

ACS Study on Port and Maritime Strategies in the Greater Caribbean: Advancing Maritime Connectivity in the Region



Two of the key pillars that led to the establishment of the ACS were the inextricably linked issues concerning transportation and trade within the region. Accordingly, in an effort to deepen trade between the countries of the insular Caribbean and those on the South and Central American mainland, the ACS seeks to facilitate cooperation among Member States in an effective manner, towards the deepening of intra-Caribbean connectivity. In order to support the modernisation, harmonisation and rationalisation of the policies and infrastructure required for transport services in the region, the ACS has made transport a key focus of its strategy and in so doing established the Directorate for Transport, whose work is guided by the theme “Uniting the Caribbean by Air and Sea”.

Within the Caribbean, more than 90% of the goods traded at the international level are transported by sea. Consequently, this mode of transport and its supply chain plays a key role in the participation of the countries of the Greater Caribbean in an increasingly global economy. This growing intensity of trade has brought about changes both in maritime transport and port infrastructure; and as the shipping industry changes, so too must the regions’ response to it. Many Caribbean countries must update existing port infrastructure in the face of the new realities and challenges posed by regional and international integration processes so as to effectively adapt to the changes in traffic that are expected from the expansion of the Panama Canal, without underestimating the risks of overcapacity of facilities and volatility of transshipment traffic.

In this context, the ACS has executed the project Study of Port and Maritime Strategies for the Greater Caribbean. The study aimed to assess the market for container port terminals and identify associated market needs and risks, based primarily on the growing competition among facilities. It examined the risk of overcapacity of facilities and those related to the volatility of transshipment traffic through acquisition of data on maritime container traffic in the Greater Caribbean, including

transshipment and analysis of the existing or projected port infrastructure to handle the traffic. More specifically, the key objectives of the study were to evaluate the likely future evolution of traffic in terms of volume of containers, the number of stops and types of ships and services, give an account of port facilities that handle container traffic, review investment projects in the sector and conduct a SWOT analysis of existing and projected terminals, where competition exists among them.

Three Tiers of ports were established after examining a total of 59 ports in the region in varying levels of detail and evaluating them using a criteria-based ranking system. Tier 1 ports were categorised as having global functionality and are the most mature in terms of accessibility, capacity and private sector involvement. Ports in Tier 2 were categorised by regional functionality; these ports are in the process of maturing in terms of accessibility and private sector involvement. Ports in Tier 3 were categorised by having local functionality and facing limited volumes. Most of the Tier 3 ports, which face a peculiar set of challenges, are those of the small island states of the Greater Caribbean.

Transportation costs are becoming increasingly important in determining the final price of goods delivered. For many ACS Member States, particularly the smaller islands, this situation posed a significant challenge given their dependency on international trade. The countries of the region all exhibit high transportation costs which affect export earnings as well as import cost, while suppressing the development of intra-regional trade.

Consolidation amongst shipping lines as they enter into alliances and vessel sharing agreements has also affected the trading in the Caribbean. Global shipping lines have entered the Caribbean container shipping market and resultantly small feeder lines have been absorbed in to the global network leading to a modernisation of the feeder fleet.

Notwithstanding these challenges, small island economies are heavily dependent on their ports for their overall well-being, as ports play a vital role in the islands' economy. Many of the smaller islands have just one port that functions as the main gateway to the country. Whereas their continental counterparts have the option of importing goods by truck from neighbouring countries or utilising their land for production to satisfy domestic demand, small island economies have a narrow production base and are dependent on maritime trade for most of their consumption as well as exports.

The economies of most of the islands are predominantly service-based, heavily dependent on tourism and in some cases, international business services. These small economies, which are highly vulnerable to natural hazards, have experienced severe economic downturns as their mainly tourism-based economies are sensitive to global economic shocks. As a result, the current financial standing of most small island states in the region is worrisome. Many face high public debt to GDP ratios, which directly limits their abilities on the financial market and consequently they have difficulty mobilising the significant investments required to develop and upgrade public infrastructure, such as ports.

With specific reference to the Tier 3 ports, small island economies are faced with a paradoxical problem: the large dependency on the port for the country's well-being, versus the lack of sufficient trade volumes to justify large investments in port infrastructure. Global shipping lines are already integrating feeder services in the Caribbean basin into their global network and with this change in the market, vessel sizes have increased and Roll-on/Roll-off vessels have been replaced in some cases by full containerised vessels. Small ports will be forced to modernise in order to accommodate the full container and the larger feeder vessels. The limited volumes handled by Tier 3 ports, which are largely government-owned and government-operated, could hamper the feasibility of port investments. These ports lack both the financial strength and the operational expertise to manage expansion plans; accordingly the best option for modernisation is partnering with the private sector and sharing the risk in a strategic manner.

Tier 2 ports have already begun the process of modernisation, endeavouring to carve out a space in the transshipment market, directly competing with their better established Tier 1 counterparts. In many cases, they are becoming increasingly engaged in PPP arrangements to realise their growth strategies. Some of these ports, however, will continue to only serve local and niche markets because of low growth potential due to limited nautical access. Container traffic is expected to grow in ports at this Tier, particularly where countries have growing economies.

The well-established Tier 1 ports will continue to dominate the market, growing organically and through a programme of planned investments which seek to increase the capacity and efficiency of the ports. In some cases, Tier 1 ports are undergoing privatisation, seeking to capitalise on shipping lines' desire to create efficiencies within their own logistics chain. It is expected that Tier 1 ports will continue to attract the attention of private capital.

The study concluded that the diverse set of ports in the Caribbean Basin is expecting a large increase of transshipment traffic due to the expansion of the Panama Canal. Clear advice to Member States within the Greater Caribbean is the recommendation that investment in infrastructure should be informed by a national port strategy, or with a clear vision towards the future to ensure the optimal allocation of resources. In the cases where these strategies do exist, governments are well advised to revise them based on the changing dynamics within the region. Countries with multiple ports should seek to reduce internal competition between ports.

Despite the challenges, opportunities exist; not solely for governments, port and related parties but also for the Association, which has the opportunity to leverage its own position as a key regional organisation to aid in the development of the industry across the Caribbean. The ACS is well positioned to function as a nexus for the advancement of the industry, building new and critical relationships with the industry, and ultimately achieving its mandate of facilitation of cooperation among Members on the issues of transport and connectivity within the Greater Caribbean.

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