



## MULTIMODAL TRANSPORT, SHIPPING AND PORTS: CURRENT TRENDS AND PROSPECTS

This and the next edition of the Bulletin report on recent events and trends in the transport sector in Latin America and the Caribbean.

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### INTEGRATED SYSTEMS IN THE YEAR 2000: AN UNCERTAIN PANORAMA AND OUTSTANDING DEFINITIONS

By the end of 1999, intermodal transport in Latin America was facing a complex panorama with multiple plans for improving transport services and infrastructure contrasting with economic and other realities that interfere with the progress hoped for.

Transport services in the region have recently had to tend with a number of unfortunate events: the crisis in the early part of the year, the failure of the Conference of the World Trade Organization in Seattle, internal difficulties in Mercosur, the break in continuity in road transport services at the Colombian/Venezuelan border and further delay in meeting the NAFTA deadlines for access by Mexican carriers to United States territory. These problems notwithstanding, certain initiatives were taken as described below.

**In the Americas:** At the fourth Meeting of Ministers of Transport and Public Works of Ibero-America and the Caribbean held in September 1999, in Havana, Cuba, it was proposed that studies should be carried out on trade and transport flows between Europe, Latin America and the Caribbean and workshops organized to disseminate the decisions relating to intermodal platforms in the Americas. The Western Hemisphere Transport Initiative, for its part, has been slow in developing activities and the terms of reference of its executive body have yet to be defined.

**In South America:** Integration of transport systems is the key objective of such ministerial meetings. However, some of the principles and practices underlying land transport regulations applied in the Southern Cone and the Andean Community hinder the attainment of this goal. Transshipment in Ecuador and recently at the Colombian/Venezuelan border is viewed in the Southern Cone as a

practice that runs counter to the continuity of operations. The reciprocal arrangement adopted in the Southern Cone would restrict multilateral liberalization in the Andean Community. The method to be adopted for developing a standard regulation has not yet been agreed, but there is agreement that it is worthwhile laying the foundations for a common international legislation for South America as a whole.

The Conference of Ministers of Transport, Public Works and Communications of South America will be held in Brazil in 2000 to address the challenges posed by agreements for the establishment of a South America Free Trade Area (ALCSA) and in the Free Trade Area of the Americas (FTAA), the granting of concessions for the development of infrastructure and other strategic developments.

In his farewell speech as Deputy Minister of Transport and Public Works of Uruguay, Mr. Conrado Serrentino made an assessment of outstanding issues, namely, underutilization of rail and river transport, and labour and taxation asymmetries. These issues affect transport in the countries of the Southern Cone and will remain central to the agenda of ministerial policy in the region. In his long and distinguished professional career, Mr. Serrentino was one of the most outstanding architects of international transport in the Southern Cone.

**In Central America.** The subregional, multimodal transport project has entered its second phase and should yield concrete results in the course of the year. Preliminary results should also be available from the Central American Transport Survey. This survey is an excellent opportunity to form a team of Central American specialists who could constitute the Central American Transport Institute. The Institute would serve as the focal point needed in Central America for cooperation projects and transport studies and projects. It could also serve as a subregional statistical and documentary centre.

**National initiatives.** Like the European agreements and NAFTA, private and public initiatives are being taken which should result in the establishment of logistical platforms and integrated systems in 2000. Bolivia has defined domestic corridors for integration which should lead to improvements in international connections with and between neighbouring countries. As part of a general plan being implemented in Brazil, the programme "Brazil in action" has identified projects for integrated river, rail and road transport routes. In Uruguay, a multimodal rail-maritime system is being developed for the export of forest products with State and private-sector contributions. Rail companies in Argentina and Chile and a maritime company in Brazil have adopted a similar scheme to offer regular intermodal services in the Southern Cone. In Colombia, the public and private sectors have put forward joint proposals for the development of a distribution and stockpiling centre. In this regard, a regional course held in Cartagena in May 1999 focused on public- and private-sector participation in the development of loading terminal infrastructure in Europe and Latin America. In Europe, public authorities frequently play an active part in both the design and financing and even the management and initial operations of terminal infrastructure. This collaboration ensures highly favourable conditions for the private sector, with functional and operating guarantees, reduction of the initial investment and profitability and deadlines that are easier to predict.

These are the issues that will continue to generate debate and which will contribute to the construction of intermodal systems in Latin America in 2000.

## **MARITIME TRANSPORT IN 2000: THE TREND TOWARDS SPECIALIZATION**

**Concentration.** In 1999, the expected trend towards concentration of shipping companies continued.

The most notable event was the expansion of Maersk (Denmark), which bought SeaLand (United States) and SCL (South Africa), thus strengthening its position as the largest container shipping company in the world. In September 1999, it controlled 600,000 berths for 20 foot containers (twenty-foot equivalent units - TEU) or 10% of the world fleet of container vessels. The two main shipping lines specialized in the South American market also grew throughout the year. Hamburg-Sud (Germany) bought over the services arms of Transroll (Brazil) and Crowley (United States). Compañía Sudamericana de Vapores (CSAV, Chile) bought Montemar (Uruguay) and shipping line services of Grupo Libra (Brazil). With a capacity of 61,000 TEU, CSAV is now the largest South American shipping line and the only one to rank among the 20 leading world shipping companies. This is due not only to the acquisitions mentioned and to the purchase of new vessels but also to the fact that other larger companies have merged thus leaving space in the top 20. In the next two years, CSAV will add new ships to its fleet, raising its capacity by 30%. The ships will have a capacity of 3,100 TEU each and will be equipped with their own cranes.

**Competition.** These mergers have brought on fears of abusive monopolistic practices. For example, in the case of Mercosur, the review Fairplay (8 April 1999) quoted a warning by a Brazilian ship-owner that international lines have more money to lose than those of Mercosur and, if the routes are opened up, they can reduce their freight rates to the point of wiping out the local competition. If we agree to open up Mercosur, they will enter with low freight rates and once they have killed us, they will be in a stronger position and will raise their rates even higher. Are these fears justified? Certainly, the trade climate for Mercosur shipping companies and those of other countries of Latin America and the Caribbean is very tough. At present, however, despite concentration, competition is becoming more intense. For example, in the case of Chile, in 1985, a total of 28 companies offering new shipping line services entered the Chilean market. There are a number of additional reasons why today importers and exporters have more options for foreign trade, despite the fact that at the world level there are fewer shipping companies. In most cases, the fear of monopolies will continue to be no more than a pretext for seeking protection against the competition.

**Specialization.** The trend towards concentration in the shipping industry implies that in general countries are specializing. A small and declining number of companies and countries are constantly increasing their market share in different segments of the shipping market. While, in the past, many countries had a broad-based shipping sector, including shipyards, merchant marine schools, port operators, national shipping registers, shipping lines and other sectors, today, governments and the private sector must decide to what extent it is desirable and feasible to maintain such diversity. According to the *Perfil Marítimo de América Latina y el Caribe*, published by the Transport Unit, the region's share of the world's shipbuilding industry is a mere 0.4%, while its national fleets and open registers account for 30% of world shipping capacity. In the future, it is expected that specialization will continue and that it will be increasingly difficult for the Governments of Latin America and the Caribbean to maintain a broad-based shipping sector.

**Maritime trade.** According to the ECLAC international transport database (BTI), in 1998, Brazil was the most important exporter and importer of goods transported by ocean and river in Latin America and the Caribbean, at 87 million metric tonnes of imports and 225 million metric tonnes of exports. This represented 96.5% of the total volume of Brazil's foreign trade. Currently, the ratio of exports to imports is increasing following the devaluation of the Brazilian currency. The total was 3.7 times the volume of foreign trade conducted by ocean and river transport for Argentina, the second country in the region in terms of waterborne trade. In the first few months of 2000, the new BTI

database will include 1999 data relating to the mode of transport, value and volume of products traded on the external market by eleven Latin American countries.

## PORTS IN 2000: POST PRIVATIZATION

**Privatizations.** Various countries have suffered delays in implementing their privatization plans. In Uruguay, the third attempt in recent years to lease the Montevideo container terminal failed in 1999 on legal grounds. It is hoped that the fourth attempt scheduled for 2000 will be successful. In Guayaquil, Ecuador, the first lease of a bulk terminal also failed and the lease of the container terminal is on hold pending a review of the terms of the contract. The economic and institutional instability raises fears that it would be difficult to attract private investors in a lease arrangement of this kind. In Peru, there were no takers in the privatization of the Ilo port. Matarani was awarded to the only consortium that tendered a bid. The fate of the port of Callao hangs in the balance while the decision as to how it will be divided up and what the final number of terminals will be remains pending. In Chile, following a series of delays, very successful lease arrangements were made for the first four terminals in San Vicente, San Antonio (two terminals) and Valparaíso. Privatization of the northern Chilean ports of Arica and Iquique is being held up. In Central America, no full concessions have been granted for any public ports. ECLAC will continue to support the privatization process through its Course/workshop on port modernization and through technical cooperation.

**Regulation of privatized ports.** One of the main obstacles to privatization in many countries has been the fear of private monopolies. The creation of regulatory agencies, the assessment of potential monopolistic abuses and the training of public officials in their new tasks will be some of the main challenges for the port authorities of Latin America and the Caribbean.

**Post privatization – the "Latin American model".** Whereas, in the past, ports in Latin America and the Caribbean were an example of what not to do, due to their inefficiency, corruption and high costs, today, a much more positive Latin American model seems to have emerged in those countries which have made the most progress with their privatizations. Derived from economic liberalization, geographical characteristics and the pattern of external trade, a Latin American model can be discerned:

1) Public landlord-type ports. State property under private operation; 2) Specialized private ports; 3) The possibility of establishing new private ports; 4) A high rate of participation of foreign companies; 5) A large number of ports and terminals with a lower volume of traffic than the world average. Although these five features do not appear in all countries of the region, the trend in most countries is towards this model.

**Hub ports.** Many ports expect to be able to take advantage of the trend towards increasing transshipment and transit traffic, thus generating new port business in a "hub port". The resulting increase in competition between ports is considered positive. Nevertheless, the real market potential for each hub port must be carefully assessed. There is a tendency to be over-optimistic as regards the prospects of places such as places such as Manta (Ecuador), Callao (Peru), Iquique and Mejillones (Chile) on the Pacific coast of South America.

**The Panama Canal.** One of the landmark events in the region in the area of shipping and ports was the transfer of the Panama Canal to the administration of the Government of Panama. There is no justification for the fears expressed in some political circles in the United States of a take-over by the Government of China; in fact, there is merely a private Hong Kong company, which operates two

ports, one on either side of the Canal. For Panama, apart from the financial income that the Canal will generate, the crucial issue will be to capitalize on the possible synergies between the Canal and other activities relating to shipping.

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