



Participants only

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Strengthening Inter-island Shipping in Pacific Island Countries and Territories

Background Paper¹

¹ This paper was prepared by Mr. John R. Moon, Consultant. The views expressed in the present document are those of the author and do not necessarily reflect the views of the United Nations Secretariat, the Secretariat of the Pacific Community (SPC), the Pacific Island Forum Secretariat (PIFS) or the International Maritime Organization (IMO)

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Background Paper

Summary

The Economic and Social Commission for Asia and the Pacific (ESCAP) at its 68th session (attended by, amongst others, twelve Pacific Island members) endorsed the Regional Action Programme for Transport Development in Asia and the Pacific, Phase II (2012-2016). One of the ten substantive areas of action for the programme is Inter-island shipping.

At a follow-up Seminar on the “Development of an Integrated Transport and Logistics system in ASEAN Countries and the Pacific Subregion”, the ESCAP secretariat, SPC, PIFS, and subsequently IMO agreed to work together to convene a High-level Meeting on strengthening Inter-island shipping and logistics in the Pacific Island countries in Suva, 23-25 July 2013.

In formulating the agenda for the Meeting, the four organizations took into account the mandates given to them by their member states, specifically taking into account the concerns of Pacific Island countries and territories. The Annex to this paper provides a brief outline of the mandates and work of ESCAP, IMO, SPC and PIFS.

The provisional agenda for the Meeting includes five substantive items namely (a) The production-transport nexus: domestic shipping services; (b) Improving regional shipping services in the Pacific; (c) Maritime infrastructure development; (d) Sustainable maritime transport; and (e) Information and data requirements for informed decision making and policy formulation.

This background paper elaborates upon these agenda items with a view to encouraging further exchange of information between delegations as well as facilitating discussions at the Meeting.

The paper also submits a number of issues for consideration the Meeting.

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Introduction

1. Small Island Developing States (SIDS) have high levels of vulnerability which arise from a number of intrinsic characteristics including small size, remoteness, exposure to external (demand and supply-side) shocks, narrow resource base and exposure to global environmental challenges.

Box 1. Expands further on the characteristics.

Box 1. Characteristics of Small Island Developing States

The high levels of vulnerability of the natural, economic and social systems of small island developing States arise from the following intrinsic characteristics²:

- (a) Small size. Small population size is in itself a limit. Higher income levels can increase overall economic size to only a limited extent, leaving few opportunities to create economies of scale. Small size typically leads to disproportionately expensive public administration and infrastructure. A small population typically has a narrow skills base, exacerbated by high rates of outmigration;
- (b) Remoteness. Many small island developing States are geographically remote from major markets; in addition, low transport and communications volumes typically mean high freight and communications costs;
- (c) Vulnerability to external (demand and supply-side) shocks. On average, small island developing States are relatively more exposed to natural disasters than most other developing countries. Due to the small size of their economies, they are highly dependent on trade but lack the factors that determine competitiveness. Similarly, international macroeconomic shocks tend to have higher relative impacts on their small economies. The combination of small size and remoteness leads to high production and trade costs, high levels of economic specialization and exposure to commodity price volatility;
- (d) Narrow resource base. Small island developing States can rely on few natural resources to fuel their sustainable development. Energy, water, mineral and agricultural resources are relatively limited, and resource extraction tends quickly to meet the carrying capacities of the small islands;
- (e) Exposure to global environmental challenges. Small island developing States face unique threats related to global environmental issues, including climate change (sea-level rise, destruction of coral reefs critical to food security and ecosystem adaptation), tourism, loss of biodiversity, waste pollution, scarcity of freshwater and acidification of the oceans. It should also be noted that the vulnerability of small island developing States follows the logic of critical thresholds and tipping points.

² Five-year review of the Mauritius Strategy for the Further Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States, General Assembly, A/65/115.

2. A number of these characteristics have a direct impact on the provision of efficient, frequent, reliable, affordable, safe and environmentally sound shipping services which have relatively short transit times and appropriate capacity.
3. On the demand side, some segments of inter-island shipping can be characterized by low and often irregular traffic volumes, long voyage distances³, imbalanced cargo flows and low unit values of exports. On the supply side, there are considerations of ship economics (ship size in relation to volume of cargo, required service frequency, route length, ship speed, physical constraints to ship size at ports and time in ports) and indivisibilities in associated seaport infrastructure, superstructure and equipment. The consequences of these demand and supply considerations are high transport costs and low profits or chronic losses on shipping operations.
4. These constraints and challenges lead to a “vicious downward spiral” of events. The inability of ship operators to make adequate profits leads, in turn, to a further deterioration in shipping services, entailing difficulties in securing finance, low levels of investment, inadequate maintenance, ageing fleets, inability to attract seafarers and qualified shipping company management staff, low productivity, poor service quality (frequency and reliability) or unavailability of services, and compromised safety standards.
5. These difficulties can be further compounded by constraints in the ship repair industry, including: lack of adequate repair facilities, particularly in remote locations; difficulties in obtaining spare parts, especially for aged equipment and machinery; high costs of repairs and low standards of workmanship in ship repairs.
6. In addition, there are various institutional, organizational and cultural constraints that impact on the sector, including: maritime legislation failing to meet international standards; the legislative environment not being conducive to enforcement of ship mortgages or maritime liens; ships being uninsured or uninsurable; limited enforcement of safety standards; inadequately trained seafarers; lack of transparency in the operation of government-owned fleets and in awarding and monitoring of route licenses and contracts for subsidized shipping services.
7. Further, the shipping industry in particular and the transport industry in general is the source of a number of threats to SIDS due to its heavy dependence on petroleum oils as well as its emissions including air and water pollution.

³ “Many domestic inter-island voyages would represent a major international voyage in other parts of the world and some inter-island voyages in the Pacific region are longer and potentially more hazardous than many intercontinental voyages.” Williams, I. and Hoppe, H., Safety Regulations for Non-Conventional Vessels: the IMO Approach; available from http://www.imo.org/includes/blastData.asp/doc_id=1149/Safety.pdf, (downloaded 27 July 2010).

8. The above considerations illustrate the complex and intertwined relationships between size, distance, remoteness and resources base as well as the vulnerability of small island developing states to economic, natural and environment shocks. They also illustrate the challenges that these characteristics present in the provision of ships, shipping services, port infrastructure, ship repair facilities, navigational aids, navigational charts and protection for the marine environment.

9. The following chapters consider a range of domestic and international shipping issues facing countries and territories of the Pacific. Chapter I focuses on domestic shipping services by looking firstly at the high levels of dependency between production and transport; and secondly at “public service obligation” to provide services on routes that are socially desirable but not commercially viable.

10. Chapter II focuses on international services to, from and within the Pacific. The first issue considered is the role of regional shipping commissions in amongst others, providing adequate, reliable, frequent and affordable shipping services to all member states. Secondly, it considers the route structures provided by ship operators to service the region’s international trade. Thirdly it asks the question whether any more hub ports could be developed to improve shipping service to countries of the region.

11. Chapter III considers a number of issues related to maritime infrastructure development including the development and financing of port infrastructure, navigational aids and hydrographical issues. The sections on port infrastructure financing consider both ports serving domestic shipping and ports serving international shipping while the sections on navigational aids and hydrographical issues consider domestic and international shipping together (although some day marks are mainly provided for domestic shipping).

12. Chapter IV considers a number of aspects of sustainable maritime transport including facilitation of transport and trade, ship financing, energy and environmental aspects, and regional

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