

49041 Extra

Distr.
LIMITED

TCTD/PTA/82/7
8 October 1982

ENGLISH
Original: ENGLISH/FRENCH

ECONOMIC COMMISSION FOR AFRICA

Meeting of the Technical Committee on
Transport and Communications of the PTA
for Eastern and Southern African States

Lusaka, Zambia, 1 to 5 November 1982

- A. CO-OPERATION IN TRAINING OF PORT AND SHIPPING PERSONNEL
- B. CO-OPERATION WITH A VIEW TO ESTABLISHING A MULTINATIONAL
COASTAL SHIPPING COMPANY
- C. CO-OPERATION IN THE ESTABLISHMENT AND/OR RUNNING OF
NATIONAL FREIGHT BOOKING CENTRES

FOR TECHNICAL REASONS PARTS B AND C OF THIS TRANSLATION HAVE BEEN ISSUED
WITHOUT REVISION

A. CO-OPERATION IN TRAINING OF PORT AND SHIPPING PERSONNEL

1. Many African countries in general and the PTA countries in particular are facing serious problems of management and of lack of skilled shipping and port personnel. Port productivity and modernization of facilities and equipment are lagging behind the needs of traffic, causing congestion, low degree of utilization of assets and increase in transport costs. As pointed out various sessions of the ECA Conference of Ministers, the over-all progress of the merchant fleet of African countries has been minimal.
2. Governments, in many cases, have experienced difficulties in establishing satisfactory administrative systems and adopting adequate maritime legislation which would have facilitated the development of the national shipping industry and the control of foreign trade.
3. There is, therefore, an urgent need to carry out in the subregion a large training task in the field of maritime transport. Indeed, several training courses and seminars have been organized over the past years in the subregion by a number of organizations including ECA. However, these training actions were often developed on an adhoc basis, often at a high cost per participant and with practically no co-ordination.
4. The Council of Ministers of the Lusaka-based MULPOC at its third meeting held in Gaborone, Botswana, in January 1980 decided that a survey of training requirements in maritime shipping and ports should be undertaken by ECA and IMO. Such a survey was carried out in May 1980 with regard to training in shipping and in November 1980 with regard to training in ports.
5. The two joint ECA/IMO reports containing the quantitative and qualitative training requirements of Eastern and Southern African countries in the maritime sector were presented first in brief at the fourth meeting of the Council of Ministers of the Lusaka-based MULPOC held in Maseru, Lesotho from 19 to 22 January 1981 and in full at the fifth meeting of the council of Ministers which took place in Lusaka, Zambia from 23 to 25 March 1982 where both reports were adopted and resolutions on them were passed.

(a) Training of shipping and port personnel

6. The joint ECA/IMO survey estimated that in the next five years the total number of officers (deck, engine, radio, harbour masters) to be trained is 528. The joint ECA/IMO survey showed that the existing training facilities and training programme available are insufficient to meet such training demands in the subregion. This highlighted the magnitude and the urgency of the training task and especially the need to:

- Develop training programmes which would match the most urgent needs of Eastern and Southern African States;
- Promote subregional and national training capabilities by recruiting and training instructors and course designers;

- Establish in some of the countries in the subregion national training centres adequately equipped for the use of modern training techniques;
- Introduce a system of co-operation between the countries, aimed at making better use of available resources and facilities.

Taking into consideration the fact that the organization of maritime training is a high technology undertaking, for which individual countries will neither have the resources nor the experts, the joint ECA/IMO survey stressed in particular the need for collective action and co-operation among the maritime States in the subregion and co-ordination of their aims and aspirations to achieve maritime training development.

To this end it was recommended that the following training facilities in the subregion be used:

A. L'ENTM de Madagascar

L'Ecole nationale de transports maritimes de Majunga at present delivers training courses for the personnel from Madagascar and Seychelles of the following specialities:

- Officers for fishing vessels;
- Officer for cabotage sailings;
- Mechanics of 3rd class;
- Mechanics of 2nd class,

B. Bandari College, Mombasa

The joint ECA/IMO mission, having received an assignment to study the existing training facilities of Bandari College, Mombasa, Kenya with a view to the possible conversion of the College into a multinational training centre for the subregion came out with the following conclusions and recommendations:

- Each coastal State has a plan to establish facility for the training of low level and middle port management personnel where such facility does not exist;
- All States visited support a subregional training institute to be established and no State has shown any opposition to Bandari College of Mombasa to be the one for the Lusaka-based MULPOC member States provided it caters to their training requirements;
- All States visited believed in the training of trainers for low and middle port management personnel so as to enable them to conduct training in their own countries using national languages for low grade port personnel;

- A subregional port academy be attached to Bandari College of Mombasa rather than Bandari College be converted into a subregional academy. The views of the Kenyan Government to this idea should be sought;
- Once the view of the Kenyan Government is obtained and if it would be positive, the Port Management Association of Eastern and Southern Africa (PMAESA) together with Kenya Ports Authority (which is the owner of the College) should be charged with the preparation of the necessary organizational setup and syllabi leading towards meeting the training requirements of PTA member States.

C. Subregional project for the establishment of the Maritime Academy for Eastern and Southern Africa

The political will to establish a subregional Academy of Maritime Science and Technology in Eastern Africa was officially expressed at the highest level of African officials concerned in May 1979, at Addis Ababa, during the ministerial meeting which decided on the United Nations Transport and Communications Decade in Africa.

Without waiting until adequate funds have been found through the financial assistance to be mobilized to implement the programme of the first phase of the Decade, ECA in association with IMO, launched a pre-feasibility study in December 1979. This pre-feasibility study was presented at the Fifth Meeting of the Council of Ministers of the Lusaka-based MULPOC in March 1982 [DOC.ECA/MULPOC/Lusaka/V/6/(X)].

The implementation of this project would allow the majority of the countries of the subregion to train the high-level maritime personnel in the following areas:

- Navigators for merchant marine fleet;
- Engine-officers for merchant maritime fleet;
- Radio-officers;
- Administrators of the merchant marine (maritime law, maritime economics, finance, accounting and statistics, book-keepers);
- Civil engineers;
- Shipbuilders;
- Hydrographic engineers;
- Chief engineers and other engineers for dredging.

As estimated in the ECA document ECA/MULPOC/LUSAKA/V/6/(X) the total investment required to establish a subregional Academy of Maritime Science and Technology would be \$US 14,168,100.

Recommendations

It is recommended that the PTA Transport Committee discuss the recommendations of the ECA/IMO studies and:

- Consider the possibility of establishing the maritime academy for training of shipping personnel for the subregion;
- Consider the proposal on the establishment of a subregional port academy on the base of Bandari College in Mombasa, Kenya;
- Consider the possibility of using the ENTM in Madagascar for training of French-speaking maritime personnel from other countries of the subregion.

B. ~~CO-OPERATION WITH A VIEW TO ESTABLISHING A MULTINATIONAL~~
COASTAL SHIPPING COMPANY

I. The political will to organize a coastal shipping service for Eastern and Southern Africa within the framework of broader co-operation was unanimously expressed for the first time by the Lusaka MULPOC Council of Ministers of Transport at its meeting held in Swaziland in April 1976. At those meetings, the Ministers on the one hand pointed out the inadequacy of transport infrastructures particularly of water transport and on the other hand noted the predominant role that coastal shipping could usefully play in achieving the desired degree of effectiveness in maritime services for the economic zone concerned.

At the fourth meeting of the MULPOC Committee of officials, a general consensus emerged according priority to the proposed establishment of a multinational coastal shipping company.

This joint initiative has steadily gathered momentum with the emergence of numerous similar projects of smaller size involving two, three, four or even five countries only. The total stands at six subregional projects with coastal shipping components. In addition this consolidated thrust in horizontal integration efforts or projects relating to the operations of national inland shipping companies were broadened or extended to the subregional level. Owing to the inherent danger of excess capacity, such vertical and horizontal integration efforts constitute a threat to the profitability of the maritime companies concerned and particularly to the proposed multinational shipping company.

With specific regard to this company, it is believed that earlier initiatives to organize it effectively should be reviewed in light, on the one hand, of a more indepth and comprehensive feasibility study, and on the other hand of a sounder approach aimed at integrating into the project under study all similar present or future subregional initiatives envisaged.

II. The need for and importance of subregional action in coastal shipping
in Eastern and Southern Africa

Owing to the numerous advantages arising from a joint coastal shipping venture in Eastern and Southern Africa, several multinational projects have been drawn up while others have actually been carried out.

A. The need for subregional co-operation in the field of coastal shipping

The major advantages listed below should ensue if co-operation is successfully organized among the States concerned:

1. Better prospects for mastering the rationalization of coastal shipping services in the subregion, resulting in better control over excess capacity of costs to the conferences concerned;

2. Better prospects for specialization in coastal and long-haul shipping which would prevent ocean-going ships from making stops of doubtful profitability in small ports;

3. Better prospects for risk-sharing in shipping investment, increased potential, on the one hand, for guarantees to users and on the other hand, increased capacity to negotiate the terms of financing with the sources of finance;

4. Better commercial prospects for joint shipping including reduction of agency costs and control over the partitioning of the market to be served by the joint company;

5. Pooling of the very scarce human resources in the sector of maritime transport at the level of both ship and shore staff.

B. Lessons emanating from the multiplicity of subregional past or future coastal shipping actions

The extent of the political will to co-operate in this area is demonstrated by the six major actions described below. Those actions will obviously have to be reviewed in light of a more coherent policy and approach.

1. Outline of existing and envisaged co-operation in the field of coastal shipping in Eastern and Southern Africa

The Tanzanian-Indian coastal shipping company project currently under study

(a) The company will have among other things transport livestock between the United Republic of Tanzania, the countries of the Gulf and India. A study will be conducted jointly by TACASHILI (a Tanzanian agency) and Indian research experts.

(b) SINOTASHIP, A Tanzanian-Chinese company

The four 10,000 ton ships of this company have for several years been plying the route between east Asia, the Persian Gulf, the Mediterranean and Europe. It intends to expand its operations to ship petroleum products to the subregion.

(c) The (draft) co-operation agreement between the United Republic of Tanzania and Mozambique

The two countries agreed under the terms of this agreement to use their local currencies for commercial transactions between them, particularly in payments for transport services. Officials of the two countries are supposed to have agreed to set up a joint maritime service department which would eventually be extended to other countries in the subregion and ultimately to cater for ocean shipping. Consultations are said to have been conducted on the conclusion of an agreement concerning the reciprocating of maritime traffic duties between the two countries.

(d) The (draft) co-operation agreement between the United Republic of Tanzania and Somalia which is based on the model described above.

(e) The project concerning the establishment of a shipping company in the zone of the Indian Ocean was initiated by Mauritius, Comoros and Djibouti. The project feasibility study suggested three options:

Under the first option the proposed company would use standard 12,200 Tpl mixed cargo vessels to ply a long distance route between the subregion (Indian Ocean and East Africa) and Europe and with the long distance service provide a coastal service between Mauritius, the Seychelles, Djibouti and Comoros.

The second option would in addition to the functions entrusted to the company under the first, involve carriage of part of the bulk sugar traffic between Mauritius and the United Kingdom. Under that arrangement, 12,200 Tpl mixed cargo vessels would be running concurrently with a 17,000 Tpl bulk sugar/mixed cargo type E vessel.

The third option consists of three sub-options relating to the degree of containerization basically requires the proposed company to provide locally based regional service. The company would thus carry mixed cargo between Mauritius, Comoros, the Seychelles, Mombasa (the main hub of coastal shipping in East Africa) and Djibouti which would play the role of transshipment port for Europe-bound cargo.

In the long term, the locally based regional service will have to become completely containerized because the stowing of bulk cargo hardly justifies the higher handling costs involved.

However, since it is improbable that bulk cargo from the subregion will be containerized 100 per cent, the study has also considered two other locally-based regional service possibilities as secondary options applying among other things to cases involving less than 100 per cent containerization.

(f) Project concerning the establishment of a multinational coastal shipping company in the Eastern and Southern African subregion.

The project, coming at a time when the hold supply situation described above has worsened as a result of the frenzied clash of subregional initiatives, has been considered in at least two feasibility studies conducted for the Lusaka based MULPOC recruited consultants. These are:

The study entitled "A Multinational coastal shipping line in Eastern Africa" 1977;

The study entitled "The economic and legal basis for establishing a coastal shipping service for the East and Southern African subregions" (January 1982).

Comments on the summarized content of the studies:

The first study took stock of the main coastal shipping services provided on the one hand by shipping lines flying the flag of respective countries in the subregion, taken both individually and subregionally (the size and condition of the respective fleets of those shipping lines, the routes plied in the subregion, the type of cargo handled and the prospects for expanding those shipping lines) and on the other by foreign shipping lines operating in the subregion. It also provided information on current coastal traffic handled by the ports of Mombasa, Mozambique and Dar-es-Salaam and by the secondary ports of Kenya and the United Republic of Tanzania. This cargo flow data, however, failed to indicate the volume of existing demand and consequently of the quantity of ships to be invested. The data had been classified neither by range nor type of cargo nor by category of passengers handled, not to mention with regard to evaluating the potential coastal traffic duty the factor of the amount that should accrue to each country - such a factor being critical in negotiating the capital distribution of the proposed joint coastal shipping company.

The report finally stated a series of proposals regarding the various forms that the proposed company would take - co-operation within a single conference of shipping lines providing maritime service in the subregion,, a consortium of existing coastal shipping companies, a merger of these companies or a new joint venture. The proposals also focused on the shipping subsector, namely of subregional coastal shipping over which the company should have a monopoly. The study judiciously recommended a project implementation strategy the main elements of which are outlined below and which show the limitations of the study:

Establishment of an intergovernmental committee of national experts to delimit the various phases of project implementation and to supervise on a continuing basis the project implementation activities;

Integration of the relevant projects of countries desiring to participate in the proposed company;

Detailed study of:

Potential demand and supply of coastal shipping;

Training needs arising from the establishment of the proposed subregional company;

Necessary financial resources;

Statutes and other legal instruments relating to the establishment of the proposed company;

Deciding on the form that the proposed company should take. It should be noted in this regard that the choice of any specific option, whether of co-operation within a conference, consortium, merger or new venture should be backed by precise evaluations.

The second study, which unfortunately failed to cover the substantial inadequacies of the first again failed to answer the no less important question of the financial performance of the subregional company whose viability has yet to be proven. Indeed, the study provokes the following comments:

Research into the intended market was strictly confined to current statistics available on the main products that account for the regional trade of each country with no reference made however, to the routes plied. Nor was there any projection made over time of the statistical data, which meant in effect that the intended market of the proposed company was to all intents and purposes unknown.

Hold supply data covering maritime trade needs within the subregion have similarly not been precisely recorded. This applies in particular to the respective fleet of ships registered in each country.

The lack of sufficient trade data essential for determining the needs of the appropriate fleet and for that matter of the investment required renders pointless the proposals made by the study regarding the legal bases to be accorded the proposed multinational company - Pooling of operations under Ship Pool Management, Pooling of Existing Services or Joint venture in a Multinational Line. Such arrangements imply very precise knowledge of the reciprocal weight of the various partners in the operations of the proposed company. The study gave no information as to the contribution of each country to the income, nominal capital and fleet of the proposed company.

Lessons to be drawn from the lack of co-ordination of initiatives and proposed establishment of coastal shipping services in Eastern and Southern Africa.

The impressive number of established and proposed national and subregional coastal shipping services (roughly 14 including foreign lines) leaves some doubt, owing to the foreseeable weakness of an otherwise badly researched market, as to the financial viability of such creations, unless existing shipping lines, through the monopolistic practices of the (Eastern and Southern African coastal shipping lines) conference system charge exorbitantly high freight rates; unless also some of the shipping lines are heavily subsidized by Governments. A significant indication of the risk involved in all these unco-ordinated creations can be seen from the project initiated by the Governments of Mauritius, Djibouti and Comoros. Sensitivity tests conducted on the three options considered showed that the project is very vulnerable because of treasury gaps.

III. The need for a change in approach in order to implement effectively the project on a multinational coastal shipping service for Eastern and Southern Africa

The progressive approach to analyzing the feasibility of the proposed company is seriously handicapped by a lack of continuity between the two studies conducted and which have been commented on earlier. The main consequence is that some of the useful information collected by the study needs to be updated.

The approach was certainly followed because of the pressure of demand from States at a time when the financial resources available were very limited.

A global approach should be preferred provided that appropriate financing is mobilized. That new approach to be followed would have to consist of the following successive tasks:

- (a) In-depth study of current and future subregional coastal shipping needs taking into account the various routes and traffic; the market potential for each country in the subregion should be correctly evaluated.
- (b) Detailed study of current and future maritime shipping services in the subregion, including those provided by foreign ships; particular stress should be laid on the respective hold capacity provides or to be provided by each country in the subregion;
- (c) In-depth study of net current and future coastal shipping service needs in the subregion;
- (d) Detailed study of the various obstacles that might impede the access to the market of a new coastal shipping company in the subregion;
- (e) Detailed study of the specifications of ships to be run on various routes in the subregion, taking into account the existing port and commercial constraints;
- (f) Detailed study of the additional investments in coastal shipping vessels to be provided for;
- (g) Study of the financial viability of the proposed company on the basis of several sensitivity tests;
- (h) Study of the economic benefits expected from the establishment of the proposed company;
- (i) Detailed study of the various forms that the proposed company might take: conference, consortium, merger or joint venture with details given as to the advantages of each form and the responsibilities involved and also the legal problems to be resolved;
- (j) Detailed study of the training needs and programme that the establishment of the company entails;

(k) Establishment of an intergovernmental committee to co-ordinate the project implementation activities;

(l) Detailed study of solutions regarding integration of all existing or envisaged competition into the proposed company;

(m) Firm political commitment of States interested in the multinational company to integrate into it all existing or envisaged competition.

C. CO-OPERATION IN THE ESTABLISHMENT AND/OR RUNNING OF
NATIONAL FREIGHT BOOKING CENTRES

Before specifying the reasons that favour co-operation among States in the establishment and/or running of central freight booking offices, there needs first of all to be specified the objectives, advantages and limitations of such an institution.

A. Objectives of a central freight booking office

A national freight booking centre (or central tonnage booking office) is a special institution for grouping cargo and rationalizing the maritime services of a specific country or group of countries. Its objectives, which may be broadened as and where necessary, are basically to:

1. Centralize all bookings of space on board merchant vessels operating on a given range;
2. Allocate the cargo to be shipped within the range to vessels specified under arrangements concluded among shippers parties to the sharing agreement; such arrangements could also be concluded by the public authorities of the country concerned in the light of national merchant shipping policy objectives;
3. Prohibit import and export laders or their representatives from booking space directly from shippers or shipping agents.

B. Advantages and limitations of a central freight booking office

The effective operation of a central tonnage booking office benefits laders, shippers, maritime ports and the national economy as a whole.

(a) Benefits to shippers

Shippers signatories to the agreement establishing a central freight booking centre can expect the following benefits:

- (i) Protection from the stiff competition of shipping companies not parties to the freight sharing agreement which guarantees the parties profitable freight;
- (ii) Welcome prospects of significantly reducing their operating costs through the positive effects of cargo grouping and streamlining of their sailing schedules. Such organization increases the competitiveness of the shippers concerned and consequently consolidates the financial profitability of their lines.

(b) Benefits to laders

The following main benefits may be seen to accrue to laders:

- (i) Serious prospects for the elimination of the very damaging discriminatory practices affecting the most numerous category of laders:

Organizations that combine the functions of lader and shipping agent create for shippers a routing situation which adversely affects mere laders. On the one hand such dealers/shipping agents give priority to the lading of their own freight over that of dealders who use their shipping services. This in addition secures for them substantial hidden rebates conceded on account of the reliability they have come to be identified with by shippers for whom they act as agents. The lading privilege becomes a threat to dealers in that they might lose custom to dealer/shipping agents who are better able to deliver on time.

Shippers accord preference to bulk laders with a view to securing the exclusive right among other things to hidden rebates and lading preference. All these practices are disadvantageous to small laders who fall into the most numerous category of all and for the most part come from African countries. Among the problems such small dealers have to cope with are the fluctuation of their capacity to compete in prices and in marketing and the risk of orders getting cancelled at the unforeseen default of some ships.

(ii) Cargo grouping and the streamlining both of berthing frequency and freight provide greater opportunities for exerting better control over the risks of excess capacity of normal shipping and consequently for significantly reducing ship operating costs particularly at the level of conference liners whose ritual boom in freight rates would otherwise lose its justification. Laders' organizations would on the contrary be well advised to take this opportunity to negotiate lower and fairer freight rates.

(c) Benefits to maritime ports

The central freight booking centre's objective of streamlining the frequency of port calls enables efficient use to be made of port installations and thereby prevents any danger of the ports in question becoming congested. This involves the judicious and optimal use of various equipment, quays, warehouses and other available space with a view to improving port operations, lading time, rotation schedules and handling.

(d) Benefits to the national economy as a whole

The benefits vary widely but the main ones are the following:

- (i) Improvement of the maritime component of the external balance of payments through significant reductions in the level of freight rates;
- (ii) Better prospects for the orderly development of the national shipping fleet in that authoritarian booking (efficacious to the national fleet) of a significant percentage of the freight generated by the specific economy guarantees conditions for both its commercial and financial success;
- (iii) Renewed competitiveness of sales and purchases abroad owing to the moderation of freight rates that might arise from the grouping and rationalization measures described above.

2. Limitations to the efficiency of a central freight booking office

The objectives of a central freight booking office can be fully attained only under the following conditions:

(a) The freight to be centrally organized should neither in theory or in practice be captive. This applies among other things that under such expediting conditions imports should be treated f.o.b. and exports c.i.f. It is in fact not always easy to impose c.i.f. sales on buyers desirous of organizing the shipment of their purchases abroad by themselves either in order to take advantage of the rebates that shippers to whom they have remained faithful might accord them or to avoid having to entrust their cargo to shippers who have largely proven inefficient.

(b) The necessary firmness needs to be exercised in checking fraudulent practices that encourage incomplete or part shipments. Dealers and shipping agents are often accused of raising this type of obstacle to the streamlining of schedules.

(c) The traffic that the central freight booking office wants its operations to cover should be regular both in volume and diversity.

C. The need for States signatories to the treaty establishing the PTA to co-operate in the establishment and/or running of their national freight booking centres

States members of the Preferential Trade Area will find it advantageous to co-operate in the following areas variously related to the efficient operation of central freight booking offices:

1. Identification of traffic that lends itself to grouping and for which the streamlining of call frequencies is relatively easy.
2. Exchange of experience in solving problems encountered in the running of freight booking centres.
3. One of the essential functions of freight offices is on the one hand to distribute freight in accordance with fixed quotas to shipping companies and on the other hand to ensure effective compliance with such quotas. Consequently, freight offices need to be represented in the major ports of shipping routes covered by the operations of the booking centre. This involves heavy investment and operating costs that should advisedly be reduced with the establishment of branch offices jointly run by PTA countries.
4. One reason for co-operation lies in the fact that the success of a policy to streamline the maritime service of any territory whatsoever hinges (where regular liners are concerned) on whether hold supply and demand are taken into account and co-ordinated from other ports of the head of range considered.

D. Conclusions and recommendations

From the foregoing, the objectives of a central freight booking centre clearly show that, subject to the taking of certain precautions such an institution serves the interests of loaders, shippers, port authorities and the national economy alike.

These commercial operators could therefore reasonably be expected to contribute towards its financing, in particular through the levying of import and export duty.

It is also recommended that the central freight booking office should, since it basically serves the interests of dealers, be integrated into a loaders' council which is another organ the establishment of which we would strongly recommend since its purpose is to protect loaders' interests as a whole from abusive raising of freight rates, discriminatory practices and all liner conference abuses in general.