

# **The Future of the Shipping Industry and Opportunities for Trinidad & Tobago**

Global shipping is one of the most diverse and intricate industries by virtue of the number of stakeholders involved in its conduct. Over the last 50 years, numerous changes have occurred in the shipping industry; from the birth of containerised cargo in 1956, to the high tech management systems employed at numerous ports.

It is against this background that we discuss the future of the local shipping industry; a future which hinges on Trinidad and Tobago's ability to make a fundamental shift in approach. This shift is predicated on fast-tracked growth and development, and the ability to attract large players who encompass all facets of the industry. The price of this development is potentially quite high, but the direct benefits to be derived from these investments for companies involved in the sector and the long term contributions to the our GDP will far exceed the costs of initial and subsequent investments. Singapore's shipping industry, with its well developed and highly efficient ancillary services, is a stark example of what can be done through structured and disciplined investment. This is a country with no natural resources of its own but which leveraged its human capital and geographic location to become the most successful transshipment hub in the world. This sparked the growth of several other industries and unemployment in 2011 stood at approximately 2%.

Trinidad and Tobago has in excess of thirty official ports, the majority of which are spread across the entire west coast of the country. The diverse nature of the activities at the various ports indeed has a direct bearing on the types of support services and operations. The services that are endemic to the oil and gas-based port at Guayaguayare are entirely different to what is offered at Point Lisas. Consequently, different clusters of operations have developed at the different ports. At the same time however, there are numerous areas of operation and issues that are common.

The common areas relate to transportation, brokerage services, Customs processing, crewing, stevedoring and equipment operations, bunkering and supplies. Interestingly enough, these common areas, which provide the greatest challenges, also afford the most scope for improvement and development.

## **The Opportunities**

The opportunities can be clearly defined in the context of commercial and service.

With respect to the commercial side, there are four key areas that will generate commercial activity.

These are:

- the widening of the Panama Canal
- economic growth of our trading partners
- Government's commitment to diversify away from the heavy economic dependence on the oil and gas sector.
- Expanding of available services

Today, in excess of 14,000 commercial carriers transit the Panama Canal on an annual basis. The current Panama Canal accommodates vessels of up to 5,000 TEUs. The completed Panama Canal Expansion Project, due to be completed September 2014, will see an almost tripling in capacity, where vessels of up to 13,000 TEUs will be able to traverse the new locks. A commensurate increase in the size of general cargo and bulk vessels will also be accommodated. The fact is, in an effort to optimise their operations, shipping lines are and will inevitably adjusting their fleets to take advantage of the Canal widening. The conventional main liners are slowly becoming feeder vessels and the larger new builds are becoming the main liners. As a consequence, current feeder vessels are being removed from service. Evidence of this is supported by Maersk's decision to build twenty 18,000 TEU vessels for deployment into the company's fleet.

These changes pose a potential threat as well as an opportunity for Trinidad and the region. The threat exists to the extent that ports may not be able to accommodate the larger vessels, resulting in adjustments having to be made to the shipping routes with a resultant impact on cost of goods. This will influence exports as well as imports.

Expansion of ports to facilitate the larger vessels will not only address this concern, but also present an opportunity for Trinidad to position itself as a major transshipment cargo hub - servicing the Caribbean and Latin America. This by virtue of its advantageous geographic location, and the strengthening of the Latin American economies; especially Brazil. For the same reasons outlined in the preceding, the potential for development of a distribution and logistics centre can also be leveraged.

In excess of 500 commercial vessels call at Trinidad & Tobago's ports on a monthly basis. The significance of this is that the potential for the provision of related services are indeed considerable. The related services and their off-shoots are outlined in respect of the projected increases not only in the traditional lines of business, but for development in the non-traditional areas as well. The traditional areas referred to include:

## Agency Management

With the growth in the industry, a number of new shipping lines are expected to enter the market, thus creating additional opportunities for companies interested in providing representation services. There is expected as well to be an increase in the need for other complimentary services.

## Ships' Stores and Spares

There is expected to be a commensurate increase in the need for ships' stores and spares and related type services. The upside to this is that local suppliers, for example in the farming sector, could see a substantial increase in demand for their produce. In fact, opportunities could be created for one to one arrangements.

## General Ship Repair Services

Ship Repair services in Trinidad & Tobago have been in the doldrums for a number of years. This has come about for a number of reasons, not least of which have been a reduction in vessel calls, and a failure of the industry to keep pace with technology and to retool. The necessary investments in technology, tooling, training and infrastructure is required to take advantage of the expected upsurge in business. It is well noted that a lot of the existing infrastructure for dry and wet docking do not have the necessary facilities to accommodate the larger types of vessels. This will need to be seriously addressed if the country expects to realise the benefits promulgated.

## Bunkering

The issue of bunkering has received a lot of attention recently, due to the widespread illegal activity. With a clamping down on illicit activity, avenues for growth have been created for companies already in the business, or those hoping to enter on a legitimate basis. Although the margins may be considerably smaller for these companies, the profit potential is large given the expected growth in volumes.

## Crewing

Over the years, Trinidad & Tobago has failed to take advantage of the potential offered for creating an industry for crewing of vessels. By virtue of its location in the shipping lanes, and the easy connections to international air destinations, the country could much more fully exploit the potential for offering crew. Most companies have focused on the transportation and accommodation side of the business, while huge potential lurks in the area of training and providing the actual crews. This requires a fundamental shift in thinking of both the business sector and Government.

## Consolidation of cargo

The obvious benefits of expanding transshipment business through the nations' ports are now appreciated by all, as is the potential growth from development of a consolidation and logistics industry is enormous. Panama's success in port development and management is due in part to the country's ability to develop a duty free zone, with many of the products consolidated and exported through the ports. Trinidad stands to benefit from a similar type approach as the Government seeks to diversify the economy away from the oil and gas sector.

The existence of industrial estates, and the presence of land bordering the existing PLIPDECO estate for further development, provides a platform for this undertaking. Consolidated cargo for re-export feeds directly into the transshipment cycle.

Other areas of opportunities include transportation, vessel registration, insurance and brokerage.

With all these areas identified for growth, there will be the definite need for education and training that is tailored specifically to facilitate the expansion and growth of these services, to encourage further investments, and most importantly, to increase the level of confidence in the sector both locally and abroad. Education and training will indeed be one of the major vehicles for true exploitation of all the opportunities identified.

Overall, it is impossible to chart a course for the future without first assessing from a historical basis and a detailed identification of the gaps that exist between where the industry should be headed and where it is now. This will help in shaping the opportunities from both a local and international perspective.

None of the above can be realized without a clear development focus from Government, reforms to the relevant laws including maritime, labour and customs and most importantly, execution of a maritime policy and long term strategic plan. The implementation of the TT-Biz Link, Government e-commerce and e-payment facility, and the adjustments to relevant legislation are key steps that are already in the works that will go a long way in commencement of repositioning of the industry and ultimately realising the numerous opportunities that exist.