

Multi-year Expert Meeting
on Transport, Trade Logistics and Trade
Facilitation

**Third Session:
Small Island Developing States:
Transport and Trade Logistics
Challenges**

24 – 26 November 2014

**Overview of Key Challenges Affecting
Transport and Trade**

Presentation by

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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Small Island Developing States: Transport and Trade Logistics Challenges

Geneva, Palais des Nations, 24 -26 November 2014

Session 1: Overview of key challenges affecting Transport and Trade

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The map shows the Pacific Islands region, including the Hawaiian Islands (U.S.), Northern Mariana Islands, Marshall Islands, Federated States of Micronesia, Palau, Papua New Guinea, Solomon Islands, Vanuatu, New Caledonia (France), Fiji, Tonga, Kiribati, Tokelau (N.Z.), Western Samoa (U.S.), Cook Islands (New Zealand), Niue (N.Z.), French Polynesia, and Pitcairn (U.K.). It also shows surrounding landmasses like Australia, New Zealand, and parts of Asia, along with various seas and oceans.

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This presentation aims to:

- Provide an overview of inter-island shipping in the Pacific region with a focus on the economic context within which shipping operates;
- Identify the challenges facing the industry, both at the macroeconomic and at the micro level – such as the challenges relating to infrastructure, governance, technology, resources and natural hazards; and
- Outline possible ways of overcoming these challenges.



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Introduction

<p>PICTs</p>	<ul style="list-style-type: none"> • Challenged by vast oceanic distances and isolation - a total land area of approximately 91,099 km² in a sea area covering 180 million km² • Need reliable, efficient and affordable shipping services, to support sustainable economic growth • Rely on cargo shipping for access to international markets for exports and to supply chains for essential goods, particularly fuel and food
<p>Shipping providers</p>	<ul style="list-style-type: none"> • Operate in a unique environment with significant constraints and challenges such as: <ul style="list-style-type: none"> ▪ Small populations and large distances between PICTs ▪ Low cargo volumes inbound, and even less outbound, making it challenging to support profitable regular services and low freight rates • Not able to achieve economies of scale as serving small, isolated economies is expensive, particularly at current fuel prices
<p>Impact</p>	<ul style="list-style-type: none"> • Constrained economic growth as the cost of doing business increases • Harder to compete in international markets • Increased cost of inputs and operating costs




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Challenges in operations

- Small populations, large distances and far flung communities.
- Infrequent services and low volumes.
- Import/Export imbalance.
- State owned companies.
- Ship design and functionality.
- Variability in port design and performance.
- Differences in international and domestic shipping.



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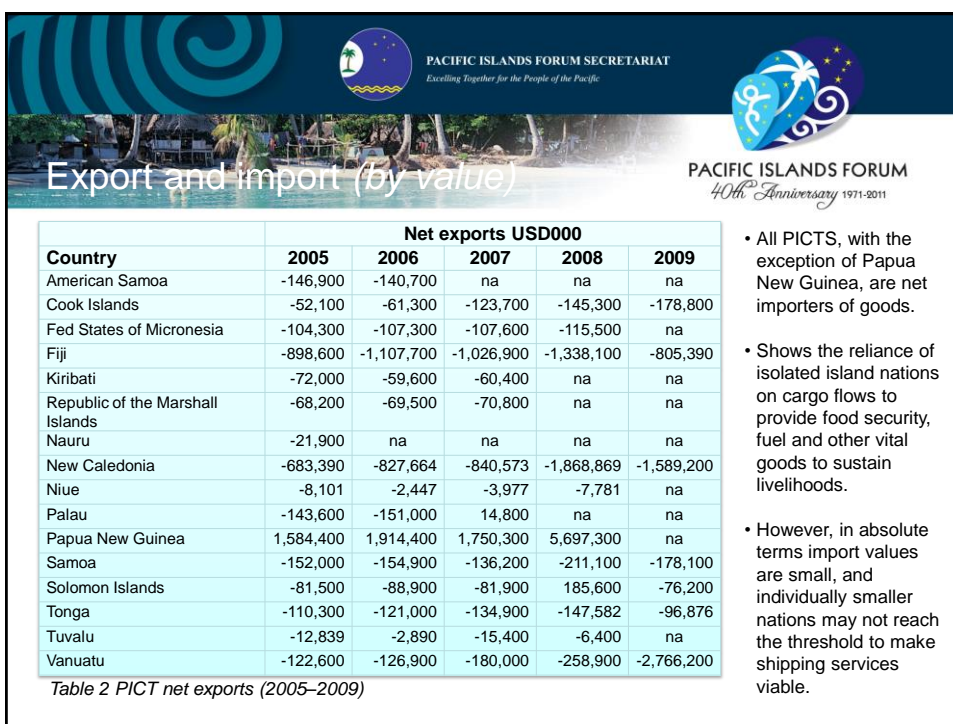


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PICT economic status and outlook


Country	Year	GDP USD (000)	GDP Current per capita (USD)	GDP growth rate
American Samoa	2007	537,000	8,448	1%
Cook Islands	2009	193,000	9,749	-4%
Fed States of Micronesia	2010	297,451	2,889	1%
Fiji	2011	4,390,515	4,391	2%
Kiribati	2011	1,760,369	1,760	0%
Marshall Islands	2011	3,168,783	3,169	5%
Nauru	2009	54,000	5,313	0%
New Caledonia	2009	9,283,000	37,124	0%
Niue	2009	15,900	16,575	2%
Palau	2011	8,729,818	8,730	6%
Papua New Guinea	2011	1,844,525	1,845	9%
Samoa	2011	3,531,845	3,532	1%
Solomon Islands	2011	1,517,422	1,517	9%
Tonga	2011	4,167,959	4,168	5%
Tuvalu	2011	3,634,044	3,634	-1%
Vanuatu	2011	3,335,357	3,335	4%
Wallis and Futuna	2005	188,000	12,640	N/A
AVERAGE			7,578	2%

- Coupled with the low populations of many PICTs, overall economies are therefore generally very small, resulting in low domestic demand
- Variation and uncertainty in growth rates may be a deterrent to investment in services by the private sector




Supportive Policy and Institutional Environment

- Trade development and facilitation.
- Port operations and efficiency.
- SOE reform and improvements in their financial and management performance.
- Infrastructure policy planning and financing.
- Training and capacity building in coastal and inter-island service providers.



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Improving Performance and Access

- Regulation – liberalisation can improve level of service and affordability of transport services in the region.
- Subsidies for uneconomic services should be transparent.
- Sale of national lines should be considered.
- Maintaining port and shipping assets is important.
- Maritime capacity building, including safety.
- PICTA Trade in Services and trade facilitation.



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Major Pacific ports and infrastructure


- There are about 60 international ports in the Pacific Islands region
- Seaports play a crucial role in the Pacific economy especially in countries such as Nauru, Niue and Tuvalu where there is only one port servicing the country
- Many Pacific Island port infrastructures were built in the 1950s and 1960s and has not been modernised since then
- Problems persist such as wharf surfaces and aprons needing maintenance; sheds and warehouses being built for palletised cargo and not containerised cargo; and cargo handling equipment is old or in need of replacement and poorly maintained due to a lack of resources.





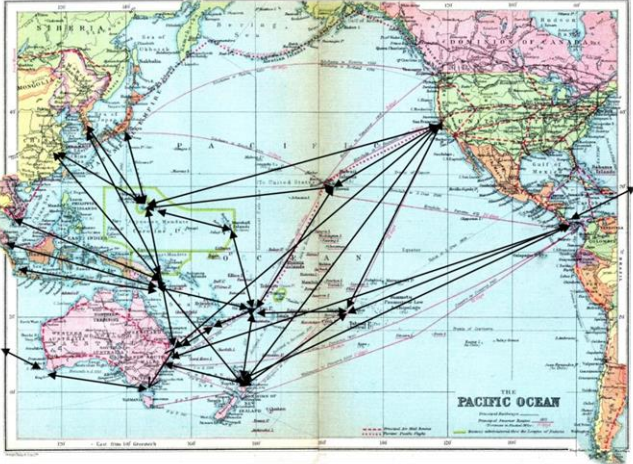
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Main routes, regularity and frequency of shipping service

Map illustrates the following routes:

- **Australia/New Zealand – Pacific** (frequency of routes vary from 1, 2 or 3 weeks)
- **Asia – Pacific** (frequency of routes vary from 1 or 2 weeks)
- **US – Pacific** (frequency of routes vary from 1, 2 or 3 weeks depending on routes & company)
- **Europe – Pacific** (frequency of routes vary from 2, 3 or 4 weeks depending on routes & company)
- **Middle East – Pacific** (frequency of routes vary from 2, 3 or 4 weeks depending on routes & company)







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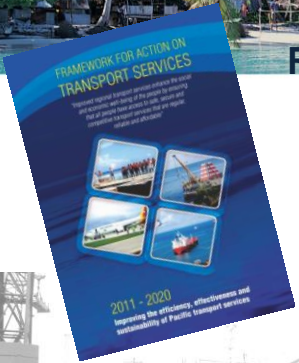
Challenges and solutions

Challenges of inter-island shipping	Suggested solutions/examples
<ul style="list-style-type: none"> • DISTANCES – long from markets and between islands • SMALL MARKET ECONOMY - low cargo volumes inbound, less or no cargo outbound, with seasonal peaks 	<ul style="list-style-type: none"> ➢ Adopt a hub & spoke model. Identifying Hub Ports with transshipment services (e.g. CPSC) ➢ Promote sub-regions to facilitate the above (e.g. CPSC & new Reef Shipping routes) ➢ Utilize smaller economical shipping services to suit (e.g. KSSL SIS Shipping Agreement) ➢ Develop/promote export opportunities from islands (e.g. Maximise Cargo workshop) ➢ Provide appropriate incentives where proven necessary (e.g. Fiji Shipping Franchise Scheme)
<ul style="list-style-type: none"> • LOADS - low imports and even less exports with seasonal peaks • MARKET & POPULATION - small 	<ul style="list-style-type: none"> ➢ Develop/promote export opportunities from islands (e.g. Maximise Cargo workshop) ➢ Adopt a hub & spoke model. Identifying Hub Ports with transshipment services (e.g. CPSC) ➢ Promote sub-regions to facilitate the above (e.g. CPSC & Reef Shipping)

 	
<p>Challenges of inter-island shipping</p> <ul style="list-style-type: none"> • SHIPPING RELIABILITY - <i>Lack of reliability</i> • SHIPPING EXPENSIVE - <i>affecting cost of goods & services</i> • SUBSIDIES - <i>often large (hidden) subsidies to sustain essential but non-economic services,</i> • PORT & FACILITIES – <i>range from adequate, limited or none (aged, low maintenance, unserviceable)</i> 	<p>Suggested solutions/examples</p> <ul style="list-style-type: none"> ➢ Development of a critical mass through sub-regional grouping (e.g. since the inception of CPSC, there have been more regular and cost-effective shipping services to the Central Pacific SIS) ➢ Development of a critical mass through sub-regional grouping (e.g. since the inception of CPSC, there have been more regular and cost-effective shipping services to the Central Pacific SIS) ➢ Subsidies to provide incentives for uneconomic but essential services through a Shipping Franchise Scheme are in operation in some PICTS. It is hoped that when the service becomes more profitable the subsidy is gradually reduced until it is withdrawn. ➢ Appropriate port development must be encouraged to facilitate shipping & trade, etc. ➢ Aids to Navigation often limited or lacking affecting 24/7 all-weather operations ➢ Nautical Charts – needs updating. ➢ Hydrographic Survey training for surveyors

 	
<p>Challenges of inter-island shipping</p> <ul style="list-style-type: none"> • INFRASTRUCTURE DEVELOPMENT – <i>high maintenance costs, high port costs</i> • OPERATING ENVIRONMENT - <i>increasingly regulated</i> • TECHNOLOGY & EFFICIENCY – <i>generally low levels</i> • RESOURCES – <i>Limited HR, Finance & institutional capacity</i> 	<p>Suggested solutions/examples</p> <ul style="list-style-type: none"> ➢ Expensive/inappropriate infrastructural development must be avoided ➢ Mandatory requirements must be complied with ➢ Ongoing training of relevant personnel across the industry is essential ➢ Introduction of appropriate technology is essential along with necessary training of personnel ➢ Ongoing training of relevant personnel across the industry is essential ➢ Introduction of appropriate technology is essential along with necessary training of personnel

 	
	
	
Challenges of inter-island shipping	Suggested solutions/examples
<ul style="list-style-type: none"> • POOR GOVERNANCE 	<ul style="list-style-type: none"> ➢ Where appropriate, services to be handed over and run commercially with effective monitoring to ensure that the objectives are met
<ul style="list-style-type: none"> • GOVERNMENT PARTICIPATION - <i>high levels</i> 	<ul style="list-style-type: none"> ➢ Where appropriate, services to be handed over and run commercially with effective monitoring to ensure that the objectives are met
<ul style="list-style-type: none"> • NATURAL HAZARDS 	<ul style="list-style-type: none"> ➢ PICTs are prone to natural disasters including cyclones, sea-level rise, coastal erosion, etc affecting ports and in turn affects shipping
<ul style="list-style-type: none"> • GLOBAL FINANCIAL SITUATION 	<ul style="list-style-type: none"> ➢ Rationalisation of operations by shipping companies have resulted in mergers and/or buyout, replacing smaller ships with larger economical ones and concentrating on lucrative routes ➢ Small operators have had to reduce services or form alliance with other stronger operators or get out of business or shift to less profitable routes.

 	
	
	
<h2>Regional Initiatives</h2>	
	<ul style="list-style-type: none"> • Framework for Action on Transport Services (FATS) developed in response to calls from Pacific Forum Leaders for improved coordination and delivery of regional transport services <ul style="list-style-type: none"> • The framework provides guidance to PICTs on enhancing national efforts to achieve safe, secure and competitive transport services that are regular, reliable and affordable • Key regional initiatives: <ul style="list-style-type: none"> • Kiribati Shipping Services Limited services to small island states – Tuvalu, Kiribati and Nauru • Central Pacific Shipping Commission • PIFS working with other partners will continue to prioritize members' needs in this area and will work with stakeholders to address the challenges



The header features a dark blue background with a stylized teal spiral on the left. In the center, there is a circular logo for the Pacific Islands Forum Secretariat, which includes a palm tree, a sun, and a moon. To the right of this logo is the text "PACIFIC ISLANDS FORUM SECRETARIAT" and the tagline "Excelling Together for the People of the Pacific". Further right is another circular logo for the Pacific Islands Forum 40th Anniversary, featuring a heart shape with a palm tree and stars. Below these logos is a photograph of a tropical beach with people walking along the shore. On the right side of the header, the text "PACIFIC ISLANDS FORUM" and "40th Anniversary 1971-2011" is displayed.

Central Pacific Shipping Commission

- The CPSC is an inter-government agency for joint cooperation, coordination and regulation of international shipping services.
- Members include Kiribati, RMI, Nauru and Tuvalu.
- Aims to promote access to international markets to promote trade and guarantee supply.
- Entry Assurance Certificates allocated on merit basis.

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