transatlantique  
Societe Generale de Transports Maritimes a Vapeur  
Compagnie des Messageries Maritimes  
Koninklijke Nederlandsche Stoomboot Mij. N.V.

iv. Mexican Section to Mexican Gulf Ports.

v. Cuban Section: now inactive.

In addition to these full member companies, there are also affiliated companies, one of which is Saguenay Shipping Limited.\*

II. U.S. Atlantic and U.S. Gulf Ports Southbound Tariff, Leeward and Windward Islands and Guyanas Conference

Members:

Alcoa Steamship Co. Inc.  
Atlantic Lines Ltd.  
Booth Steamship Co. Ltd. } Joint service  
Lamport & Holt Line Ltd. }  
Moore-McCormack Lines Inc.  
Royal Netherlands Steamship Co. (KNSM)

III. Canadian Southbound Tariff No. 2 Leeward and Windward Islands, Guyanas Conference

Members:

The Venezuela Line  
Royal Netherlands Steamship Co. (KNSM)

IV. Northbound Tariff Leeward & Windward Islands, Guyanas and Eastern Canadian Ports Conference

Members:

Alcoa Steamship Co. Inc.  
Atlantic Lines Ltd.  
Booth Steamship Co. Ltd. } Joint service  
Lamport & Holt Line Ltd. }  
Moore-McCormack Lines Ltd.

In addition there are at least sixteen other known Conferences operating in the Caribbean.

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\* It is believed that recently this company became a full member of some of the WITASS Sections.

9. The Conferences charge lower freight rates to Barbados, Trinidad, Guyana and Jamaica. Some examples of these rates are:

CONFERENCE OCEAN RATES OF FREIGHT

(per ton of cargo)

	To: Barbados Trinidad Guyana	Surcharge for other Islands	To other Islands	Surcharge for Montserrat	To Montserrat
<u>From U.K.</u>					
General cargo	327/6	30/0	357/6		
<u>From Europe</u>					
General cargo	US\$45.85	4.20	50.05		
<u>From Canada</u>					
General cargo	US\$71.00	6.00	77.00	12.00	83.00
Grain & Flour	25.25	5.50	30.75	13.50	38.75
Sardines	34.00	14.50	48.50	17.00	51.00
Beer	30.25	11.50	41.75	17.25	47.50
Fibre plates	36.50	7.50	44.00	13.50	50.00

The few examples of ocean rates of freight show that:

- (a) Barbados, Trinidad and Demerara are the basic ports which enjoy the lowest rates of freight.
- (b) The surcharge for other Islands varies from approximately US\$4.00 to US\$14.50.

As the liner ships never call directly at Montserrat, the surcharges for this Island are meant to compensate for the trans-shipment costs and the onward freight.

10. In addition to the freight rates the Liner Companies charge the shippers for landing, storage and delivery expenses in the final ports of destination - the so-called L.S. & D. Charges. These are as follows:

Barbados	US\$3.20
Trinidad	6.30
Antigua	7.60
Guyana	6.80
St. Lucia	2.90
St. Kitts	6.70
Dominica	4.40
Grenada	4.10
St. Vincent	4.70

11. Shipping companies claim that the differential freight rates are charged because much smaller quantities per ship are being discharged in Associated States ports than in the main ports. The terminal costs per ton of cargo are lower with 500 tons of cargo to or from any port than 50 tons per port call. On the other hand, the differential L.S. & D. charges are set up to reduce inequalities in cargo handling costs between various ports.

12. It should be noted that WITASS usually pays 10 per cent loyalty rebates 6 months deferred and also contract rebates of 10 per cent.

#### Approaching the Issues

13. Comparatively higher overseas freight rate levels are one of the main issues confronting the economic policies of the Associated States. Solution to this problem and for that matter to any international shipping problem, must be found on interstate level rather than by efforts of individual states. All these issues must be co-ordinated within an inter-governmental shipping policy. Ad hoc approaches to Shipping Conferences on freight rate matters are never known to be successful because a Shipping Conference acts only in self-interest of the majority of its members.

14. We would need an institutional base from which the Governments or shippers' associations could negotiate with Conferences from a position of relative strength and knowledge. The methods of consultations will be the subject of a special report of ECLA experts to be submitted to Governments in March 1969. Briefly they will discuss:

- (i) Feasibility of creating national and regional associations of transport users (i.e. Shippers' Councils) as a forum for consultations and negotiations with Shipping Conferences. The main virtue of Shippers' Councils for developing and non-maritime countries lies in the fact that they became since 1963 an established medium for negotiating on a more equal basis with shipping conferences and Governments of the ten major maritime countries.
- (ii) Considering, however, the peculiar situation of this area, it is likely that a governmental "Freight Investigation Bureau" organized roughly on the Indian pattern could provide a more effective platform for confronting conferences. Such a Bureau would have to be regional, subordinated to the West Indies Regional Shipping Council or the CARIFTA Secretariat.
- (iii) Certain legislative measures to regulate restrictive trade practices in the public interest. Many countries (including the U.S.A.) enforce such legislation. Any such steps however would have to be taken with extreme caution because they can result in international legal conflicts and, what is much more important, may detrimentally affect trading prospects and have serious repercussions on the region's economy.
- (iv) Effective representation in Conferences operating in the area.

It is quite possible that a combination of these main methods could give favourable results in the future.

15. Finally, governments are invited to study the plan for feeder services as accepted by the Heads of Government Conference of February 1969. The plan, inter alia, envisages the establishment of joint national inter-island shipping service. Emphasis in this plan was put on the freight rate tariff for domestic and overseas trans-shipment cargo under the following principles:

- (a) Trans-shipment and on-carriage costs are to be fully borne by the trans-ocean carrier;
- (b) Once the feeder services are effectively organized on commercial lines, the trans-ocean ships will call at fewer ports only with large quantities of cargo, i.e. only when the costs of using feeder service exceed the costs of a direct port visit. Such a situation will deprive trans-ocean carriers of the "small cargo" cost argument.



- (c) The West Indies Shipping Corporation will co-operate very closely with overseas carriers in matters of freight rates and shipping services.

16. These are more or less medium term measures, while the question of differential freight rates and certain conference practices require immediate attention. To deal with these problems preparation must commence for early discussion of these matters with members of major conferences. Such negotiations could be held in this area with shipowners fully authorised by the W.I.T.A.S.S. not only to discuss area requirements and refer them back to the full conference meeting, but also to make certain commitments on behalf of the Conference on the spot.

17. The groundwork for adequate preparation requires that governments supply the Chairman of the Regional Shipping Council, as early as possible, the following data for the period, say, September 1968 to February 1969. For each overseas cargo vessel arriving from UK/Continent, U.S.A., and Canada:

1. Name of ship and company to which it belongs.
2. Date of arrival and departure.
3. Time started discharging/loading.
4. Quantity of cargo discharged.<sup>1/</sup>
5. Quantity of cargo loaded.<sup>1/</sup>
6. Give reasons for any delays such as: berthing, cargo handling, customs procedures, waiting for removal of cargo, shed congestion, lack of mechanical equipment, breakdowns, etc.
7. Number of gangs (and their average size) and hours of employment.
8. Waterside labour rates of pay, including details of overtime rates of pay.
9. Total port costs, including tonnage and pilotage.
10. L.S. & D. charges levied per ton.
11. Describe briefly any problems facing importers and exporters due to Conference practices.

Only ships belonging or operated by Companies as per attached list should be taken into account.

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<sup>1/</sup> Say whether tons of 20 cwt., measurement tons, metric tons or freight tons.

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