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## CURRENT ISSUES AND PROSPECTS IN THE TRANSPORT SECTOR: MULTIMODAL TRANSPORT, MARITIME TRANSPORT AND PORTS

**This and subsequent issues of the Bulletin provide an account of recent events and trends in the transport sector in Latin America and the Caribbean.**

**This edition deals with aspects relating to multimodal transport, maritime transport and ports. Edition No. 151 of March 1999 will discuss rail transportation, urban transport and highway maintenance.**

### MULTIMODAL TRANSPORT IN 1999: STRENGTHENING INSTITUTIONAL LINKS

**Transport challenges at the hemispheric level.** The year 1998 was a turning point in the development of intermodal transport services in the Americas. The statement made by ministers of transport of the western hemisphere at their New Orleans meeting, published in the previous edition of the FAL Bulletin, contains important proposals that will be acted upon during the course of 1999. These include proposals aimed at technology transfer, increased management training and the preparation of transport statistics in the different regions. Each of these initiatives is expected to help the region to deal with the consequences of recent external and internal shocks stemming from the financial crisis.

Apart from this, 1999 could be the year when the many regional governmental forums that analyse transport issues and the challenges facing the transport sector in the Americas draw closer together and interact to a greater degree. The underlying factors promoting this increased interaction include the negotiations on the Free Trade Area of the Americas, as well as the importance of transport in all spheres of regional integration. The Western Hemisphere Transport Initiative (WHTI) has assigned to ECLAC the task of periodically updating the profile of regional transport systems in the Americas. This overview, which was presented in New Orleans, contains several proposals for improving the links between the different transport systems in the western hemisphere, which will be developed further during the coming year.

**Important initiatives at the regional level.** Regional activities carried out in 1998 include the following:

the launching by the Latin American Integration Association (LAIA) and the Latin American Railways Association (ALAF) of a pre-feasibility study for a sustainable transport development plan; in Central America, the start of an important multimodal transport project and the drawing up of a master transport plan commissioned by the Permanent Secretariat of the General Treaty on Central American Integration (SIECA); and, in the Caribbean, a study on transport operators and trans-shipment centres undertaken by the Association of Caribbean States.

In South America, Argentina and Brazil have each passed new laws on multimodal transport, complementing the regional agreement signed earlier by all members of the Southern Common Market (Mercosur). In Colombia, an information campaign aimed at users and service providers was put into effect. Early in the year, the Conference of South American Ministers of Transport, Communications and Public Works is to meet to consider, among other matters, the LAIA and ALAF report mentioned above and a project for the development of the South American Transport Statistics System, to be presented by ECLAC.

**Deficiencies in multimodal transport.** The considerable increase in the supply of comprehensive logistic services in Mercosur conceals profound differences in service quality and reliability. The railway system also suffers from shortcomings in terms of management and inter-firm cooperation, rolling stock and transfer terminals. The same deficiencies are seen, to an even greater degree, in Central America and in the Andean Community, where multimodal transport is essentially limited to its maritime and road. Vehicle components apart from this, the concentration of distribution services and their medium- and long-term contractual associations with their customers seem to be an irreversible trend. These two facts, i.e. maritime-road intermodalism and the concentration of multimodal operators, are clearly orienting this activity towards extra-regional trade. The exception to one part of this rule is trade between the countries of the North America Free Trade Agreement (NAFTA), where road-rail and maritime-rail intermodalism have enjoyed significant interregional development, although it has not been without its problems, especially in 1998.

**Redoubling efforts to improve service quality.** The situation in 1999 appears to call for a cautious approach, given the recent financial crises and their effects on international trade and investment. Cutbacks, which could eventually affect infrastructure development and capital replacement, must be offset by even greater efforts to improve quality and complete the link-ups among operating processes in order to make them more efficient and to permit action to be taken on the basis of a fuller understanding of how the different systems actually work.

**Transport and the Y2K computer problem.** One of this year's challenges is to find solutions to the Year 2000 computer problem. As far as transport is concerned, this is likely to affect satellite positioning systems as well as the microchips inside many mechanisms used in aircraft, ships, trains, trucks, buses and private automobiles, which may simply stop working in the early hours or days of the year 2000. Apart from the specific problems that may be caused by an interruption of services or the breakdown of certain pieces of equipment, the issue raises a question about the subsequent capacity of institutions and operating systems to return to normality and overcome the delays and congestion that cuts in operations could cause.

WHTI plans to hold an international conference to be organized by the Mexican transport authorities, to analyse these and other aspects of the problem and propose actions for coordination and cooperation in the Americas.

## PORTS IN 1999: THE CRISIS MAY ACT AS AN ENGINE OF REFORM

The port privatization process has run into difficulties in several Latin American countries. In Argentina, the recent standardization of port charges in the Federal Capital and Buenos Aires province will probably give rise to legal actions by shipping agencies that see this as an unjustified form of state intervention. There is also criticism in Argentina, as well as in the other Mercosur countries, that the Inland Waterway Transport Agreement is not being implemented.

**Partial success.** In Brazil, difficulties with the labour sector continue to obstruct the reform process despite partial successes, especially in Santos. The prestigious project for a trans-shipment centre in Sepetiba ended up attracting much less interest than expected from foreign investors, and the concession was awarded to the sole Brazilian bidder. It was feared that road and rail access routes would be inadequate for handling the traffic volumes generated by such a big hub port. At the present time, there is also concern that the dredging of Sepetiba is polluting the coastal tourist areas, which could jeopardize the continuation of the work.

**Fear of private monopolies.** In Chile, where loading and unloading operations are already in private hands, a new law has been passed allowing the introduction of the single-operator system together with the decentralization and deregulation of the main public ports.

However, private Chilean companies have managed to delay the award of concessions for these ports because they see the national anti-trust restrictions that have been imposed as unnecessary and believe they give an unfair advantage to foreign firms.

**Uncertainties.** In Peru, the delay in deciding whether to accept a loan from the Japanese Government to modernize the Port of Callao threatens to be an obstacle to the privatization of this port. Moreover, the uncertainty surrounding this privatization involves additional risk that would have to be assumed by the potential concession holders of other Peruvian ports.

**Delayed Concession.** In Uruguay, political difficulties have delayed the award of the concession for the Montevideo container terminal to Maersk. There is even a chance that this process may be investigated by the Court of Audit, which could lead to the annulment of the concession. As a consequence of regional economic integration, the dredging of waterways and port modernization processes in neighbouring countries, Uruguayan ports are facing increasing competition from their counterparts in Argentina and Brazil. By allowing the container terminal to be run on a concession basis, it is hoped that productivity can be raised so that it will be better able to compete with facilities in neighbouring countries.

**Main container ports.** According to recent statistics, the top-ranking container terminals, in volume terms, have changed on both South American coasts. On the Atlantic side, Buenos Aires, including Exolgan, handled approximately 1.2 million TEU (twenty-foot equivalent units) in 1998, overtaking Santos, which was the number-one port up to 1996. On the Pacific coast, San Antonio regained its position as the leading container port, handling 415,000 TEU and thus managing to replace Guayaquil, the top-ranking port in 1997, by the smallest of margins. In the Caribbean, the different Panamanian terminals on the Caribbean coast, taken together, can soon be expected to have more movement than the traditional leader, San Juan, Puerto Rico. For 1999 the importance of trans-shipment traffic is expected to continue growing. On the east coast of the continent, Santos and Suape will compete along with other ports for the position of the region's main hub. On the Pacific

coast, investments in Balboa can be expected to make the concentration of cargo traffic in Panama more feasible.

**Climatic impacts.** Central America as a whole was severely affected by Hurricane Mitch, with the ports of Honduras suffering the worst damage. In Panama, despite difficulties with water levels in the Canal caused by El Niño, statistics show an increase in maritime traffic passing through the Canal.

**Crisis and opportunities.** Port modernization continues to be crucial in view of the slow rate of economic growth and the need to keep inflation down. However, trimming port labour forces is being made more problematic by the fact that unemployment at the regional level rose to 7.9% in 1998 (7.3% in 1997). Nevertheless, the expectation is that the recent difficulties encountered in connection with port modernization processes will be overcome in 1999 and the view that the process of structural change needs to move ahead will gain acceptance, especially in the times of crisis that are being foreshadowed by the currency devaluation in Brazil. In this sense, the crisis could act as an engine of port reform.

### **MARITIME TRANSPORT IN 1999: PROTECTION AND COMPETITION?**

**Robust interregional trade.** Prospects for maritime transport were affected by a sharp downturn in regional economic growth during the second half of 1998. This was due, firstly, to the macroeconomic policy measures adopted by Governments in response to the Asian financial crisis and, secondly, to a drop in the prices of raw material exports, which has had a direct impact on foreign trade and the volumes transported. Despite this, the total volume of foreign trade has continued to grow throughout the year (imports are up by 11%, exports by 8%), though more slowly than in 1997. Intra-regional trade has continued to grow faster than trade with other regions.

**Shipping lines “at war”.** Given the continuous expansion of big shipping lines into Latin American and Caribbean markets, the traditional regional and north-south lines are being forced to work hard simply to hold on to their present positions; according to some executives “they are in a state of war”. Fleet sizes have again reached historically low levels, while the Mediterranean Shipping Company, starting from scratch, has achieved a market share of more than 10% in the Port of Buenos Aires. In the Caribbean, Maersk has opened an office in Trinidad and Tobago and set up another four services covering the biggest Caribbean countries, connecting with its east-west services in Miami, Bahamas and Panama. Maersk has also started a banana shipment service to Europe from the French Caribbean.

**Coastal shipping and protection.** In Mercosur, pressure is being brought, especially on the part of Brazil, to protect regional coastal shipping from international competition. Brazil is protecting its national fleet through a variety of measures such as direct and indirect subsidies, visa requirements for foreign crew members and bilateral cargo reservation agreements. This has already prompted international protests and the threat of reciprocal actions by the United States. Initial plans to liberalize coastal shipping in Chile were not carried through because in the end the authorities decided to insist on reciprocity; the Jones Act in the United States, for example, continues to protect national coastal shipping.

**Challenges for government.** Given the slower pace of growth, the consolidation movement among shipping lines is set to gather even greater strength in 1999. Many shipping lines had accepted short-term losses when they entered the market, hoping for an improvement with the growing volumes of

international trade; yet this policy seems even less sustainable now. Governments will be faced with the difficult task of responding to pressures to protect national shipping interests, while at the same time ensuring their countries' foreign trade is supported by the most effective and economic international transport services possible. This is even more important in view of the potential danger of economic recession arising from the Brazilian currency devaluation. For the future, it means that exports of raw materials and commodities will benefit in the medium term through an increase in the volume of bulk shipments transported by sea. Containerized cargo imports, however, will be negatively affected.

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