

## **19<sup>TH</sup> MEETING OF THE SPECIAL COMMITTEE FOR TRANSPORT**

Paramaribo, Republic of Suriname, 23<sup>rd</sup>-24<sup>th</sup> April 2010

### **Report of the Director for Transport and Disaster Risk Reduction**

#### **First Plenary Meeting**

#### **INTRODUCTION**

1. Between the 18<sup>th</sup> Meeting of the Special Committee on Transport (SCT) and the Meetings of the Special Committee on Budget and Administration and of the Executive Board in 2009, the Directorate for Transport and Disaster Risk Reduction worked within the mandates of the relevant Special Committees in order to present a Work Programme for Secretariat activities for the biennium 2010-2011 in these two focal areas.
2. Unfortunately, the draft ACS work programme was not submitted to the 15<sup>th</sup> Ordinary Meeting of the Ministerial Council and was therefore, neither discussed nor approved, leaving an unprecedented legal vacuum. Nevertheless, the Directorate has been working on an ad-hoc basis in order to continue its “standard” activities, until such a time as the Council can take steps to remedy the above-mentioned legal situation. At time of writing, the situation remains unchanged.
3. It must be further pointed out that the Directorate’s operational capacity has been seriously compromised by the untimely departure of the Directorate Advisor, due to non-renewal of his contract for reasons which still remain unclear. It is unlikely that this post can be appropriately filled in the near future, given the current circumstances.
4. The filling of the posts of Research Assistants, difficult at the best of times, has proven particularly challenging of late. Even filling the post of Unit Secretary proved to be difficult given the current situation regarding salary and other matters.
5. Since the election of Suriname as Chair of the Special Committee for Transport, the Director has worked closely with the Chair in order to propose an Agenda that at once addresses mandates and is attractive to Member States and ACS regional and international partners. In this effort, the reactivation of the Special Committee for Transport for “Uniting the Caribbean by Air and Sea” has been kept firmly in mind as the overarching goal of this 19<sup>th</sup> Meeting of the Special Committee.

## **REACTIVATION OF THE SPECIAL COMMITTEE FOR TRANSPORT.**

6. Though it is almost the last item of the Draft Agenda, the “Reactivation of the Special Committee for Transport” should be borne in mind throughout the meeting as the overarching goal of the meeting at Paramaribo. For the past couple of years, the attendance at meetings by Members has been waning in easily tangible ways. Not only has the number of Delegations participating at meetings seriously declined, but the tendency of those attending to be represented by non-specialists has increased. This, however, needs to be seen not as an isolated incident, but rather as part of a worrying trend system-wide over the last two years in frank contrast to the interest and concomitant attendance which had been generated up to 2008.
7. It is sincerely felt that, beyond the technical points that need to be addressed *ex officio*, the fundamentally political debate to be had around this point and the ensuing policy decisions will be the most significant outcomes of the 19<sup>th</sup> Meeting of the Special Committee, particularly as they pertain to the recent questioning of the functioning and even the structure of the ACS.

## **PORT AND MARITIME DATABASE and MAP OF MARITIME ROUTES OF THE GREATER CARIBBEAN. (Annex I)**

8. The finalisation of the pilot phases of the Projects on “**Port and Maritime Database of the Greater Caribbean**” and “**Map of Maritime Routes in the Greater Caribbean**” are watershed moments in the history of the Special Committee’s efforts to unite the Caribbean by sea. The success of both these has rewarded the faith of Members in the fact that, whilst we find mechanisms for the State to effectively legislate and otherwise implement policy to directly affect the behaviour of the market-led activities of the air and maritime transport industries (whether public or private), the identification of common obstacles and the access to information remain the most feasible means of intra-regional cooperation. The fact that, of all the Projects proposed and approved by the Special Committee, these two activities were the ones to attract the attention and financial support of the international community also speaks volumes regarding their value.
9. The Special Committee has long recognised that, since the majority of Caribbean imports and exports are transported by ship, it is in maritime transport that the greatest benefits from efficiency gains could be realised. Caribbean ports do not lack capacity overall, nor is the number of carriers insufficient for present needs. Instead, policy reform is needed to create incentives to improve administrative practices, stimulate investment to modernise existing facilities, and ensure efficient pooling of resources in this area. Incentives should emphasise greater competition, efficient management and regional cooperation. In all cases, improved data collection and dissemination among both users and providers of shipping services is urgently needed.

10. As trade liberalisation gathers pace and tariff barriers are removed throughout the world, transport costs are increasingly important in determining the final price of goods. This presents a huge challenge for our Membership. Because they are small and lack a diversified range of domestic resources, our countries depend heavily on imports to support local production and satisfy consumer demand. Small domestic markets also make us heavily dependent on export revenues to sustain economic growth.
11. Most ACS members face relatively high per-unit transport costs, which affect export earnings and import prices, whilst also hampering the development of closer intra-regional links. For example, Caribbean islands' freight and insurance costs represent more than 10% of total import value. For Central America, the share is slightly lower. This is almost double the world average of 5%. Total transport costs are a function of freight costs, insurance premiums, type of cargo, distance, port dues and tariffs, waiting times in ports, economies of scale and inland transport costs. While many of these costs can be attributed to our region's geography, sizable cost reductions could be achieved by eliminating important inefficiencies in the regional transport sector.
12. To address this issue and in order to strengthen maritime transport sector by improving functional co-operation in the Region, the ACS sought to develop a standardised, up-to-date maritime database to monitor port performance and allow inter-port comparisons, by gathering statistical information on port infrastructure, shipping services and cargo movement in the Greater Caribbean region. This was achieved and the software is ready for on-line implementation.
13. The other side of this coin has been the recognition that information regarding existing transport services is also sorely lacking. In this regard, the development of the Project on Maritime Routes was seen as an important tool for importers and exporters from within the region and for those outside the Greater Caribbean. The tool, it was thought, would also be of great interest to the region and extra regional shipping industry. Phase I of the Project was successfully completed and Phase II was approved by the 18<sup>th</sup> Meeting of the SCT.
14. Unfortunately, the realisation of the expected results of these activities will be severely hampered by the lack of resources and response from Members and by the staffing problems being encountered by the Directorate. Again, the non-renewal of the contract of the Directorate Advisor directly affects the continued pursuit of the Port and Maritime Database, as this official was the sole remaining Secretariat staffer who had received the training to operate the on-line tool.
15. There is another aspect to the future useful implementation of both these projects, as well as that of any other internet-based initiative that the Special Committee on Transport may wish to undertake. The Special Committee will recall that, for many years, amongst several semi-dormant projects, the Committee had in its Project Portfolio one entitled: Implementation and Operation of an Integrated Technological Platform for the Generation of Services to Optimise Logistics and Transport Operations and facilitate Regional and Extra-Regional Trade in the Greater Caribbean Area. A similar project existed in the portfolios of nearly all the ACS Special Committees.

16. In 2007, the Ministerial Council of the ACS approved the creation of a system-wide project called the Electronic Integrated System, which would become the official ACS web portal, taking as a reference the excellent results of the SIECA portal which has existed for quite some time. In fact, technical support from the SIECA Secretariat was kindly offered and gratefully accepted by the Council.
17. Almost simultaneously, the Ministerial Council, through Ministerial Agreement 10/07, also instructed the Special Committees to carry out evaluations and rationalisations of their portfolios. The Technological Platform project was one of those eliminated by the SCT in favour of supporting the system-wide portal. The same action was taken by the other Special Committees.
18. Unfortunately, since then, there has been no advance in this endeavour and the ACS Webpage, in its current form, would not be able to support the implementation of the Port and Maritime database or of the Map of Maritime Routes, even if we were successful in obtaining the data.

#### **OTHER PORTFOLIO PROJECTS. (Annex I)**

19. **Creation of a Coordinating Centre for Research, Consultation and Training for the benefit of ACS Member Countries.** This Project aims at increasing transport efficiency in the Greater Caribbean Region by creating a services entity that would serve as a capable and efficient centre for investigating the problems affecting the development of transport and its infrastructure, seeking intelligent and economically viable solutions, and preparing projects with competent staff members belonging to the Region, who are fully cognisant of the existing transport problems. This would, in theory, facilitate cost reduction and enable less developed member countries to gain access to solutions to many of the problems affecting them in the area of transport, which put them at a disadvantage with regard to trade development.
20. **The Creation of Bank of Problems and Solutions for Maritime-Port Activity in the ACS** was approved with a view to resolving these and other infrastructure and transport problems directly affecting international trade in the Greater Caribbean region. Its objective is to support the modernisation, harmonisation and rationalisation of transport, infrastructure and service policies, along the length and breadth of the Greater Caribbean, by fomenting cooperation among Member States. To this end, this programme identified the need to facilitate programmes and projects aimed at promoting the development of transport in order to contribute to the social and economic growth of the countries and territories that are part of the ACS. Similarly, it aims to stimulate broadly and permanently mechanisms of regional cooperation in the area of transport, with the objective of adapting existing infrastructures to the new realities and challenges of the regional and international integration processes.
21. As the Committee agreed at its 17<sup>th</sup> and 18<sup>th</sup> Meetings, the rationalisation of the project portfolio must be a work in progress. In this respect, it is respectfully submitted that these two projects on our portfolio aptly describe what should be the

very functions of this Special Committee and of the Secretariat. This, along with the high costs of their implementation (particularly when adjusted to 2010 Dollars) should suggest that important decisions need to be made by this 19<sup>th</sup> Meeting of the SCT regarding the continuation of these projects on the portfolio.

### **CO-OPERATION BETWEEN THE SPECIAL COMMITTEE FOR TRANSPORT AND THE SPECIAL COMMITTEE FOR SUSTAINABLE TOURISM WITH RESPECT TO THE ISSUE OF CRUISE SHIP TOURISM IN THE GREATER CARIBBEAN.**

22. The **Co-operation between the SCT and the SCST with respect to the issue of cruise ship tourism in the Greater Caribbean** is by instruction of the Special Committee on Sustainable Tourism and the SCT as endorsed by the Ministerial Council and the Meetings of Tourism Ministers of the ACS. It is believed that the issue will garner significant interest in the Membership, particularly given that the establishment of a body that gathers the cruise-ship destinations of the Greater Caribbean as a counterweight to the private sector lobby of the cruise-ship operators has awakened great interest and momentum of our transport and tourism policy-makers.
23. The contribution by the Directorate for Transport and Disaster-Risk reduction was well received by the Ministers of Tourism and we look forward to continued cooperation on this cross-cutting activity.

### **RELATIONSHIP WITH THE CARIBBEAN SHIPPING ASSOCIATION.**

24. The ACS “**Relationship with the Caribbean Shipping Association**” is one of such evident importance that little elucidation is necessary. The high-level representation of the CSA at the 18<sup>th</sup> SCT, as well as the keen interest in partnering with the ACS in the “**Map of Maritime Routes**” and “**Port and Maritime Database**” projects should be seized upon without hesitation and the 19<sup>th</sup> Meeting will need to debate quite seriously in order to provide the Directorate with the guidelines for this fundamental synergy. We look forward to a productive exchange of ideas with our private sector partner during this Meeting.

### **ACS AIR TRANSPORT AGREEMENT. (Annex II, III)**

25. The “**Air Transport Agreement between Members of the Association of Caribbean States**” is one of the landmark achievements of the Special Committee and of the ACS as a whole. Though the Agreement has now entered into force (after ratification by the Republic of Suriname) the true benefits of the legislation will not be felt until ratification becomes more universal. There are a number of ACS Members who are ready to ratify and need only a small nudge at the parliamentary level, whilst others have voiced some concerns and will need some advice, flexibility and assurances before they can proceed. The Special Committee is the ideal forum for this important debate.

## **AIR ROUTE CHART AND CONNECTIVITY ANALYSIS. (Annex IV)**

26. The preparation of an “**Air Route Chart**” is a long-standing ambition of the SCT and, as such has been a standing instruction and permanent activity of the Directorate, reiterated by successive meetings of the Special Committee. In this regard, the Directorate has insisted, sometimes several times a year, on obtaining the necessary data from Members (**Annex V**). The preparation of such a chart has been considered fundamental to an informed analysis of the current state of the goal of uniting the Caribbean by air. However, populating the database has proven quite a challenge, as it has been very difficult to secure responses from the Membership. Furthermore, what little information is received soon becomes out of date.
27. It was in fact in acknowledgement of these obstacles that at the 18<sup>th</sup> Meeting of the SCT, the Delegation of Suriname proposed the “**connectivity analysis**” which the Directorate has steadfastly attempted to undertake with very little response from Member States.
28. One of the important policy decisions that the SCT will need to take at Paramaribo, will be on whether to continue with this activity and, if so, on what decisions and/or mechanisms will be put in place to accomplish the goal of understanding the current state of air connectivity in our region with a view to helping countries in the formulation of policies geared at resolving the serious lack of direct air connections between Members which often means the resort to layovers in non-Member countries with the concomitant increase in costs of fares, as well as visa issues and the cost of lodging due to long layovers.

## **BASES FOR CREATING A COMMERCIAL CO-OPERATION ALLIANCE AMONG THE AIRLINES OF ACS COUNTRIES. (Annex VI)**

29. The negotiation of “**Bases for Creating a Commercial Co-operation Alliance among the Airlines of ACS Countries**” has also been on the Agenda of the Special Committee for many years. The attempts by the Secretariat to continue the negotiations have also been affected by the lack of response by Members. However, an important step was taken during the 18<sup>th</sup> Meeting of the Special Committee in terms of clarifying that though the “Bases” will be determined intergovernmentally, implementation will fall upon the airlines themselves.
30. Unfortunately, the shortage of staff in the Directorate, especially after the non-renovation of the contract of the Advisor, will seriously affect the preparation of the compilation document requested by Members at the 18<sup>th</sup> Meeting.

## **RESOURCE MOBILISATION**

31. In the mobilisation of extra-budgetary resources, the Association of Caribbean States competes with a sizeable number of international and regional organisations for an ever-decreasing basket of resources. Added to this is the circumstance that, as an organisation for consultation, co-operation and concerted action in the Greater Caribbean, one way or another, the Association contends for resources with several global, regional and sub-regional organisations working in similar fields. The

Association is sometimes also perceived as competing for financing desired by many national mechanisms that have similar mandates.

32. What is more: In our endeavours to mobilise external resources, we are competing for the same dollar with organisations that are much stronger in terms of resources of many types, which include their established standing in the different fields, track record in managing extra-budgetary resources and in results, planning capacity and convening power, not to mention financial resources and above all, much greater human resources.
33. Therefore, the multilateral co-operation organisations, as well as sources of unilateral financing (hereinafter referred to as: *donors*) are inundated almost daily with requests for financial co-operation coming not only from our region, but from all corners of the world. Obviously, all requests cannot be granted and as a matter of fact, most are not even considered since there is a series of “filters” that allow donors to channel their international co-operation toward projects that would fulfil four basic objectives:
  - 33.1. Ensure that the co-operation and the implementation of the project have a positive and tangible impact in the field. There is a growing demand for a local and even community impact.
  - 33.2. Ensure that the co-operation has a positive and tangible impact in terms of the bilateral political and economic relationship between donor and recipient (co-operation is not charity).
  - 33.3. Maximise economies of scale.
  - 33.4. Ensure that there is high visibility of the co-operation in terms of the donor’s image in the International Community and that the 0.7% quota of official development assistance (ODA) is met.
34. As a result and although the high, medium and low-ranking representatives of the donors will always hear our verbal proposals in a diplomatically positive fashion, any proposal that does not have written conceptual and programmatic support has a lower probability of success. Clearly, this by no means underestimates the crucial later efforts to promote projects in a verbal and ongoing manner but it merely seeks to explain that the order of the factors in this case does indeed alter the product.
35. As regards the steps taken by the DTDRR throughout its mandate, it must first be pointed out that the results have been mixed over time. Despite the fact that during the first three years of his tenure, the Director was able to mobilise considerable extra-budgetary resources for Transport and Disaster-related activities, in the last two years, only US\$3,000.00 have been obtained (for DRR). Some of these funds were deposited to the Special Fund, while others were mobilised through the direct payment of invoices for goods and services by donors.

36. Although it is true that the Secretariat has never had a single, formal and consolidated policy for mobilising extra-budgetary resources, under previous Administrations, the Director was allowed direct access to donors and furthermore, the official was given considerable support from the hierarchy in the diplomatic aspects of the quest for funds. In the current scenario, the relationship with traditional and possible donors has been maintained entirely by the Chief Administrative Officer.
37. Lastly, the issue of resource mobilisation cannot be addressed without making reference to the current state of the Special Fund of the ACS. In this respect, it must be acknowledged that in the past, great strides were made toward resolving some of the problems existing in the operation of the Special Fund. During that term (in chronological order):
  - 37.1. Through co-operation from Martinique in the framework of the Special Fund, the services of a full time official to manage the affairs of the Fund were obtained;
  - 37.2. New **Operating Regulations of the Special Fund** were promulgated, which clarified questions pertaining to the acquisition and use of funds;
  - 37.3. The Committee for Resource Mobilisation was created.
  - 37.4. Ministerial Agreement 10/07 was approved, which established the mechanism for approving activities within the framework of the ACS.
38. In the current climate, it has been a challenge to communicate up the chain of command the notion that projects approved by the Special Committees must take precedence over any Secretariat initiative. Additionally, the post funded by Martinique was eliminated (upon the sudden resignation of the Martinican Official), the Operating Regulations of the Fund as well as Agreement 10/07 do not seem to be well-understood and the Committee for Resource Mobilisation has not met since 2008. All of this, together with the consequences involved, has been acknowledged by Member Countries and the Ministerial Council has authorised the intervention of the Fund by the Member State that chairs the Council of National Representatives of the Special Fund.
39. It is important that, in their deliberations and decisions, Member States take into account that the Directorate for Transport and Disaster Risk Reduction has a budget of under US\$15,000,00 (half of which goes to financing the Meetings of the Special Committee and half to official travel) and a maximum staff of four, in the unusual circumstance that all the Directorate's posts are filled. This serves to underline the fact that external resources are a *sine-qua-none* prerequisite for the achievement of any aspirations that the Special Committee may set itself. This also requires that a great deal of pragmatism come into play when giving the Secretariat mandates.
40. The Directorate takes this opportunity to reiterate its commitment to providing timely, quality service to the Association of Caribbean States in its efforts to unite the Caribbean by air and sea.