

CARIBBEAN MARITIME

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MEASURABLE GROWTH, ENHANCED POTENTIAL

PANAMA

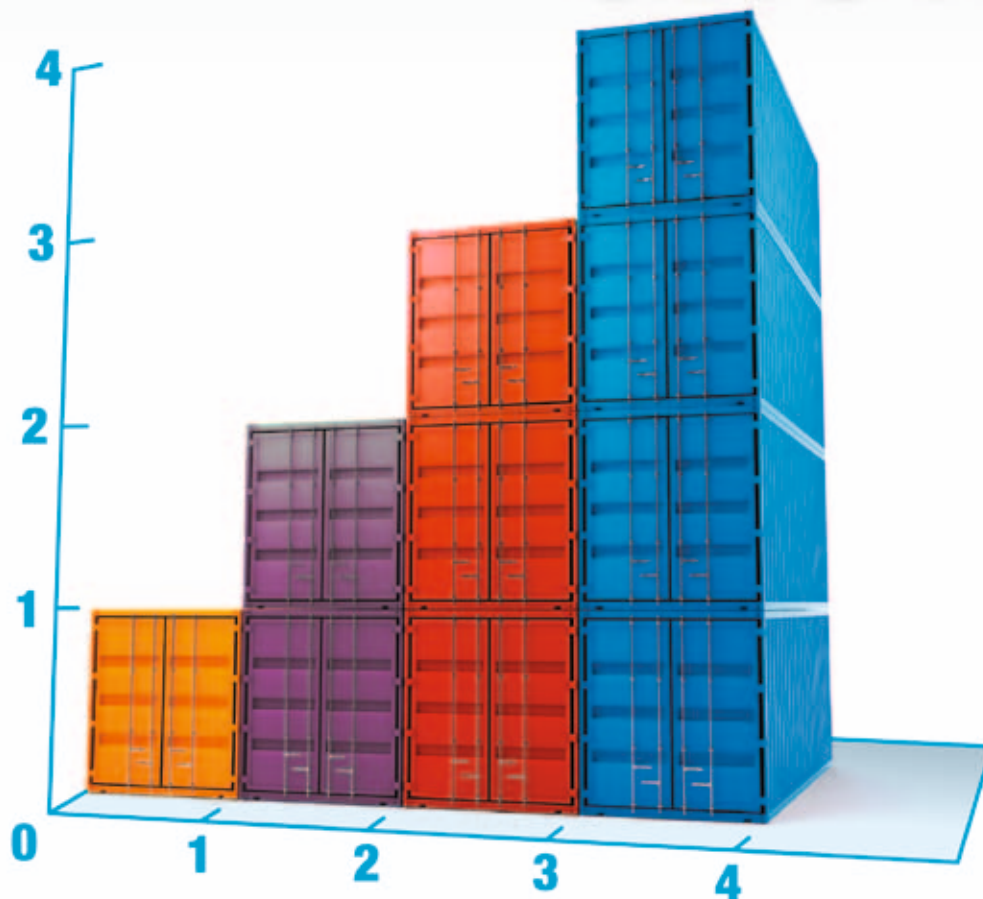
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MISSION STATEMENT

"To promote and foster the highest quality service to the maritime industry through training development; working with all agencies, groups and other associations for the benefit and development of its members and the peoples of the Caribbean region."

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Editorial

CRUISE WOES A WAKE-UP CALL SAFE AND DEPENDABLE CRUISE SHIPS


The latest cruise shipping data suggest that the Caribbean is still the preferred destination in the world. The evidence, gathered on behalf of the Florida Caribbean Cruise Association, suggests that the Caribbean is weathering the competition posed by an increasingly global cruise market.

Cruise destinations, emerging from the off-season summer doldrums, are looking forward to the upcoming high season when some of the largest cruise ships on the planet will return to make their ports busy again. As a region within the Region, the cruise destinations of the Eastern Caribbean are popular the world over. In the period October 2013 to April next, eight countries in this sub-region will collectively process more than 2380 cruise ship calls. St. Maarten will receive more than 600 (25%) of them; Barbados, about 370 (16%); and, St. Lucia, about 330 (14%) as the CSA's Cruise Committee chair, points out (page 34).

Cruise tourism has become a significant economic pillar of Caribbean national economies with much public and private investment in infrastructure, equipment and systems. It was therefore with more than a little discomfort that Caribbean peoples viewed television images of a capsized cruise ship and frightened and disgusted passengers.

The Caribbean had as much at stake as any of the major players. For Caribbean stakeholders, the woes of Carnival (page 14) were, simply, uncomfortable; for others, they were a wake-up call for the entire cruise industry. Safety had never been an issue in cruise shipping. However, the incidents over the recent past would have placed ship designers and engineers in re-think mode. It would therefore be reasonable to anticipate that nothing will now be taken for granted. And, with all recommended corrective action taken, the cruise industry will emerge from the quagmire of 2012-2013 with safer and more dependable ships.

The growth of Yachting tourism continues unabated in the Caribbean. Driven by a massive increase in the number, size of vessels and popularity of large luxury yachts, especially in the ten year period up to 2008, the awareness of the opportunities presented by this sub-sector has expanded. Growth remains strong and, as Ajagunna & Pinnock point out (page 7), "... none of global recession, stock market slides or disappearance of personal wealth has put a dent in Caribbean charter yacht vacations." Growth therefore continues.

The previous edition of *Caribbean Maritime* recorded growth in ports and terminals in the Caribbean and Latin America. This 20th edition documents continuing growth and will be released as CSA members tour the Panama Canal, now in the final stages of a massive expansion programme. When completed, the expanded Canal is expected to stimulate even further growth in regional shipping. The global recession of the last seven years has barely receded. Any growth at this time should therefore be welcomed and embraced. 

A handwritten signature in blue ink that reads "Mike".

Mike Jarrett

Editor,
Caribbean Maritime



Regional cooperation and collaboration vital at this time in our history

I had the opportunity to travel to St. Kitts and Nevis in June to sign a Memorandum of Understanding with the Port Management Association of the Caribbean (PMAC), as reported in this issue of *Caribbean Maritime*.

The signing of this Memorandum paves the way for both organisations, the CSA and PMAC, to work together in a number of areas. This is important for various reasons; but, more than this, it builds another bridge for regional cooperation and collaboration between regional organisations.

It is important that we pool our energies, wisdom, experiences, skills and resources in the search for solutions to those problems, which hamper development of the regional shipping industry. It is vital that we review and, where necessary, modify and expand strategies to exploit the many opportunities which abound. History demands that we support each other in combating problems and clearing the hurdles we face individually and collectively. We cannot allow insularity, sluggish bureaucracies, or anything else for that matter, to undermine and frustrate the process of growth and development.

PROGRESS


At this time in our history, the Caribbean is experiencing an unprecedented level of cargo movement by sea. The most heavily served trade lanes out of Florida are those heading south. New trade routes are being charted to or through the Caribbean. Expanded trade arrangements are being planned or negotiated. Logistics hubs are being promoted and ports are expanding and preparing for bigger ships and increased volumes of cargo. We are witnessing progress as the world changes at an accelerated pace.



The volume of ship traffic to and through the Caribbean is at an all-time high and our ports and terminals are now contemplating even further expansion and development.

The opening of an expanded Panama Canal in the near future is expected to further increase volumes and place even greater demands on our ports and maritime infrastructure.

How shall we respond? As I said to the port managers, the old adage 'unity is strength' provides for us a formula. If we pull together we can successfully address and overcome most of the inherent problems associated with increased traffic; rapid and sustained expansion of cargo volumes; and increases in vessel size and draught.

Let us unite, collaborate, exchange dialogue and pull together to exploit the opportunities which are increasingly becoming evident. 

Grantley Stephenson

*President,
Caribbean Shipping Association*



History demands that we support each other in combating problems and clearing the hurdles we face individually and collectively



A LOGISTICS CENTRE UNLIKE ANYTHING IN THE AMERICAS

Over recent years, Panama has become increasingly attractive to trans-national companies with a global reach. The country's strategic location, including air connectivity, and its rapid rate of development, expanding infrastructure and trainable workforce have made Panama the hot site for a logistics complex to serve the vast markets of the Americas.

In real estate, the top three attractions are location, location and location. Panama has all three.

Manzanillo International Terminal (MIT), always on the cusp of development, has moved to exploit the growing demand for logistics hubs in the Caribbean-Latin American region and the strategic advantages of locating such enterprises in Panama. It has started a major development programme, the first phase of which, to cost about

By Mike Jarrett

US\$ 270 million, is expected to be completed by mid 2014.

MIT was already a key component of a huge logistics hub on the Caribbean side of the isthmus of Panama, a complex which included the Colon Free Zone and Logistics Parks. However, the plans now being implemented by MIT will result in a fully integrated logistics hub unlike anything in the region.

"Fully integrated infrastructure-wise; process-wise, mainly among government entities; commercial-wise and long-term strategy-wise involving both the public and private sectors," said Juan Carlos Croston, Vice President Marketing at MIT, as he outlined plans for one of the largest logistics hubs in the hemisphere.

“

The plans now being implemented will result in a fully integrated logistics hub unlike anything in the region

”

"The logistic centre we envision for Panama consists of efficient port operations and logistic infrastructure on both the Atlantic and the Pacific (coasts); adequate road infrastructure between ports; and a streamlined flow of information between all the parts involved."

Inspired by Colon's location and potential, MIT has identified three areas for development: a logistics park and two processing centres. These areas will allow multinational companies to control inventory and to add value through packing, repacking, labelling, pricing and assembly operations.

Mr. Croston told **Caribbean Maritime**:

"Although most of the investment for logistic parks is coming from private companies such as local developers or foreign investors, the government should be involved in the development of Panama as a logistics destination.

APPOINTMENT SYSTEM

"The public sector is instrumental in improving current processes and information workflow between authorities, logistics companies, consignees and ports. For instance, to streamline the process for import containers delivered at the port we are trying to develop an appointment system. The success of the system





will depend on the inputs and support from all parties and agencies involved in the process.”

At present, companies located in the vicinity of the MIT Logistics Park benefit from close proximity to various services and assets including the highway, seaports, airports, the railroad and Colon’s Free Trade Zone.

“Our strategy consists of consolidating the advantages of working with MIT which, in real terms, means high maritime connectivity, state-of-the-art technology, modern and expanding infrastructure, trained and experienced personnel at all levels and a high level of reliability and year-round

dependability,” said Mr. Croston. “Besides, our expansion plan will allow MIT to effectively service new panamax vessels ... and we will increase berthing windows available for current and new customers.”

New services to be provided by MIT are all in support of the growing commercial, logistics and transportation activity in Panama and the entire Caribbean and Latin American region. At the port, MIT has already initiated moves to expand and to increase space for containers and to provide additional berths to serve regular and potential customers.

A number of civil works projects are

now taking place in the areas adjacent to MIT. Access roads are being widened and there has been an increase in local construction activity. For example, warehouses are being built or expanded and this is expected to continue over time as MIT expansion plans reach completion.

MIT’s expansion plans include construction of 890 metres of additional berthing and the deployment of an improved stacking system in the container yard area which will effectively maximise space usage. Plans also include dredging of the turning basin, access channel and berths to a depth of 16.5 metres. [\(ONI\)](#)



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GROWTH IN LUXURY YACHT SECTOR

*By Ibrahim Ajagunna, PhD
and Fritz Pinnock, PhD*

Yachting tourism has been around for a long time. However, as with most niche markets, the facts are difficult to obtain or non-existent.

Estimates suggest that about 10 million yachting holidays are taken each year. This number includes 2.5 million trips taken by residents of the United States and one million by residents of the United Kingdom (two of the largest source markets for yachting and sailing). The yachting industry has been exhibiting significant growth over the past 15 years and this growth is fuelled by an increasing desire for more active leisure holidays by the affluent.

In addition, there is a growing interest in short-break and multi-centre trips (that is,



trips that combine yachting and/or sailing with some other land and sea-based activity).

In the period 1997 to 2008, for example, there was a huge growth in the number,

size and popularity of large private or 'super luxury' yachts in the size range of 24 to 70 metres. Luxury yachts, mega yachts or super yachts typically have no real home port, although a yacht must be registered in a port of its flag state. Popular flag state registrars for large yachts include the Cayman Islands, the Marshall Islands, the Isle of Man and the British Virgin Islands. Although these yachts may be registered in one of these countries, it is not unusual that the yacht may never have even visited ports there.

SEASONAL

These yachts can be found in large numbers in the Mediterranean Sea in summer and the Caribbean Sea in the winter. Many can be chartered for sums of up to €1 million for a week. In many cases, up to 1,500 large yachts may be available for charter in a season in the Mediterranean.

Industry analysts have pointed out that the availability of large commercial ships specially outfitted to transport multiple large yachts across the Atlantic Ocean has created a much larger charter market in the Caribbean region.

According to industry analysts, while the demand for new luxury yachts has slowed

POPULAR YACHT DESTINATIONS

REGION	DESTINATIONS
1 USA and Canada	USA; Pacific Northwest; Great Lakes and Canada
2 Europe	Mediterranean; Spain, the French and Italian Riviera. Eastern Europe; Central and Southern Europe and Adriatic Sea, Black Sea; Northern Europe and the British Isles including Cannes, Antibes, St. Tropez, Monte Carlo, Portofino, Porto Cervo, Puerto Banus, Puerto Portals
3 The Caribbean	British and US Virgin Islands; The Bahamas; Cayman Islands; Antigua and Barbuda, Windward and Leeward Islands, to include St. Thomas, St Croix, St. John, Virgin Gorda, Jost Van Dyke and Anageda
4 Mediterranean	Eastern Med and Western Med
5 Middle East	Turkey
6 Indian Ocean	Seychelles; Maldives; Mauritius
7 Central America and Mexico	Mexico; Belize and Costa Rica
8 Oceania, Australia and South Pacific	Australia and South Pacific Islands of Fiji, Samoa, Tahiti and Cook Islands
9 Africa	Tunisia
10 South America	Venezuela



Luxury Yachts

since 2009, there was a small rebound in 2011 with launches from many of the top yards. The 163.5 metre (536 ft) *Eclipse*, built by Blohm and Voss for Russian businessman Roman Abramovich, and the 180 metre (590 ft) *Azzam*, launched in 2013, are the largest private yachts in the world. (Luxury boat-building and yacht charter companies are predominantly based in the USA and Western Europe but are increasingly being located in New Zealand, Asia and Eastern Europe.)

Industry analyst reported that, while the Global Order Book showed a decline in 2012, this was less than 3% from the previous years. However, this was the third year of decline in the number of yachts on order. This statistic measures both custom and production yachts – power and sail – of 24 metres (79 ft) and larger. The smallest segment, that is, yachts of 24 to 27 metres (79 to 89 ft) length over all (LOA), appears to be growing while the 30 to 36 metres (100 to 119 ft) segment remained steady at 151 projects. The total number of newbuilds reported to Boat International Media for 2012 is 728 vessels. Their cumulative LOA equals a stunning 29 km (18 miles) and the average length of newbuilds is 40 metres (131 ft).

THE MODERN YACHT

According to industry reports, while there are more yards (a total of 209) building yachts, the list of yacht construction powerhouses remains unchanged. The top 10 builder nations remain unchanged from 2011 and Italy is still number one with 317



projects reported for a total length under construction of more than 11,580 metres (38,000 ft).

Industry reports the Netherlands as second by virtue of the size of its yachts. Its 61 projects at 3,074 metres (10,085 ft) surpass Turkey's 68 projects at 2,904 metres (9,529 ft). The USA is in fourth place with 71 builds (2,737 metres or 8,980 ft) and the UK is fifth with 45 projects (1,378 metres or 4,521 ft).

Among the top 20 builders, Ferretti Group and Azimut-Benetti switched places this year, with Azimut-Benetti leading on the basis of the total length of boats in production (2,640 metres or 8,661ft). The Ferretti Group had 76 projects, with one more boat under way. As regards custom orders, Azimut-Benetti is the leader at 33 projects with Lürssen second and Feadship third.

The average size of yacht under construction at Lürssen, however, is more than twice the size of that under way at Benetti, which stood at 107 metres or 353 ft (as against 43 metres or 142 ft).

Feadship has eight projects under way at an average length of 71 metres or 233 ft.

CHARACTERISTICS AND FEATURES OF A MODERN YACHT

Yachts from 24 metres (79 ft) and upwards qualify for design awards. Given the number of yachts exceeding 100 ft, many set the minimum length for a super yacht higher. A 45 to 50 metre (148 to 160 ft) yacht, the smallest with a generally accepted claim to super yacht status, will usually be a three-decker with cabins for 10 to 12 guests and for a crew of a similar size. Accommodation on a modern yacht is typically as follows:

Lower deck

- Exterior swimming platform at the stern
- Four or sometimes five guest cabins with en-suite bath
- Engine room amidships
- Crew quarters.

Main deck

- Sheltered exterior deck aft leading into the salon
- Dining room and galley
- Entrance amidships
- Owner's suite forward
- A study (usually)
- A second stateroom for a personal assistant/bodyguard (sometimes).

Upper deck

- Exterior deck aft, often used for outdoor dining
- Second salon (often called the sky lounge)
- Sixth stateroom will be amidships if it is not



- on the lower deck or part of owner's suite
- Captain's cabin; bridge.

Sun deck

- The uppermost deck. Often features a Jacuzzi and sometimes a glass-enclosed gym (which can also be below decks or part of the owner's suite).

In addition, a 50 metre yacht will have one or more yacht tenders for reaching shore. Other equipment may include a speedboat, a sailboat, personal watercraft, windsurfing and diving equipment. Many yachts have multiple televisions and satellite communications.

Since the beginning of 1990s the number of ultra large yachts has grown rapidly. Increasingly, only yachts above 65 metres (213 ft) stand out among other luxury yachts. Yachts of this size are in most cases built on individual commissions and cost tens of millions of dollars. A yacht of this size usually has four decks above the waterline and one or two below. Many have a helipad. Apart from additional guest cabins, which are likely to include one or more VIP suites besides the owner's suite, extra facilities compared with a 50 metre (160 ft) yacht will include some or all of indoor Jacuzzis, sauna and steam rooms, a beauty salon, massage and other treatment rooms, a medical centre, a disco (usually the same space as the sky lounge or salon, transformed into a dance area when required), a cinema, a plunge pool (possibly with a wave-maker), a playroom and additional living areas such as a separate bar, secondary dining room, private sitting rooms or a library.

DOMINANT SOURCE MARKETS, DESTINATIONS

The Caribbean is one of the finest and most popular yacht charter destinations in the world, bound by the northern coast of South



America, the east coast of Central America, the islands of Cuba, Haiti, the Dominican Republic and Puerto Rico, and the chain of islands to the east known as the Windward and Leeward islands.

By formation, the islands of the Caribbean were shaped by volcanic activity thousands of years ago, the result of which is a chain of islands stretching over 2,000 miles, with the Atlantic to the east and Caribbean Sea to the west. Every Caribbean island has its own unique character, shaped not only by a colourful history but also by topography. From the unspoilt rainforest and black sandy beaches of Dominica to the European-influenced St. Kitts with its old plantation houses and glamorous hotels, each island destination has something unique to offer. Exploring

the Caribbean by yacht is a wonderful way to appreciate the variety and uniqueness of these islands while basking in a warm tropical setting.

Vincenzo Zappino, in his analysis of the tourism industry in the Caribbean, pointed out that yachting in the Caribbean has served as a small but important specialty market for decades. Growth in yachting has been substantial in the past 20 years, for both charter cruises and bareboating. Popular cruising grounds are centred on the northern Caribbean and the Grenadines, where a variety of ports of call are within easy cruising distance of each other.



The Caribbean is one of the finest, most popular yacht charter destinations in the world





Continued growth in this market is expected, paralleling the rising interest in recreational boating in most developed countries. An important element of the yachting market is the creation of events which help to position a destination as a desirable yachting destination.

BENEFITS

Antigua's Sailing Week, for example, is perhaps the premier yachting event in the Caribbean, attracting up to 500 yachts in April each year. Success at promoting yachting provides benefits directly but also increases the potential for repeat business. It also adds to the diversity of a destination's tourism product and, in many cases, becomes an attraction in its own right for land vacationers. Like the cruise market, yachting provides direct and indirect benefits to the region. It also adds to the diversity and excitement of a country's tourism product and creates local business opportunities in a variety of sectors, from provisioning to yacht repair services.

Neither the global recession, nor the stock market slides nor the disappearance of personal wealth has put a dent in Caribbean charter yacht vacations. In fact, industry specialists have argued that bad weather

in North America and Europe can turn the tide for chartering in the Caribbean.

Erik Blommestein, in his paper 'Meeting yachting information needs for planning and policy in the Caribbean' (presented to an International Seminar on Yachting in Fort-de-France, Martinique, from 30th May to 1st June 2012), pointed out that in many territories of the Caribbean the contribution of the yachting sector may very well surpass that of the cruise ship sector; but still such a contribution is largely unknown and not recognised by the government and the public at large. At the same time it is recognised that the collection of yachting-specific information requires human and financial resources that, in view of other priorities, may be beyond the capacity of the government or private-sector organisations to conduct effectively.

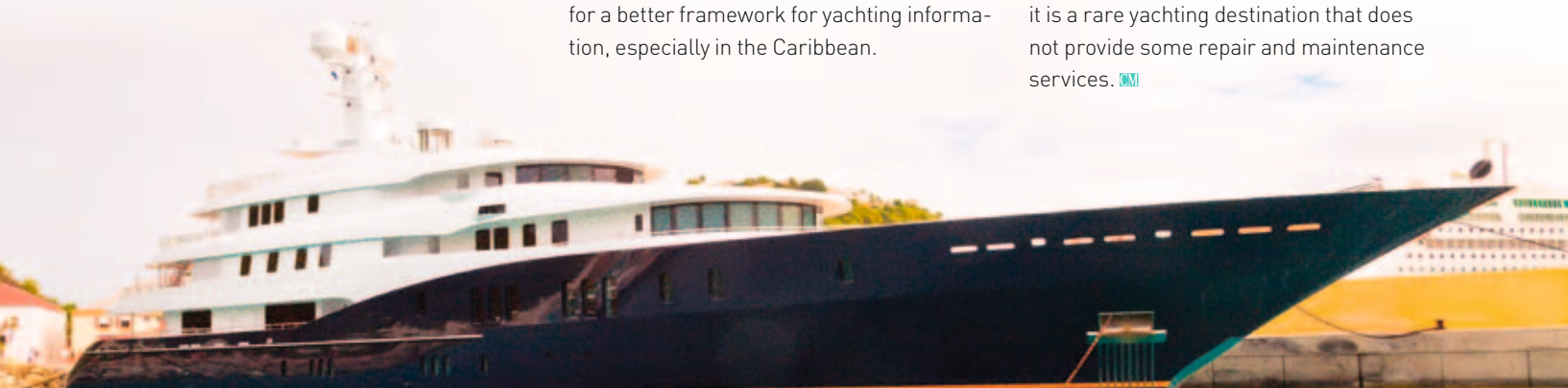
EARNINGS

According to Blommestein, within the tourism industry one of the most effective arguments of any sub-sector in the policy dialogue is its relative contribution to economic well-being and development, particularly in terms of employment and tourism earnings. However, this argument would be only one of the many justifications for a better framework for yachting information, especially in the Caribbean.



According to Blommestein, perhaps the major and obvious difference between yachting with land-based accommodation is that the place of stay is mobile and can leave at any time. In this regard, it is similar to cruise ship tourism. However, unlike cruise ship visitors, yachting tourists (and yachts) stay longer, sometimes for months. In addition, the visiting yachting tourist can (and frequently will) spend time at marinas, boatyards, anchorages and moorings. One consequence of this difference is that, apart from yachting tourist arrivals, the number of yachts within a given location is variable and subject to change.

Another difference is that repairs and maintenance of the vessel can constitute a major aspect of expenditure patterns. And it is a rare yachting destination that does not provide some repair and maintenance services. [BM](#)



Neither the global recession, nor the stock market slides nor the disappearance of personal wealth has put a dent in Caribbean charter yacht vacations



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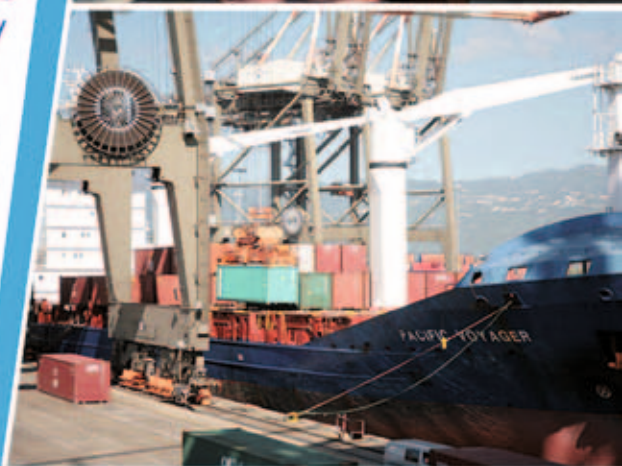


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YACHT SALES AND PRODUCTION

China an emerging giant



Europe and America account for more than 90% and 80% respectively of the world's overall yacht market share in terms of sales and production scale. In recent years, however, this market has been in decline. Owing mainly to the high ownership per capita, the yacht industry has been saturated.

North America had always been the largest yacht market in the world, followed by Europe. However, experts now see the Asia Pacific market for yachts as the fastest growing.

GOOD PROSPECTS

The market for yachts holds good future prospects in the Asia Pacific region. China, for example, is experiencing economic growth as a result of growing demand for yachts. In addition, China is becoming a preferred destination for yacht manufacturing because of the availability of cheap labour and the low cost of raw materials. The manufacturing cost for yachts in China, for example, is 20 to 30% less than in Europe and North America. According to experts, the growing number of High Net Worth Individuals in the country, rising international demand for yachts and favourable policies aimed at making reg-

istration easy, are the factors driving the market for yachts in China.

The yacht market in China is expected to grow at a compounded annual growth rate of over 13% during the period between 2012 and 2017. Another great advantage for yacht manufacturers in China is that the Chinese consumer prefers to buy craft which are not too expensive. As a result, the market for small and medium yachts is flourishing while demand for large yachts is limited. In addition, China is witnessing the entry of new yachts such as hybrid yachts and solar yachts.

With respect to the scale of production, industry analysts point out that China has become the world's eighth-largest yacht producing country with a complete yacht manufacturing industry chain covering yacht research, design, yacht manufacturing, spare parts manufacture and outfitting. There are 374 composite shipyards in China, more than 30 with annual sales of above RMB 10 million. About 320 are chiefly occupied with produc-

ing workboats and spare parts. About 50 deal with yacht manufacture, with products exported mainly to Europe and the United States. However, Chinese enterprises still rely on resources provided by European and American companies, from yacht design to key components and manufactur-




With respect to the scale of production, industry analysts point out that China has become the world's eighth-largest yacht producing country



ing processes, for example, employment of European and American designers and senior technicians and the procurement of US-made engines.

ECONOMIC IMPACT

The economic impact of the yacht industry is huge. One yacht supports hundreds if not thousands of jobs during its lifetime. According to industry analysts, the overall economic impact of the yacht industry is only going to continue to grow as analysis of 2011 indicates a fairly stable industry. And as order numbers far outweigh the numbers of yachts going out of service, the super yacht industry looks set to continue in its path of growth for years to come.

China's yacht market has just started and is in a mode of rapid development. Before 2011 there were only about 3,000 yachts in China; ownership per capita remained far below the international level. This is now changing, rapidly. 





THE LESSONS HAVE BEEN LEARNT

By Mike Jarrett

When Micky Arison took on the job of CEO at Carnival in 1979 the company had just three cruise ships. The Carnival brand was generating less than US\$50 million in annual revenues and was holidaying less than 200,000 passengers a year. In less than 10 years, under his leadership, Carnival Cruise Lines had become the largest cruise ship line on the planet.



ypkim / Shutterstock.com

The shrewd Arison made the company a public corporation and thereafter led an aggressive growth strategy which saw Carnival acquiring a number of its competitors including Costa, Cunard, Holland America and Seabourn. By the turn of the century, Carnival was already moving to the next level and by 2003 the world became aware of its merger with P&O Princess Cruises, a public limited company comprising Princess Cruises, P&O Cruises (UK), P&O Cruises (Australia) and the German cruise line AIDA.

Arison led the process that made Carnival into the first global cruise line. From

three ships, fewer than 200,000 passengers and annual revenues of less than US\$50 million, Arison took the company to dizzying heights – over 100 ships across all brands, 10 million passengers a year and annual revenues surpassing US\$15 billion.

The cruise world was understandably in a state of shock, therefore, when Carnival announced earlier this year that Micky Arison was no longer to be CEO. His name had been linked to the brand and its meteoric growth for almost its entire history. He had been board chairman and CEO; but, as the company announced, the two roles were to be separated. Arison would be retained as board chairman but Arnold W. Donald, a Carnival director for 12 years, would assume Micky’s day job.

Arison vacated the office with Carnival’s second-quarter profits at five cents a share, more than twice its value over 12 months. However, revenues were down by 1.7% to US\$3.48 billion according to some sources. The decline in revenue was not the only problem the new CEO found on his desk. On top of this was a litany of woes including dozens of dead passengers; lawsuits for compensation; malfunctioning ships; and a tsunami of bad publicity across its entire global market.

ACCIDENT

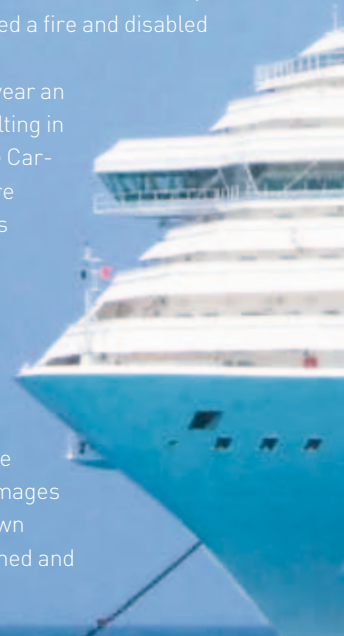
• On 13th January 2012 its *Costa Concordia* (operated by a unit of Carnival) ran aground and capsized off the coast of Italy, killing 32 persons and triggering a mass of lawsuits and criminal charges brought against the crew. In July last, a court in Italy convicted five crew for manslaughter resulting from the accident off Giglio Island. Two officers, the helmsman, the head of cabin service

and the head of the crisis team were given sentences of up to two years and 10 months in jail for multiple manslaughter, negligence and shipwreck. Capt. Francesco Schettino, being tried separately, was facing multiple manslaughter charges and for abandoning the ship with thousands of passengers on board. His case was scheduled to resume on 23rd September 2013 and his request for a plea bargain was rejected.

GUNPOINT

• In February last year 22 passengers of the *Carnival Splendor* were robbed at gunpoint in Mexico as they travelled by bus from a nature hike in the jungle to the Mexican port city of Puerto Vallarta, according to cruise ship officials and local media reports. A little more than a year previously, on 8th November 2010, on the second day of a sailing from Long Beach, California, to the Mexican Riviera, the number five diesel generator on this ship had ‘a mechanical error’ (as reported by the US Coast Guard) which ultimately caused a fire and disabled the ship.

• In February this year an engine room fire resulting in a power outage on the *Carnival Triumph* left more than 4,000 passengers and crew stranded in the Gulf of Mexico for five agonizing days. The resulting hardships for passengers included blocked toilets; and the disgustingly graphic images of sewage running down corridors were published and



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Recent cruise ship incidents underscore the need for a strong commitment to passenger safety and security

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broadcast all over the world, earning the nickname ‘the poop cruise’.

The *Carnival Triumph* nightmare of February was followed just a few weeks later by more distress for passengers and bad publicity for Carnival involving three other vessels: *Carnival Legend*, *Carnival Dream* and *Carnival Elation*.

- In March 2013 a seven-day cruise by the *Carnival Legend* was brought to an abrupt end. The ship was unable to sail at optimal speed and the cruise was cut short off the coast of Honduras, bringing the Caribbean holiday to a premature end for its approximately 2,500 passengers. There were no safety issues here, the company announced. The *Carnival Legend* had

technical problems with one of its Azipod propulsion units which affected the vessel’s sailing speed.

- On 14th March the Los Angeles Times reported: “Carnival Cruises has another stalled ship, this one beset with an emergency power malfunction, and is preparing to fly passengers home from the Caribbean island of St. Maarten.” Passengers on the *Carnival Dream* were, indeed, taken off the ship after their cruise from Port Canaveral, Florida, stalled at port with a generator problem. Carnival officials said the ship never lost power but they admitted there

were problems with elevators and toilets after some passengers complained and started posting comments on the internet.

- The *Carnival Elation* also ran into problems early in March 2013 with its Azipod propulsion/steering units and had to be escorted back to port by a tug as it began its voyage from New Orleans. Carnival officials said the *Carnival Elation* had “a minor issue with the steering function of one of its two Azipod units”; that both units were operational; but that “the steering function of one has been temporarily taken offline until it can be repaired”.





Carnival Woes

By the end of March, Carnival had announced cancellations of a number of voyages as it moved to fix the problems.

US SENATE TAKES INTEREST

Even as Carnival announced plans to set this right, the United States Senate began to take an interest. In May the Senate Committee on Commerce, Science and Transportation made public that its chairman, Jay Rockefeller (Democrat, West Virginia) had written to the three largest cruise liners about their passenger safety, security, and health practices.

"The cruise industry enjoys many advantages operating out of the United States, but the advantages to American consumers and taxpayers are less clear," said Mr. Rockefeller.

"Recent cruise ship incidents underscore the need for a strong commitment to passenger safety and security from the entire cruise industry, not just those that wind up on the news most frequently. The responses from the cruise companies will help Con-

gress make sure the rules governing the cruise industry provide passengers with the safe and comfortable travelling experiences they expect and deserve, instead of giving the companies a free pass at taxpayer expense."

According to a published news release from the US Senate, the letters were part of Mr. Rockefeller's efforts to provide 'robust oversight' of the cruise industry.

And so, in July, the presidents of both Carnival Cruise Lines and Royal Caribbean found themselves before the Senate Committee, fielding questions about operations and safety. Royal Caribbean's president, According to the Associated Press (AP),

Adam Goldstein testified before the committee chaired by Senator Jay Rockefeller about a fire on board the Grandeur of the Seas. According to AP, members of the Senate committee also raised issues pertaining to the reporting of crimes which take place on cruise ships; and, the committee's chairman introduced a Bill on 23rd July which he referred to as the 'Cruise Passenger Protection Act'.

FIXING THE PROBLEMS

To its credit, Carnival moved quickly to address all the issues and to protect passengers and its brands. By the end of March the company was already in 'fix it at all



Will this wave of bad publicity regarding cruise and cruise ships affect the growth and profitability of the rapidly growing worldwide industry?



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costs' mode and in the midst of a fleet-wide review. It had already implemented initiatives and new strategies to improve fire prevention, detection and suppression. It had already started to install and/or upgrade back-up systems and had moved to expand the range of passenger amenities that could be supported by emergency power.

In April, the company announced 'a major initiative encompassing technical, safety and reliability enhancements'.

Carnival Cruise Lines chief executive Gerry Cahill told Reuters: "We are fully committed to applying the recommendations stemming from our fleet-wide review and to make whatever investments are needed despite the difficult decision to impact people's vacations."

By mid April, Carnival had announced its willingness to reimburse the US government for the cost to taxpayers of US Coast Guard responses to the crippling incidents on board the *Carnival Triumph* and *Carnival Splendor*.

According to published news reports (Los Angeles Times, 17th April 2013), the company announced its intention to spend \$300 million to add an extra generator in each ship and to upgrade fire suppression systems. In addition, according to other reports, the line indicated it planned to spend up to US\$700 million in improving its ships to avoid incidents like the one which disabled the *Carnival Triumph* in February.

The system-wide improvements outlined included an increase in emergency generator power across Carnival Cruise Lines' fleet of 24 ships and additional investments in the newest and most technically advanced fire prevention, detection and suppression systems. There was also unconfirmed talk of all Carnival Cruise Lines ships to have two separate, redundant engine rooms.

REVIEW BOARD

In July it announced the establishment of a new Safety and Reliability Review Board and the appointment of four 'esteemed maritime and transportation industry experts': Rear Admiral Mark H. Buzby, Rear Admiral Joseph F. Campbell, Mr. Ray Valeika and Dr. John K. Lauber. According to Carnival, the review board was created to provide

independent third-party perspective and to drive continuous improvement across the line's fleet. The core objectives of the board were to review Carnival Cruise Lines' current policies, practices and performance and to guide the company in incorporating best practices from other relevant fields and industries.

Rear Admiral Buzby was scheduled to retire from the US Navy on 1st August 2013 after a 34-year career as a Surface Warfare officer. Rear Admiral Campbell was an engineering duty officer in the US Navy for 32 years and commanded Norfolk Naval Shipyard for two separate periods from 2003 to 2006 and from 2012 to 2013.

Ray Valeika is an aviation operations expert with more than 40 years of experience in managing large airline maintenance operations. Dr. Lauber served as senior vice president and chief product safety officer for Airbus SAS in Toulouse, France, and was vice president for safety and technical affairs for Airbus North America in Washington, DC. The review board will also include technical experts from within Carnival Cruise Lines.

LOOKING AHEAD

Will this wave of bad publicity regarding cruise and cruise ships affect the growth and profitability of the rapidly growing worldwide industry? Will Caribbean nations which have invested heavily in cruise port infrastructure and superstructure over the years suffer as a result of Carnival's string of woes?

Hardly likely. Whereas Carnival may see a decline in profitability over the short term, the future of cruise business is solid and secure. Carnival itself will return to profitability and its misfortunes in 2013 will be soon forgotten once it has fixed the problems and can record a long run of incident-free voyages.

Cruise vacations remain as popular as ever. More than 16 million passengers went on cruises in 2011 on more than 200 ships. This market is not likely to disappear in a hurry or even diminish significantly in the short term. Carnival's competitors may benefit from its 2013 nightmares, but not for long. Indeed, as soon as Carnival fixes its problems and gets to the next level of



prevention and installation of system redundancies, it will be able to resume aggressive and effective marketing strategies.

The lessons for the cruise industry provided by incidents over recent years were many and varied. Collectively, they provided a wealth of information and have awakened the industry to probabilities and potential problems. They have exposed many deficiencies and triggered reviews of procedures and systems. In many respects, the incidents in recent years, and particularly this year, have already contributed to improved safety and reliability of cruise ships.

The cruise industry is better for the tragedies, calamities and setbacks of the recent past. All players – including the industry giant Carnival Corporation – and cruise passengers the world over will benefit from a safer, more reliable industry.

The precious lives lost off Giglio Island and the discomforts suffered by passengers in subsequent incidents were not in vain.

The lessons have been learnt. 

CSA TO WORK CLOSER WITH PMAC

We share a common purpose, says Stephenson

The Caribbean Shipping Association (CSA) and the Port Management Association of the Caribbean (PMAC) have signed a memorandum of understanding (MoU), thus creating a framework for cooperation between the two regional organisations.

The MoU was signed by CSA president Grantley Stephenson and PMAC chairman Lenius Lendor on June 19, 2013 at the PMAC's 16th annual general meeting at Frigate Bay in St. Kitts & Nevis.

The MoU encourages cooperation between the CSA and PMAC and allows for collaboration on projects of mutual interest, especially in matters of port and cargo security and personnel training. By working together, the organisations expect to increase the effectiveness of their efforts in matters relating to port security; ensuring the safety of passengers, crew members, vessels and port facilities; as well as obtaining financial capital for implementation of projects.

As regards personnel training, the MoU provides for the exchange of knowledge and information on standards and technology to make port facilities more secure.

The CSA and the PMAC agreed to cooperate in a number of areas under the sub-headings of International Collaboration, Technical Cooperation, Events Cooperation and Exchange of Views and Information including research data.

"We do share a common purpose, that is, the unbridled and unhindered development of the maritime sector of the Caribbean

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We do share a common purpose, that is, the unbridled and unhindered development of the maritime sector of the Caribbean region

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region." Mr. Stephenson told the annual general meeting. "The Caribbean Shipping Association evolved out of one territory's success in port development. Historically, the economic development of the Caribbean has depended on shipping. Most everything that was needed in the Caribbean colonies had to come on ships and almost all that we produced left on ships. We literally depended on shipping and seaports for survival, while people on the continents historically traded by way of land routes. And, as we know, it was the initiatives to find sea routes to facilitate world trade which revealed the existence of the Caribbean islands to European explorers more than 500 years ago.

GROWTH

"It was ships that facilitated the development of these islands. It was ships that made the establishment and growth of Caribbean national economies possible and therefore the first industrial facilities that had to be built and maintained were seaports. It is important for us to place shipping and the establishment of seaports in context so as to be reminded that what we do in this



industry has always been fundamental to life as we know it in the Caribbean.

"The fact that the CSA was founded on a perceived need among shipping executives to freely share information and experiences is an important point of reference. An association of Caribbean shipping interests was deemed important – indeed, necessary – at a time when even the mere talk of modernisation through mechanisation was enough to cause an uprising among port workers."

Mr. Stephenson said the CSA continued to play a linchpin role in the development of shipping in the Caribbean; but whereas in its earlier years the Association had been only a forum in which ideas and strategies were discussed, today the CSA was playing a different and in many respects a more important role.


"It is important that, as a region of





diverse cultures, we think and act as a single economic entity," said Mr. Stephenson. "This global economy in which we now operate demands this of us. It is possible, even while maintaining our separate cultural and political identities, to cooperate and collaborate in exploiting the economic opportunities that the Caribbean region and the world offer. Within the region we have access to the brains, skills and experiences necessary to make a success of development. We are, to be sure, short on financial capital; and it has been difficult to penetrate and, having done so, to secure our niche and successfully compete in the markets of the world.

"We certainly lack the land mass and the industrial muscle that countries like China, India and Brazil possess. However, we do have the resources and a certain uniqueness on which we can build and market our own brands and services. However, to do this, we do need to place far greater urgency on intra-regional cooperation and collaboration. The same is true for shipping and many other services.

"I therefore humbly suggest that both our organisations – the CSA and the Port Management Association of the Caribbean – seek to deepen and expand our relationship. We have made a start in this regard as we are now in the process of developing a memorandum of understanding in the area of port security. However, we need to take this to the next level." 



Memorandum of Understanding between Caribbean Shipping Association and Port Management Association of the Caribbean

The Caribbean Shipping Association (referred to as CSA) is based in Kingston, Jamaica, and the Port Management Association of the Caribbean (referred to as PMAC) is based in Bridgetown, Barbados.

This memorandum of understanding establishes the basis for mutual understanding and cooperation between the CSA and PMAC. It is understood that this MoU provides a framework to pursue cooperative projects of mutual interest, mainly in the areas of training and security. Any exchange of funds or other tangible resources in furthering the purposes of this memorandum will require execution of a separate written instrument in accordance with applicable law.

By working together, the two organisations can greatly increase the force and effectiveness of their efforts in such key matters as:

- Port security, in ensuring the safety of passengers, crew members, vessels and port facilities as well as in securing necessary funding for implementation of appropriate programmes and infrastructure;
- Training and the exchange of knowledge and information on standards and technology to make port facilities more and secure.

The organisations agree that the ability to achieve our individual and shared public goals will be enhanced substantially by undertaking the collaborative approach outlined in this MoU.

It is agreed that, in order to strengthen the cooperation between the two organisations and to enhance the effectiveness of both organisations in representing the interests of seaports in various international maritime forums, the CSA and PMAC agree to cooperate in the following fields while remaining true to their individual by-laws, membership expectations and traditions.

INTERNATIONAL COLLABORATION

1. Coordinating efforts on international issues of common concern as these relate to training and security.

TECHNICAL COOPERATION

2. Establish cooperative working relationships between technical committees of both organisations in pursuit of objectives leading to safer and more secure ports and terminals in the region represented in the membership of both organisations.

3. To work together to initiate region-wide action which will lead to safer and more secure ports and terminals.

EVENTS COOPERATION

4. To identify ongoing opportunities for both parties to collaborate in each other's conferences, seminars, training events, technical committees, etc so as to promote wider understanding and adoption of the shared principles expressed in this MoU.

5. Coordinate event schedules to encourage maximum participation on the part of members of the two organisations and exploration of opportunities for joint effort.

6. Announcement of each other's events and the creation of links on each other's websites.

7. Providing opportunities for each association to promote itself and its programmes through presentations, printed material, video material and other means.

EXCHANGE OF VIEWS, INFORMATION & OTHERS

8. The waiving of registration fees for one or two observers drawn from the members' representatives of each Association to attend each other's highest managerial meeting, conference or annual general meeting.

9. Exchange of information, research data and publications so as to strengthen and expand information flows between both associations.

10. To work together to develop programmes of mutual cooperation in the spirit of this MoU.

The areas of cooperation listed above may, from time to time, be reviewed as necessary so as to deepen or expand the process of cooperation between both Associations.

The president of the CSA and the chairman of PMAC are hereby charged with the implementation of this Agreement.



CSA conference in Freeport, Bahamas

CONCERNS ABOUT CRIME AND CORRUPTION


Shipping executives from across the Caribbean and Latin America gathered over three days (May 13, 14, 15) in Freeport, Bahamas for the 12th annual Caribbean Shipping Executives Conference.

CSA President Grantley Stephenson declared the conference open and the Prime Minister of the Commonwealth of the Bahamas, the Rt. Hon. Perry G. Christie, gave the keynote address.

The CSA President warned about the dangers of corruption in international trade. He said the CSA had become increasingly concerned about corruption and had therefore placed this topic on the conference agenda. He noted the presence of Jamaica's Professor Trevor Munroe whom the CSA had invited to speak on the topic.

"Corruption generally ... not just drug smuggling or piracy ... hampers development and efficiency. The CSA cannot be unmindful of this reality as it seeks to promote development. Indeed, the CSA cannot be unmindful of anything that retards development and which places heavier burdens on the shoulders of the peoples of this region," Mr. Stephenson said.

Prime Minister Christie expressed concern about crime. He said that vicious crime could stifle and reverse development. No plans for development could succeed where vicious crimes were being committed. He said urgent action was needed as the effects were not easily reversed.

Dr. Munroe brought evidence (see his presentation on page 24) to show that corruption was retarding growth and hampering development in the Caribbean region. 

Mike Jarrett photos







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'The Cluster'

Creating a region-wide network of transport and logistics entities

Barely nine months have passed since Cluster GAT Caribbean Logistics and Transport was established. Yet, this fledgling regional initiative has made great strides in its mission to build a network of partners in the Caribbean and the Americas.

Founded in December 2012, 'The Cluster' as it is called has been building and expanding relationships throughout the region and in the process has been moving forward in its quest to create a broad coalition of organisations engaged in transport and logistics.

Based in Martinique, Cluster GAT Caribbean Logistics and Transport took form

from an initiative of private sector transports and logistics companies. The Cluster has already forged links with a training and research centre (part the Antilles-Guyane University of Martinique); the Martinique government and its partners; and, is now looking for partners across the entire Caribbean basin.

REGION-WIDE NETWORK


The main objective of The Cluster is to establish a region-wide network of organisations, public and private sector. This network of transportation and logistics entities would facilitate: a flow of information and intelligence region-wide; identification of solutions for air, maritime and land transportation; development of information and communications technology solutions for transport and logistics; development of business tools to improve logistics performance and sustainable development across the Region.

"Therefore, this is about designing, shaping and spreading futuristic transport and logistics solutions, by creating synergies between all of us, for all cluster members and for the Caribbean-Americas area," said Linette Cassagnol-Caupenne, a director of the Cluster.

In discussing the work of The Cluster to *Caribbean Maritime*, she said: "We are facing several issues: the necessary enhancement of the logistic sector in trans-

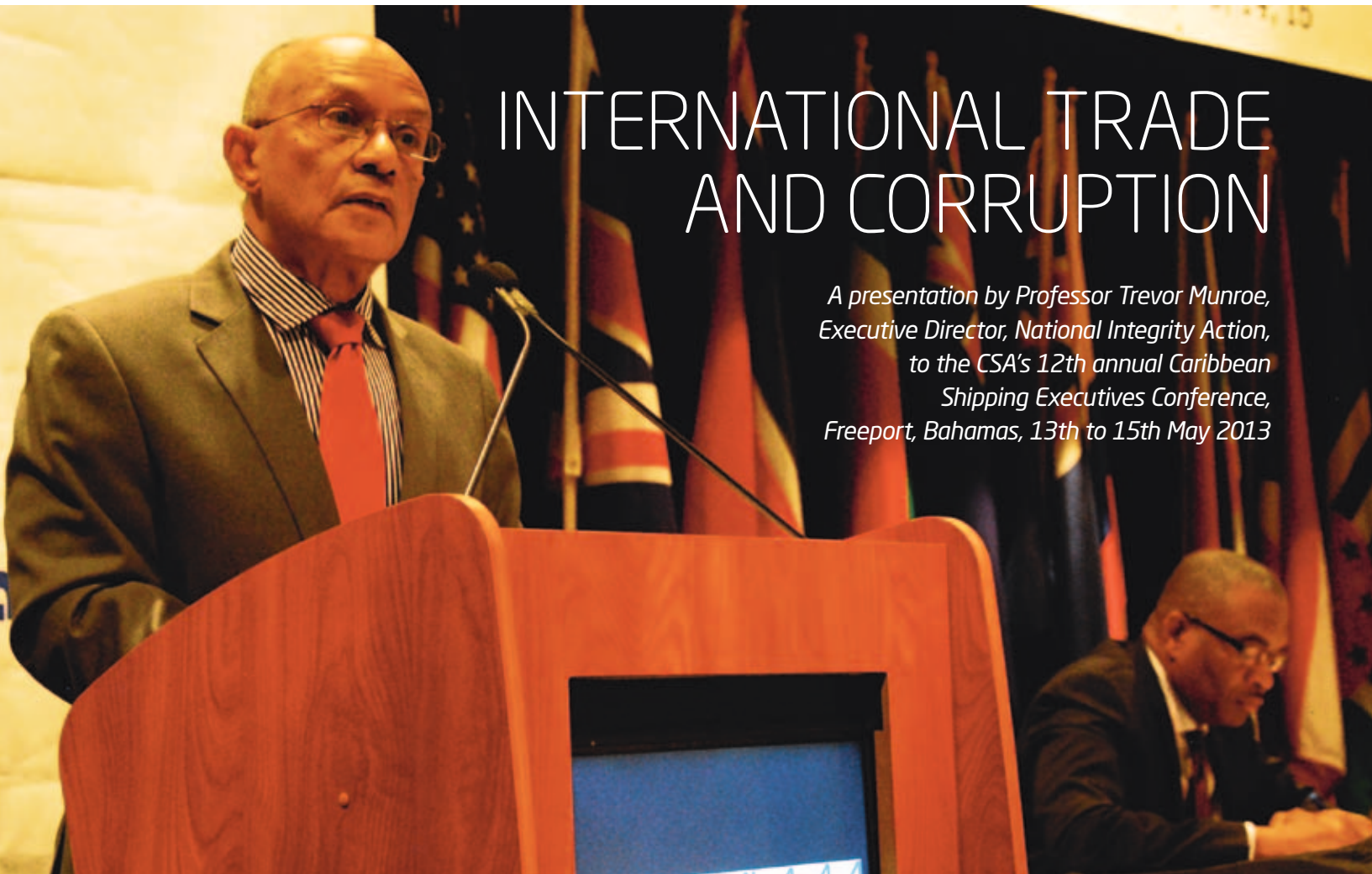


portation; seizing of the added value linked to the increased international flows, at the opening of the new locks of the Panama Canal beginning in 2015; becoming a major player in the logistics and transport sectors in order to spread technology and organisation solutions...and, we are presently working at creating a transportation exchange market place site for the Grand Caribbean area in order to link shipowners, carriers, freight forwarders, customers and suppliers. Also, we are developing ICT solutions applied to transportation and logistics; facilitating the use of inter-modal transport for both people and goods; and, developing social innovation to prevent social conflicts within the activities of the ports in the area."

"Cluster GAT Caraïbe also takes part in a dynamic interaction with large clusters of logistics, transport and related activities of the Caribbean Basin, in France and Europe," she explained. 

“*The main objective of The Cluster is to establish a region-wide network of organisations, public and private sector*”





INTERNATIONAL TRADE AND CORRUPTION

A presentation by Professor Trevor Munroe, Executive Director, National Integrity Action, to the CSA's 12th annual Caribbean Shipping Executives Conference, Freeport, Bahamas, 13th to 15th May 2013

I would like to congratulate President Grantley Stephenson and his organising committee for the choice of the subject on which you have asked me to speak, 'International Trade and Corruption'. I congratulate you because, as you may be aware, the issue of corruption is a major concern of the global community and of our Caribbean people and hence must be of concern to you; not just as shipping executives but as responsible Caribbean and global citizens.

Indeed, an international survey commissioned by the BBC World Service and issued on United Nations Anti-corruption Day 2010 found that corruption was the most discussed global issue and rated as the most serious global problem, second only to poverty, in the opinion of citizens in a wide range of countries across the world. Your Association and you executives are very much in step with the international commu-

nity in your focus on this matter in this first business session.

Closer to home, in our hemisphere, the Caribbean and Latin American peoples perceive corruption to be at far too high levels in our respective countries. In fact, the Latin American Public Opinion Project last year on a scale of 0 to 100 found that in half of the 26 states surveyed, people perceived corruption at 70 or higher. And among those states where the people perceived corruption as extremely high were Jamaica (75), Guyana (79) and Trinidad and Tobago (81), the last named being second only to Columbia in the citizens' perception on levels of corruption. In one survey in 2010 Jamaican people expressed the view that corruption was that which was most wrong with Jamaica.

Moreover, these perceptions by our own nationals accord with the international communities' view of us. Transparency International's Corruption Perception

Index ranks only three of 10 Caricom states surveyed, namely, Barbados, St. Lucia and the Bahamas, in the top quintile of those of the 176 countries ranked as very clean. In addition, our main partner in the hemisphere, the USA, agrees with our people in our assessment of the corruption problem. The International Narcotics Strategy Report 2013 assesses Jamaica in a way not dissimilar to other states in the region: "Corruption remains entrenched, widespread and compounded by a judicial system that is poorly equipped to handle complex criminal prosecutions in a timely manner."

PERCEPTION

Of course, you would be quick to observe that perception does not always equal reality; and, in fact, there is evidence to suggest that while people's perception of corruption, particularly in the top brackets of our societies, remains high, their actual experience of

and participation in corrupt acts is relatively low. In any event, hard data on the actual crime of corruption is particularly difficult to track; a corrupt deed more often than not involves a willing corrupter and an equally willing corruptee. Hence, unlike homicide or other crimes of that nature, there is rarely a victim complainant. Put more starkly, acts of corruption in and of themselves leave behind no corpse, fingerprints, DNA evidence or scene of crime to cordon off.

INSIDIOUS

But precisely because of its insidious nature, corruption is akin to a relatively invisible global epidemic affecting all states with more or less devastating impact. This is why the United Nations found it necessary to promulgate the UN Convention Against Corruption, now ratified by most Caribbean states in which the global community expressed concern that “the seriousness of the problems and threats posed by corruption” undermine “the stability and security of societies....the institutions and values of democracy, ethical values and justice.... sustainable development and rule of law”. In effect, corruption undermines the very foundation of institutions on which you depend as shipping executives and our very way of life as Caribbean citizens.

One measure of the magnitude of this issue is reflected in the estimate of the World Bank Institute a few years ago that US\$ 1 trillion was paid in bribes from private sector to public sector officials around the world, seriously damaging the integrity of procurement systems, discriminating against companies – including shipping companies – that refuse to pay bribes and often ensuring that public sector contracts went to less qualified people, thereby compromising the quality of goods and services provided for our people.

For our part, we come from a region in which our people suffer immensely from underdevelopment. Hence, your concern in your professional endeavours must ultimately involve helping to come to grips with this reality. I was therefore very pleased to learn that most appropriately the stated mission of the CSA is “to promote and foster the highest quality service to the maritime industry....for the benefit and development....

“

In our hemisphere, the Caribbean and Latin American peoples perceive corruption to be at far too high levels in our respective countries

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of the peoples of the Caribbean region”. You must therefore be very concerned at the fact that, of the 14 Caricom states ranked in the 2013 UNDP Human Development Report, not one single country falls in the top quintile rank of the 186 states assessed, not even our best performers, Barbados (38), and the Bahamas (49). In this context it is essential to trace and to understand the link between low human development and high levels of corruption. That link is explained by the World Bank Institute, which concludes:

“Countries that improve on control of corruption and rule of law can expect in the long run a fourfold increase in per capita incomes” and conversely a fourfold loss in per capita income for no improvement. The World Bank Institute further suggests that “the difference can be between 2 and 4% per annum in the countries’ annual income growth rates between countries with a different extent of corruption control”.

TARGETS

In respect of development aid, the World Bank again estimated that, far from all assistance reaching the targets to help improve education and schooling, water supplies and road infrastructure, clinics and hospitals, US\$ 20 to 40 billion or 20 to 40% of all overseas development assistance is siphoned off into the pockets of corrupt public officials in developing countries. Your mission, ultimately to promote the development of Caribbean people, must make you determined to combat corruption not only in international trade but wherever it occurs once we fully appreciate the devastating impact on our people’s livelihood.

One colleague scholar who has engaged in a deep study of this issue has found that one unit of improvement in political corruption in Jamaica would bring with it an “84.7% increase in gross national product, a US\$ 1.7 billion increase in capital formation, a

US\$ 286.4 million increase in foreign direct investment and a US\$ 761.6 million increase in domestic savings” (Michael Collier, 2002).

In other words, a one unit improvement in political corruption in Jamaica – and the same applies to some other Caribbean states – would facilitate a virtual economic miracle, extraordinary improvements in levels of human development and transformation in the lives of so many of our peoples, who remain in conditions of poverty. And, by the way, over 5% of the population in Jamaica has to survive on less than two US dollars per day, 18% in Guyana, 13% in Trinidad and Tobago, 40% in St. Lucia and over 77% in Haiti according to the latest figures in the 2013 World Development Indicators.

I therefore repeat, to the extent that you take your mission of promoting the development of the Caribbean people seriously, to that extent you are compelled to assist in dealing with corruption more effectively in our public institutions, in our private sector, in our societies more generally.

EFFECTIVE

And you as shippers are well placed at an intersection that facilitates your effective intervention to build integrity and to combat corruption in a manner that benefits our people. This is so because, as you know, the welfare of our people in our open economies is largely linked to the effectiveness of our integration into the global supply chain, to the volume, value and legitimacy of merchandise trade. In fact, the ‘World Development Indicators 2013’ tells us that over 63%





trading more difficult than in the vast majority of countries with which we have to compete.

But, more importantly for our purposes, the red tape, high costs and bureaucracy immensely complicate integrated logistics and transportation management and provide a huge incentive to engage in corruption. For example, in Singapore, which ranks number one in the world on the Ease of Trading Across Borders indicator, it takes five days to export, four days to import and four documents to export and import respectively. Compare that with Jamaica

customs officials and you, the shipping companies' executives, with one primary purpose: to build integrity by making it easier and more cost-effective to engage in international trade.

The elements of an integrity strategy are not rocket science; they are set out in many documents and policy proposals. For example, many imperatives for integrity are outlined in the revised Arusha Declaration of June 2003 of the World Customs Organisation. I mention four, transparency, automation, audit and investigation, and a known as well as enforced Code of Conduct.

Overall, shipping executives need to be robust participants in the leadership of that coalition for integrity, to reduce corruption, build revenue and grow GDP to the benefit of our people.

Then there is your role in reducing illicit trade and its harmful effects in corrupting public officials; in facilitating organised crime; and in damaging the competitiveness of our region. In this regard, illicit trade in narcotics and arms trafficking, often using your vessels, remains a major scourge in our region. For example, in 2012 the authorities in Trinidad and Tobago made five major seizures at seaports during the year, contributing to the interdiction of over 146 kg of cocaine and 2.26 tonnes of marijuana. In Jamaica, smugglers continue to use maritime shipping containers, ships, small boats, aircraft and couriers, as the INCSR 2013 Report tells us, "to move drugs into, from and through Jamaica to the United States".

In Guyana, cocaine originating in Columbia is smuggled to Venezuela and onward to Guyana by sea and air. As you know, cocaine is often concealed in legitimate commodities and smuggled via commercial maritime

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The red tape, high costs and bureaucracy immensely complicate integrated logistics and transportation management
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of the GDP of 13 Caricom states comes from merchandise trade. This is well above the average of upper middle income countries and greater than every region in the world with the exception of the Middle East and North Africa. And hence, because our raw material base is relatively shallow and our international markets so small, a great deal of our growth and development rests on facilitating international trade.

Equally, much of our government revenues depend on the collection of – and dealing effectively with the corrupt evasion of – international trade taxes and hence the reduction of fiscal deficits, which bedevil almost every single Caribbean state. Much of our growth and development, therefore, as well, depends on the facilitation of international trade and the reduction of incentives to corruption in the process of that trade facilitation.

Yet what do we find? The World Economic Forum in its annual Ease of Doing Business report examines 'Trading Across Borders' as one of 11 indicator sets. Of the 185 economies reported on in the 2013 Report on the Ease of Trading Across Borders, only one, namely, Barbados, of 14 Caricom states ranks in the top quintile. More importantly for our purpose, the difficulties facing importers and exporters in relation to such matters as the number of documents needed to export and import, the time to export and import, and the cost per container to export and import only makes

days to export and 17 days to import and six and seven documents to export and import respectively. Worst, it costs in Singapore US\$ 456 per container to export and US\$ 439 per container to import. Compare that with Jamaica, where it costs US\$ 1,500 per container to export and US\$ 1,506 per container to import.

For our region overall, the average cost per container to export in the 14 Caricom states is a little under US\$ 1,000 and to import over US\$ 1,600 per container. Even forgetting Singapore, in Mauritius the comparable costs are US\$ 660 and US\$ 695 respectively. These challenges render the Caribbean a relatively uncompetitive link in the global supply chain and, comparatively speaking, a corruption-vulnerable site in the community of international trade

ASSAULT ON RED TAPE

To reduce the temptation of corrupt facilitation payments in international trade in our region, to increase the ease of earning foreign exchange through merchandise exports, a critical lifeblood of our region – this clearly requires an urgent, frontal and sustained assault on red tape and bureaucracy, which both discourages international trade and facilitates corruption. To make advances in this area requires an assault on entrenched interests at all levels who benefit from corruption; and a coalition of importers, exporters, airlines, ports and airport authorities, trade consultants,

vessels or air transport. The multi-million-dollar proceeds from this illicit trade fuel organised crime, contaminate state institutions, undermine confidence in the rule of law and underlie homicide rates such that the Caribbean has the highest murder rate of all regions in the world.

In the context of this reality, you therefore cannot advance your mission to promote the development of the Caribbean peoples without finding more effective measures, along with the authorities, to investigate, arrest, convict and punish the smugglers as well as their facilitators.


Let us be clear: we cannot increase levels of human development in the Caribbean without rendering our region a more welcome, efficient, cost-effective, productive link in the global supply chain, without increasing licit international trade and without, at the same time, enhancing our global competitiveness. Raising investments, both foreign and local, is an important ingredient of this process.

Yet the Global Competitiveness Report 2012/2013 ranks corruption among the top three most problematic factors for doing business in four of six Caricom nations surveyed, namely Jamaica, Guyana, Suriname and Haiti. In this regard, the World Bank points out that corruption and bribery in effect add a 20% transactional tax for investors.

LESS CORRUPTION MEANS MORE INVESTMENT

So let us be clear on a simple but critical equation: more integrity and greater efficiency equals less corruption; and less corruption means more investment, more international trade, more decent jobs, less poverty and higher levels of opportunity, of hope, particularly for our youth, and ultimately enhanced human development in the Caribbean.

On your 40th anniversary of independence here in the Bahamas, and Jamaica's 50th last year, let us renew our confidence in our capacity to cope with these chal-

lenges and to achieve these objectives. After all, we are a people of exceptional talent; we are in the top rank of the international community on many governance indicators: on freedom of the press we are invariably in the top 10%, very often ahead of mature democracies like the USA or the UK; moreover, there is no other region in the world where the people have more consistently, over many decades, ensured that governing parties demit office with little hesitation and oppositions assume the mantle of authority peacefully, through relatively free and fair constitutionally mandated elections, without one-party dictatorship, without military rule, without genocidal civil war. We can and need to urgently apply the talents which assure these and other accomplishments to the critical task of building integrity in our institutions, in our behaviours and our relationships within our region and with the international community. 

- Mike Jarrett photos



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Measurable growth, enhanced potential at St. Maarten

The Port of St. Maarten received its highest number of cruise passengers last year. The small, vibrant Dutch territory had 1.7 million cruise passengers visit its shores and, with plans already taking shape, is expecting to top this number in the years ahead.

This success is not only attributable to geography and location, one port official explained. "Although that helps, it is more the result of a systematic approach and good customer focus by the St. Maarten Harbour Group, which is keen to provide the best facilities in the industry. This is one of the benefits of holding long-term agreements with the major lines."

St. Maarten was one of the first ports in the Caribbean region to develop a capability to handle the massive Genesis-class cruise ships. Since then it has been attracting a growing number of cargo shipping lines looking for a reliable transshipment sub-hub.

In 2007, with one berth capable of accommodating four cruise ships simultaneously already in operation, the decision was taken to take the port to the next level and a second cruise pier was built. Development of the Dr. A.C. Wathey Cruise & Cargo Facility has been overseen by the St. Maarten Harbour Group of Companies (SMHG), a government-owned consortium of 13 companies responsible for part of the maritime operations of the country.

St. Maarten is now one of the few ports in the Caribbean capable of receiving what are currently the world's largest cruise

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St. Maarten was one of the first ports in the Caribbean region to develop a capability to handle the massive Genesis-class cruise ships

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ships (Genesis class) of over 220,000 gross tons each with a capacity of more than 6,000 passengers and crew.

Pier 1 is 545 metres in length and can accommodate up to four vessels simultaneously. Pier 2, with a length of 445 metres, was opened in 2009 and can accommodate two Genesis-class vessels. It also has two booths for screening passengers. This cannot be done on board because of the large number of passengers. The terminal can handle more than 20,000 passengers in a single day.

FOUR PILLARS

Built in an architectural style reminiscent of old Philipsburg, the Village contains duty-free outlets, souvenir shops and market stalls as well as bars and a restaurant. Passengers are welcomed ashore at the Harbour Point Village by the music of steel pans, which set the tone for an enchanting stay on an idyllic tropical island.


The operations of the SMHG are summarised in its literature as the 'four pillars' – Cruise, Cargo, Yachting and Real Estate.



The group operates and has responsibility for the Dr. A.C. Wathey Cruise & Cargo Facility at Point Blanche, the Harbour Pointe Village, the Captain Hodge Pier in Philipsburg, the fuel station at Great Bay and the Simpson Bay Lagoon Authority, responsible for the Simpson Bay Bridge. Over the past decade the SMHG has invested over US\$ 100 million in infrastructure development and equipment acquisition and commissioning.

Development plans include investing in personnel and processes. This is





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seen as absolutely necessary in order to maintain and improve on current levels of efficiency. Over the past 10 years the SMHG has been transformed into an aggressive, commercially orientated operation. This change in corporate focus was facilitated by a refinancing package of US \$150 million by the Central Bank of Curaçao and St. Maarten. The new thrust included what has been described as 'a strong corporate social responsibility programme' and included investment in St. Maarten as a destination.

Environment protection and green issues are a priority for the Harbour Group and this is reflected in the number of innovative initiatives (including wind and solar power systems) within the port. The group also plays a leading role in the wider community with respect to beautification of the island and in various social development programmes. Putting something back is a key part of its business.

By rejuvenating parts of Philipsburg and giving priority status to environmental concerns, the SMHG has helped to enhance the visitor experience.

DUTCH VILLAGE

Visitors can look forward to a totally new experience as the result of an innovative move by the Harbour Group to bring a bit of Dutch flavour back to St. Maarten. A common observation from visitors was the lack of a Dutch atmosphere. To put that right, the Harbour Group plans to develop what it has called a Dutch Village. This new attraction will be built next to the cruise ship piers on land reclaimed during construction of the second pier.

While final decisions are still to be taken on the specific amenities and attractions to be included, the intention is to create an area featuring traditional Dutch architectural style and structures such as a windmill and a church. There is also talk of positioning this development alongside an area with a French flavour to represent the dual-nation character of the island.

The SMHG has helped St. Maarten to maintain a competitive edge in the north-east Caribbean through constant research, strategic planning and collaboration with leading industry players. This enlightened corporate strategy has resulted in measurable growth and enhanced potential. 

PORT OF ST. MAARTEN

A premier yachting destination

St. Maarten, one of the Caribbean's premier yachting destinations, receives some of the most luxurious vessels afloat.

Simpson Bay Lagoon in the west of the island is one of the finest facilities in the region. The national frontier passes through this lagoon, so one side is Dutch and the other French. The Dutch side includes most of the major marinas and a wide range of service companies and suppliers.

Yachting is a major growth sector and the Simpson Bay Lagoon Authority Corporation (SLAC) plans to expand this sector. The SLAC is a subsidiary of the St. Maarten Harbour Group of Companies with responsibility for the lagoon and the John Sainsborough Lejuez Bridge, which spans the only channel in Dutch St. Maarten between the lagoon and the sea. Yachts up to a maximum beam of 56 ft (17 metres) and a maximum draught of 17.0 ft (5.0 metres) can enter the Simpson Bay Lagoon through the John Sainsborough Lejuez Bridge.

Giga yachts and vessels too large to enter the lagoon can be catered for elsewhere, at designated Windjammer berths beside the cruise facility in Great Bay or alongside the cruise pier, depending on the cruise ship schedule.

FUELLING

Fuelling services are also available to giga yachts in Great Bay. The Port of St. Maarten has worked in partnership with fuel supplier Sol to install a fuelling station at the Windjammer berth. The Harbour Group subsidiary, St. Maarten Harbour Fuelling Company NV, operates this facility and handles all the refuelling operations.



The fuel station, which opened in 2011, was set up specifically to handle giga yachts which are unable to enter the Simpson Bay Lagoon because of depth restrictions. The facility has three 20,000 litre tanks for storage of fuel for delivery at the berths. Larger volumes can be delivered by road tanker. The fuel station is already proving so successful that an upgrade is planned in the near future. In 2011 the port delivered 5 million litres of fuel to mega yachts and giga yachts.

St. Maarten has an active sailing programme all year round organised by the St. Maarten Yacht Club, the principal event being the St. Maarten Heineken Regatta, which brings together yachts of all sizes from across the region for a week of competitive racing.

The marine sector accounts for about 33% of the gross domestic product of St. Maarten.

“*St. Maarten has an active sailing programme all year round organised by St. Maarten Yacht Club*”

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Dredging of Atlantic entrance of canal completed

CARIBBEAN MARITIME, in the service of history, here continues its series of updates in recording progress in this major construction project. CSA members attending the Association's 43rd Annual General Meeting in October 2013 will get the rare opportunity to visit this epoch-making construction project.

The dredging of the Atlantic entrance of the Panama Canal has been completed. This huge dredging project, a key component of the Panama Canal Expansion project, was officially declared complete on 25th April 2013 by the Panama Canal Authority (ACP).

The dredging contract was awarded to the Belgian company Jan De Nul NV on 25th September 2009 and was completed at a cost of \$109.3 million.

The works consisted of widening the Atlantic (Caribbean) navigation channel from 198 to 225 metres and the creation of the northern approximation channel to the Third Set of Locks in the Atlantic. This approximation channel is 218 metres wide. The contract also included the deepening of the channel to 16.1 metres below mean low sea water level.

The full works contract involved the

dredging of 16.8 million cubic metres along an extension of 13.8 km and the excavation of 0.81 million cubic metres. This required the use of a wide variety of dredging equipment, including the dredges Marco Polo (for cutting and suction), Filippo Brunelleschi (a trailing suction hopper), the Vitruvius (a backhoe), and Charles Darwin (a post panamax trailing suction hopper).

DREDGING CONTRACTS

To date, the following dredging contracts have been completed under the Panama Canal Expansion Programme:

- Dredging of the Pacific entrance and reaches north of Gatun Lake, both executed by the Belgian company Dredging International de Panamá, S.A.
- Dredging of the northern entrance of the Pacific Access Channel, executed by Jan De Nul
- Dredging in Culebra Cut, conducted by canal dredging personnel and equipment, were completed in the first quarter of 2013. [NO](#)





EASTERN CARIBBEAN: MORE THAN 2,300 CRUISE SHIP CALLS THIS WINTER



By
Nathan Dundas

According to the latest cruise data from the 2012 Florida Caribbean Cruise Association (FCCA)/Business Research and Economic Advisors (BREA) Report, the Caribbean is still the number one cruise ship destination in the world despite the emerging global market.

The Eastern Caribbean winter itinerary is one of the most popular Caribbean cruise offers for many visitors the world over. It has to be the intention of cruise business stakeholders and the governments of the Eastern Caribbean to maintain this position.

The summer season is finally receding and cruise tourism stakeholders in the Eastern Caribbean are really gearing up and now looking for the anxiously awaited winter season. The 2013 summer season was a mixed bag for Eastern Caribbean cruise stakeholders. There was the traditional

slow period, with few ships positioned in the Caribbean from May through to September.

For the past few years the Eastern Caribbean, except for St Maarten, has only been able to attract few cruise ships during the summer months. It was the same this summer except for August with the welcome return to some destinations of the Royal Caribbean Cruise ship *Jewel of the Seas*.

FOREIGN EXCHANGE

Taxi drivers, store owners, tour operators and the national economies of the main cruise destinations have held their own because of the infusion of foreign exchange from the visitors of the cruise lines. Tours have been organised to take visitors to attractions and to local beaches. Catamarans have been brought into play and have been a success with visitors.

In October we would have started to receive some of the cruise ships returning from summer duties in the Mediterranean and Europe and Asia. St. Maarten will lead the Eastern Caribbean with 23 calls, followed by Barbados with 12 calls. St Lucia will receive 11 calls, St Kitts nine and Anti-



The Eastern Caribbean winter itinerary is one of the most popular Caribbean cruise offers for many visitors the world over



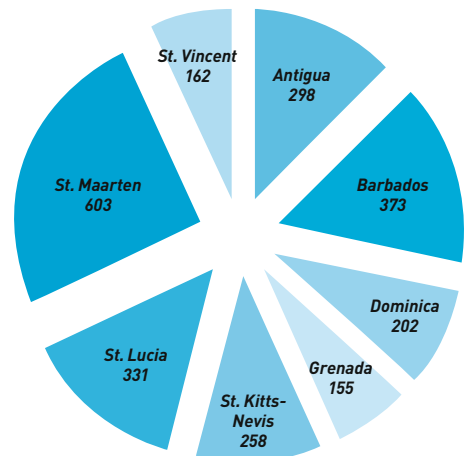
gua eight. Dominica will receive three cruise ship visits; and, St. Vincent and Grenada, one call each.

The 2013/2014 Caribbean cruise season will really start to pick up from November onwards with St. Maarten leading the group with 74 arrivals. And December is going to be an even more active month with about 457 vessel calls to the Eastern Caribbean. The season will peak in January of 2014 with approximately 494 vessel calls.

In February there will be a decline in the number of vessel calls to the Eastern Caribbean, about 409 cruise ships during the month, as some cruise Lines start itineraries to other ports of call. March is the last



EASTERN CARIBBEAN CRUISE ARRIVALS - OCT 2013 – APR 2014



month of significant traffic the upcoming winter cruise season and in April cruise ships will start to make their way back to the Mediterranean and Europe.

Overall the Eastern Caribbean will get about 2,380 cruise ship calls this winter season. This is a very good number of calls. Opportunities are certainly being created for potential business for the stakeholders.

Royal Caribbean International (RCI) and Carnival Cruise Line continue as the dominant USA-based cruise lines operating in the Eastern Caribbean region. St. Maarten receives most of its cruise ships from RCI and Carnival with RCI in conjunction with Celebrity making approximately 180 calls to that destination.

The other USA-based cruise lines (including Princess, Norwegian and Holland America/Seaborne) also continue to focus on the region.

European cruise lines that have a presence include Costa Cruises, MSC Cruises, P&O, Aida and TUI Cruises.

MISSED OPPORTUNITIES

The fact is that some in the Eastern Caribbean are missing out on opportunities. Some of the larger cruise ships are presently not calling there and we could miss out on other larger ships that will be placed in our market area from 2015 unless we carry out adequate dredging and maintenances on harbours. That is the simple truth.

The cruise market is global and some of the USA-based cruise lines will be placing a number of their smaller ships, many of which presently call at ports in the Caribbean, to other destinations; replacing them with larger, new builds. If the Caribbean is not ready and prepared, it will be bypassed and there will be a reduction in vessel calls.

Some ports have already started making preparations and some need to carefully consider the joint investment opportunities with the cruise lines in developing infrastructure. This has already taken place in St. Maarten and Jamaica.

There is a commendable effort by cruise destinations to market the Eastern Caribbean to cruise lines and to cruise travelers around the world. Some destinations continue to hold meetings with the FCCA and various cruise lines under the steward-

EASTERN CARIBBEAN CRUISE VESSEL ARRIVALS - WINTER 2013-2014

DESTINATION	OCT	NOV	DEC	JAN	FEB	MAR	APR	TOTAL
Antigua	8	33	65	67	51	51	23	298
Barbados	12	46	72	68	58	77	40	373
Dominica	3	21	40	46	38	40	14	202
Grenada	1	18	26	33	30	31	16	155
St. Kitts-Nevis	9	28	45	52	47	48	29	258
St. Lucia	11	32	65	64	63	65	31	331
St. Maarten	23	74	109	123	92	104	78	603
St. Vincent	1	16	35	41	30	28	11	162

ARRIVALS/MONTH	68	268	457	494	409	444	242	2382
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ship of their various government ministers to good effect. The interest and following from some countries in hosting the FCCA-sponsored Aquila Excellence training programme to further equip and benefit stakeholders is also of worthy of note.

Marketing efforts this year took rep-

representatives of Eastern Caribbean destinations to Hamburg, Germany, to attend the Seatrade Europe Cruise convention in September, where they met with the European cruise line representatives to discuss continued support of the Caribbean. This was followed up in October with further meetings with the USA-based cruise lines, at the annual Florida Caribbean Cruise Association trade show and meetings in Cartagena, Colombia. [CMI](#)

Nathan Dundas is President of Antigua & Barbuda Cruise Tourism Association & Chairman of the Caribbean Shipping Association Cruise Committee.

“*The fact is that some in the Eastern Caribbean are missing out on opportunities*”



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St. Vincent and the Grenadines

Destination for an exclusive European cruise market

St. Vincent and the Grenadines may not see the volume of cruise passengers received by its neighbours to the east and north, but it hosts a number of boutique cruise lines, mainly out of Europe.

This destination is enjoying a 27% increase in cruise ship calls and has seen its cruise passenger traffic grow by 5% in the past year. Last cruise season (2012-2013) the country had 203 cruise calls, receiving over 83,000 high-end visitors.

An awesomely beautiful string of islands, St. Vincent and the Grenadines welcomes mainly European cruise passengers brought by P&O Cruises, Norwegian Cruise Lines, Cruise and Maritime Voyages, TUI Cruises, Fred. Olsen Cruise Lines, Star Clippers and Saga Cruises. They experience a gorgeous destination and a capital town steeped in history.

Fort Charlotte, which stands guard over St. Vincent's capital, Kingstown, was completed in 1796. To put this in context, that was the year in which the first elephant set foot on American soil, or so we are told, having been brought from India. There is no evidence that the first US President, George Washington, who was still in office, met the touring pachyderm; nor that it was brought to participate in the USA's very first 4th July Independence Day celebrations. However, even as the British put the finishing touches to their Fort Charlotte garrison on the hill



overlooking Kingstown, the last of their troops, whipped and defeated, were busy withdrawing from American soil.

St. Vincent is full of history. Indeed, Kingstown's famous Botanical Gardens are said to be the oldest in the western hemisphere and cruise ship visitors enjoy its lush verdancy all through the year.

St. Vincent's Kingstown Cruise Terminal, only a few minutes' drive from the heart of the capital, has deepwater berths that can accommodate two ships.

PURPOSE-BUILT

The North Berth can accept cruise ships up to 300 metres in length and 120,000 gross registered tons (grt). The South Berth can dock vessels up to 100 metres in length overall and 40,000 grt. The terminal also has a purpose-built landing stage for cruise passengers arriving by tender.

Managed by the St. Vincent and the Grenadines Port Authority, the purpose-built terminal contains a full range of services including a tourist information bureau, two



dozen retail shops, a food court, rest rooms, public telephone facilities and internet access. Beyond the cruise terminal building there is a pick-up and set down area for both land and water taxis and there is parking for tour buses.

'Must see' places for cruise visitors include the Falls of Baleine, Dark View Falls and Mesopotamia Valley. All these sights are reachable in a day trip.

The Grenadines chain of islands, part of this English-speaking sovereign Caribbean state, stretches south for about 48 miles. These are among the most beautiful, unspoilt coral islands in the Caribbean and part of the reason why St. Vincent and the Grenadines is one of the most popular cruise destinations for an exclusive European market. [OMI](#)





CSA'S FIRST MEETING IN PANAMA


The first meeting of the CSA in Panama was the 36th Annual General Meeting (AGM) in October (16th, 17th and 18th) 2006. Over 250 shipping executives from across the Caribbean and Latin American region attended what turned out to be one of the best conferences ever held by the Association.

Highlighting the three-day event was a visit to the Panama Canal. Conference participants actually had an opportunity to experience the locks on board a motor vessel.

The Panama Canal is regarded as the facility that has largely been responsible for the growth and expansion of the maritime sector of the Caribbean. The building of the Canal at the turn of the 20th century required a massive workforce, more than Panama could supply from its native population. Labourers therefore had to be brought in from other Caribbean territories. Many did not return home and were buried in Panama. Others stayed and lived in Panama and raised families there. In this regard, many countries of the region have historical ties to the Canal, in addition to the obvious economic links.

The 36th AGM in 2006 was special as it marked the moment when the CSA was able to acknowledge, in a tangible way, the pioneering role played by its Founding President, Peter Evelyn, and the sterling contribution to its development by its second and fifth Presidents, Michael Blackman and Ludlow 'Luddy' Stewart respectively. All three Past Presidents were made Honorary Members in Panama.

This was the meeting at which Fernando Rivera from Puerto Rico was elected the 14th President of the CSA and it was the final one presided over by the CSA's first female President, Jamaica's Corah Ann Robertson-Sylvester, then completing her third consecutive term in that office. It was also at this AGM that the CSA elected the Group B chairman, Carlos Urriola Tam, of Panama, as Vice President. Mr. Urriola went on to become the CSA's 15th President.

The CSA returned to Panama in October (7th, 8th and 9th) 2013 for its 43rd Annual General Meeting, Conference and Exhibition with another Jamaican, Grantley Stephenson as President. Mr. Urriola, still on the Association's General Council, was Immediate Past President and Past President Fernando Rivera as Acting General Manager. 





Shipping Association and labour unions sign four-year pact

HISTORIC LABOUR AGREEMENT IN JAMAICA



The Shipping Association of Jamaica (SAJ) and unions representing Jamaican stevedores have signed what the SAJ has described as 'an historic four-year wage agreement'.

In a statement issued on 26th July, the SAJ said this was the first ever four-year labour agreement signed at the Port of Kingston.

"Traditionally, wage agreements between the SAJ and the unions were for two-year periods," the SAJ stated. "However, the negotiators on both sides said that their discussions took into account the state of the Jamaican economy, the recent IMF agreement, the country's reliance on a growing shipping industry and the widening of the locks in the Panama Canal as well as plans for the establishment of a Global

Logistics Hub."

The agreement was negotiated at sessions of the Joint Industrial Council for the Port of Kingston. Port workers were represented by the Bustamante Industrial Trade Union (BITU) and the United Port Workers' and Seamen's Union (UPSU). The SAJ represented the employers in the shipping industry.

The new heads of agreement cover the period from November 2012 to October 2016.

SIGNIFICANT

According to the SAJ statement, news of the historic four-year pact was warmly received by the Government of Jamaica. The Minister of Transport and Works, Omar Davies, said the new agreement was significant for several reasons:

"The first is that its duration will provide the Port of Kingston with the requisite industrial peace and stability to plan for growth and expansion over the medium term. At the same time, it demonstrates that the workers and their union representatives have fully grasped the challenges which

“

The new agreement is without a doubt of strategic importance to the overall success of the Jamaican economy

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face not only the shipping industry but more so the country."

The Minister of Labour and Social Security, Derrick Kellier, said the new agreement was of "critical importance to the overall development of the Port of Kingston, which constitutes an important part of the economic life and development of Jamaica. It is without a doubt of strategic importance to the overall success of the Jamaican economy."

The chairman of the Port Authority of Jamaica, Noel Hylton, reportedly described the signing of the agreement as a remarkable achievement. He said he was fully aware of the tremendous work and effort which had guided the harmonious negotiations.

According to the Port Authority chairman (and the first Executive Vice President of the



Key players in the negotiations: Condell Stephenson, chairman of the Joint Industrial Council for the Port of Kingston; Trevor Riley, general manager of the Shipping Association of Jamaica; Alvin Sinclair of the BITU; and Roosevelt Walker of the UPSU

CSA), the historic agreement supports the Port of Kingston's reputation as one of the most stable ports in the world.

"I believe it is noteworthy to mention that there has been no fundamental labour dispute at the port [of Kingston] in over 35 years, which is a commendable feat," said Mr. Hilton. "Undisputedly, the Port of Kingston enjoys the best labour relations environment in Jamaica and I must express my gratitude to all the stakeholders who have contributed to the maintenance of this status quo."

RIGHT THING TO DO

Alvin Sinclair, vice president of the BITU, said (according to a SAJ report) that the four-year agreement was the right thing to do considering the international situation that faced the shipping industry, particularly

the opening of an expanded Panama Canal in 2015. It would allow Jamaica to position itself to take advantage of the benefits that would likely flow from the expanded canal and in addition would send a signal that Kingston as a port was stable and that industrial relations were good.

The SAJ statement quotes the labour leader as saying that the workforce expected that whatever benefits accrued from this agreement would be shared through incentive schemes and other benefits.

Roosevelt Walker, union officer for the other labour union in the negotiations, UPSU, was satisfied that the agreement had been reached at local level without outside assistance.

"I think this reflects the maturity of the Joint Industrial Council," said Mr. Walker. "This four-year agreement provides a stable

and predictable environment at the Port of Kingston."

The Shipping Association's general manager, Trevor Riley, who served as chief management negotiator, said that management and the unions had realised for a long time that they had a shared interest in the port's prosperity and that this agreement would serve to position the port for its expansion into a logistics hub. 





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RISKY BUSINESS

'That which is necessary is never risk'

Jean-François-Paul de Gondy, cardinal de Retz, a French churchman, writer of memoirs and agitator in the French civil wars, in this 17th century statement, likely used the words, 'necessary' and 'risk' as comfort words to describe events or situations that could cause harm.

In the context of our businesses, 'necessary' suggests that which we must do to advance the business; and 'risk' suggests identifying an exposure to danger, harm or loss.

Alternatively, and loosely defined, 'risk' is the chance of an occurrence or a situation of uncertainty that would cause harm to a business. And in the strictest sense business harm is the interruption or stoppage of goods, processes or services. A
Tom Peters

favourite: "There is no stasis [in business]."

Event probability, statistical probabilities and actuarial calculations aside, business practitioners face the reality (or imagine the likelihood) of an exclusive yet catastrophic event taking place. Recall the 2005 and 2007 Category 5 hurricanes that challenged the Caribbean, especially those in 2007 which had more than one landfall.

CATASTROPHIC

History is well punctuated by a timeline of catastrophic events. Had we been around 4 billion years ago, according to the BBC's Late Heavy Bombardment (LHB) web postings, we would have enjoyed "intense comet and asteroid bombardment".

Those would definitely cause

our business harm.

Considering this history, as prudent business people we likely prepared or were required to create a business plan. Among the many subjects included was a plan for marketing, finance, operations and risk management, all foundational elements. And, to protect against damages from liability judgments, property and casualty claims and losses from business interruption, there was a comprehensive insurance contract.

So far we followed the cardinal's tenet and the *necessary* was done and no risk taken.

However – and a terrifying 'however' it is – did we adequately protect our businesses from harm? In addition to LHB and

By
Joseph Cervenak



Category 5 hurricane catastrophes, from where or how else do we have exposure to harm, read: risk?

In forming the answer, consider the following: since before the turn of this century, with the technology of virtual communications, we have been live witnesses to many of the fol-

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Event probability, statistical probabilities and actuarial calculations aside, business practitioners face the reality (or imagine the likelihood) of an exclusive yet catastrophic event taking place

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lowing catastrophic events:

- 911 terrorist attack in USA changes the world;
- Japan's earthquake and subsequent nuclear disaster nearly scuttles the country;
- Haiti's 7.0 Mw earthquake leaves 200,000 dead;
- Iceland's Eyjafjallajökull volcanic explosion disrupts air travel in 20 countries and covers much of western and northern Europe with ash;
- 32 persons die in the *Costa Concordia* disaster;
- Wildfires in the USA destroy over eight million acres of forests;
- Rivers Elbe and Danube flood, devastating areas of southern Germany, the Czech Republic, Slovakia and Hungary;
- Savar Rana Plaza in Bangladesh collapses, killing more than 1,100 persons;
- Snowstorms and hurricane Sandy paralyse the north-eastern USA;
- Earthquake in northern Italy destroys medieval buildings and leaves thousands homeless;
- India's power disruption, the world's biggest blackout, affects 620 million people.

More?

Consider political unrest in

the Philippines, Argentina, Iraq, Darfur, Ukraine, Miramar, Iran, Bangkok, Libya, Greece, Spain, Turkey, Egypt – the list goes on. Pick a country.

Again the question: 'Did we adequately protect our businesses from harm?' Loss of life is immeasurable, but property and business loss is quantifiable. During the first three months of 2013 the Australian flood damage was estimated at US\$ 2.5 billion; Jakarta flood damage at US\$3 billion; agriculture damage and tourist curtailment due to a cold spell in Europe at US\$ 1.8 billion; drought in China at US\$ 1.7 billion, and losses from the Moore, Oklahoma, F4-F5 super-tornado are likely to exceed the damage from Hurricane Katrina, the single largest natural disaster in US history.

DILIGENCE

The noise of headlines, blogs, Facebook postings, Tweets, podcasts, newscasts, surveys, business and non-business writings, reports, commentaries and factoids of catastrophic events seems unending. Are we witnessing Armageddon? Is the only sane thing to do is to go to bed, cover our heads and wrap up in a blanket?

The answer is an unequivocal

'no'. Instead, we practise due diligence and contract for insurance policies. On a cautionary note, however, many policies are not all-risk. Often there are depreciation, exclusions (*force majeure* and civil disturbance) and deductibles. Reading the fine print is a must.

Have we done the *necessary*? Considering that we live in a globalised and integrated world with a 'misfortune history', a macro observation suggests the likelihood is that an event in the not-too-distant future will disrupt a company's ability to operate. This begs the question, where do we focus our concerns for a probable event? On scales of magnitude? For example, should we prepare, if preparation is possible, for a predictable, small risk, high consequence event such as a volcanic eruption? Or do we prepare for the metaphorical 'black swan outlier' event such as the 2001 World Trade Centre attack? There is no simple answer.

As we are in an inherently risk-sensitive world, we need a protective hedge against a broad spectrum of risk exposures. But where? In its survey, 'The Ripple Effect', Deloitte Consulting LLP claims it has identified and documented over 200 sources of significant supply chain risk – remarkably, only supply chain risk.

There is an encouraging 'however'. All is neither hopeless nor apocalyptic if we do the *necessary*. If we've taken on a defensive, robust, holistic and ongoing risk management practice, we are doing the *necessary*.

Disruptions will always exist and many events will be undeniably out of our control. However, we do have control over our

ability to act on the imperative to resume business as quickly as possible and with strategic intent. There can be no stasis in business. Ours is to create, review, update and rehearse a strategic plan for resuming business. Then we can embrace these disruptions with their ambiguities and uncertainties knowing that not all is as difficult as imagined.

Notably, we can follow one of two recovery paths: either *laissez-faire*, wait and see what happens; or a pro-action, don't wait, make it happen path.

In his 2008 book 'The Spider's Strategy – Creating Networks to Avert Crisis, Create Change and Really Get Ahead', Amit S. Mukherjee devotes a chapter examining the dissimi-

“Where do we focus our concerns for a probable event? On scales of magnitude? Should we prepare, if preparation is possible, for a predictable, small-risk, high-consequence event such as a volcanic eruption?”



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All businesses are risky business. And the timing of and degree of risk to take on is not always clear

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lar paths taken by the brands Nokia and Ericsson respectively in their quest for RF chips. In 2000 a 10-minute fire at its main supplier Royal Philips Electronics’s plant in Albuquerque, New Mexico, severely impacted its product lines. In addition, there is the choice for the re-entry process to be a ‘first to market’ or a ‘fast follower’ to decide the re-entry strategy. Each has merit and both have inherent risk.

Consider, first to market submits to Voltaire’s precept, *‘Don’t let the perfect be the enemy of the good’*. Imperfectly resuming business quickly trumps perfection. When you have the advantage, go on the offence. You may preempt or even destroy the competition:

recall Nokia’s success.

‘Fast follower’ strategy is illustrated by Toyota’s success in the ‘go green’ automotive world of hybrids and its Prius brand. The ‘first to market’ or ‘early adopters’ as described by Patrick J. Howie in *‘The Evolution of Revolutions – How We Create, Shape and React to Change’*, offers that ‘early adopters’ attempted to incorporate ‘incompatible priorities’ of fuel efficiency and power into their autos. Toyota saw these ‘first to market’ competitors have these incompatibility problems and in turn followed with the Prius as a “small, lightweight car with limited horsepower and torque to maximise fuel efficiency”. Thus, Prius became ‘the most popular hybrid’.

A *laissez-faire* ‘wait and see what happens’ or a pro-action ‘don’t wait, make it happen’ path, as well as ‘first to market’ or ‘fast follower’ strategies, are all serious considerations.

Whatever our risk management strategic plan, we need to accept that we are in risky businesses and disruptive events will continue throughout our lifetimes. Businesses will be interrupted and acceptance of risk is implicit to forming a risk strategy. A re-entry strategy forces the choice of options with speed as the accelerant. All businesses are risky business. And the timing of and degree of risk to take on is not always clear. Sagely as usual, Warren Buffet offers, perhaps, some solace: “You don’t know how

much risk you have taken until you have taken too much.”

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FAILURE: VITAL FOR CREATIVITY

Finding ways that don't work is not failure

For creativity to exist, there must be failure! In other words, instances of creativity are very often preceded by the possibility of (or actual) failure. This astounding discovery provides a unique perspective on managing people and, more importantly, managing ourselves.

Creativity is a coveted asset in the workplace. Managers need creative and energetic team members who can solve problems through innovation and use ordinary resources to do extraordinary things. Once managers learn how to motivate individuals, they are better able to have a positive impact on overall productivity.

How can they do this? They can reap rewards by accepting that failure is essential to creativity. I will use three articles recently published in the Harvard Journal to support

this claim. They were written by writers who each made a similar discovery about the undeniable link between failure and creativity.

CREATIVE THINKING

To think creatively is to think actively with a goal in mind. It is about directing thought processes towards achieving something specific through an alternative (and often unconventional and refreshing) approach.

Creative thinking is not a leisure activity. Neither does it happen unintentionally.

In the article by Peter Simms entitled 'The No. 1 Enemy of Creativity: Fear of Failure', creative thinking is framed in the context of an enabling force which fuels independence, entrepreneurship and an enterprising attitude. Creative thinkers design concepts, not just products.

CREATIVITY IN ORGANISATIONS

Creativity within organisations is as vital as water to the human body. Creativity is what ensures survival of organisations. The following example illustrates the importance of creativity in organisations.

If you've heard of Six Sigma, then you will know that it is a widely used management tool in both regional and international companies. I believe, however, that it is, in effect, the antithesis of innovation and entrepreneurial discovery. It is far more profitable to decrease dependency on strict work mode formulas and explore new ways of getting the job done. A task-oriented approach uses creativity as a driving force.

ROLE OF FAILURE

Within organisations, failure is feared, often avoided and seldom entertained. However, instances of failure can serve as teaching opportunities for mentors because they mould junior staff and trainees. It is useful for setting goals and achieving them, motivating people and pushing the boundaries of conventional ideals.

It is because we fear failure that we push towards success. We set SMART objectives because we want a practical

By
Fritz Pinnock
PhD



way of avoiding failure and measuring success. The possibility of failing generally keeps us focused and resilient; able to clear obstacles, despite unfavourable conditions, in order to achieve success.

Our personal feelings about failure influence how we view it within the workplace, because the work environment is an extension of ourselves. We carry our value systems, our religious and cultural beliefs and our fears into the work environment. All of these together form our psychological blueprint and are embedded in us from childhood. On a personal level, we fear failure because we were never taught how to accept it, embrace it or use it to fuel our creative sensibilities. We therefore believe that it is wrong to fail and that failure is the end of the creative journey rather than a pit stop on the route to ultimate success.



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Our personal feelings about failure influence how we view it within the workplace, because the work environment is an extension of ourselves
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As a result, we never learned how to plan for recovery after inevitable failures. Instead we perpetuate the sense of stagnation that failure often encourages. However, we can learn to use failures to our advantage, if we change our thinking from 'ordinary' to 'creative' – although, admittedly, some of us are better at this than others.

Simms believes that “entrepreneurs ...think of failure the way most people think of learning.”

‘You can’t make an omelette without breaking eggs’ is

a truism often repeated. Even the most expert entrepreneurs make mistakes in the process of discovering new approaches, opportunities or business models. Many have admitted this is inevitable in the process of progress. Simms uses Howard Schultz, an American businessman and writer, as a prime example.

ENTREPRENEUR

Schultz has an impressive profile as an entrepreneur and is best known as the chairman and CEO of Starbucks and a former owner of the Seattle SuperSonics basketball team. He co-founded the investment group Maveron in 1998 with Dan Levitan. He also started Il Giornale

in Seattle, the company that Schultz used to later buy the original Starbucks brand and assets. Il Giornale had non-stop opera music playing, menus written in Italian and no chairs. This concept proved very successful as the popularity of the business grew tremendously. When asked about this creative design, he admits that “we had to make a lot of mistakes” before discovering a model that worked.

If we are to achieve success, we cannot be afraid to fail or ashamed of failing. Rather, we must learn how to harness the positive spin-offs and tailor them to suit our organisational needs.

CREATIVITY AND FAILURE

The relationship between creativity and failure is reflected in our daily activities but is not always readily identifiable.

“

If your internalised view of failure is negative, then you disempower yourself by disconnecting from your innate creativity. Sadly, this is the way too many of us process reality

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1. Fear of failure can help us to solve the right problems

Simms states that, for him, the most important insight to be gained from creative thinking is learning how to solve the right problem. “You have to make sure you’ve defined the right problem before you try to solve it. So you act like an anthropologist to understand human needs and problems before jumping to solutions.” If we do not adopt this approach, we will waste valuable time and money on the insignificant things while totally neglecting the core issues. We would have essentially failed to solve the right problem. And if we are to evade failure, we ought to apply a key tenet of creative thinking, which is decisive thinking. This helps us to target our efforts towards time-efficient problem solving.

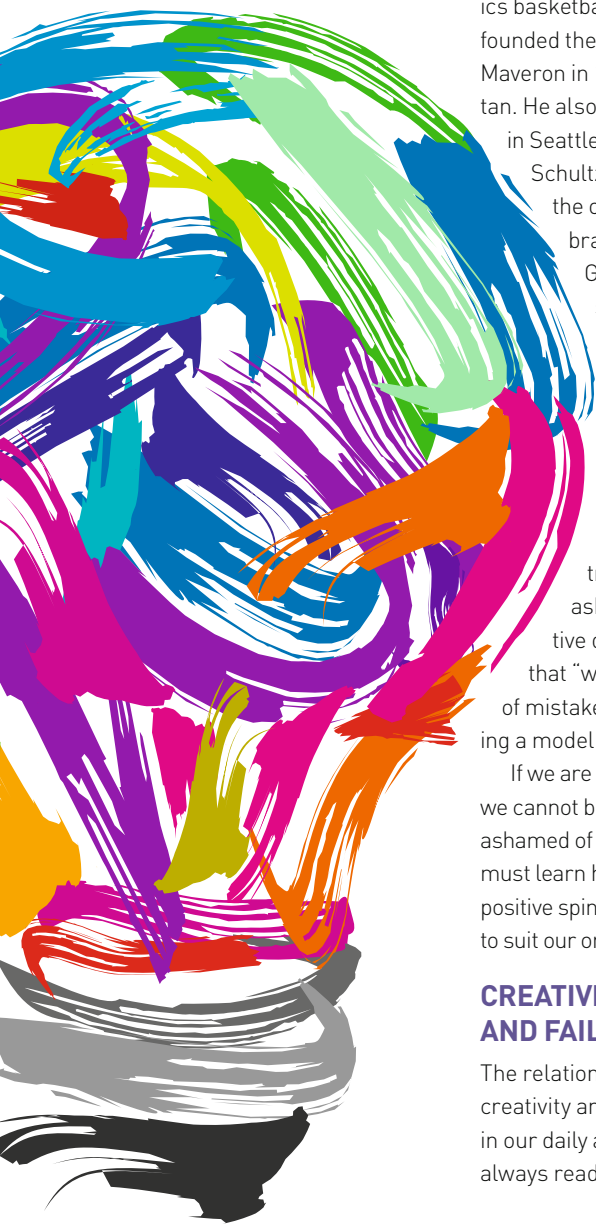
2. Failure can be a launching pad for second attempts

“I have not failed, I have just found 10,000 ways that don’t work.” This popular quote from Albert Einstein best explains the relevance of delayed success. When we do not get the desired results on the first attempt, we are compelled to try different

strategies on our second, third or 100th attempt. This makes us more creative. And this is especially important within organisations.

3. Makes you more flexible

Being a more flexible professional means being able to adapt to different environments yet still functioning effectively. This is not limited to physical space. We often find ourselves in less than desirable emotional environments because of failures, but we still have to function professionally. Having failed multiple times, we are increasingly better able to deal with emotional discomfort in a way that ensures we remain productive. However, in order for this approach to work, we must not spend too much time reflecting on past failures. If your internalised view of failure is negative, then you disempower yourself by disconnecting from your innate creativity. Sadly, this is the way too many of us process reality. We have been programmed to think this way by the educational system, which is focused rigidly on ‘correct answers’ and standardised testing. This must change and it must begin with managers





The Human Factor

learning to accept their own shortcomings and exercising flexibility in moving forward. Modern management systems must become far more adaptive in order to not be crippled by early failure.

4. Encourages us to take risks

In Teresa Amabile's article 'Is Management the Enemy of Creativity?' we see that there is a crisis in corporate management.

"While the basis of competition has shifted decisively to innovation, most management tools and approaches are still geared to exploit established ideas rather than explore new ones." This safe approach is restrictive and debilitating.


"Perhaps that's why corporate acquisitions have reached such high levels over the past decade. Creativity takes root in entrepreneurial ventures; and big companies, unable to cultivate it within their own walls, end up buying it instead."

Investing resources such as time, compassion and money in employees is risky, especially when the creative returns are uncertain; but it is a risk worth taking.

5. Pending failure teaches us how to manage pressure

Amabile wrote another article entitled 'Creativity Under the Gun' (co-authored by colleagues Constance Hadley and Steven Kramer) which captures a case study of innovation brought about by time constraints.

They write: "The lauded design firm Ideo has put its innovative spin on personal computers, medical equipment, automotive electronics, toys and even animatronic movie robots — and many of the new designs for those products were drawn up in three months or less." This is remarkable work, done in a short timeframe. But it had to be done. If not, this would have constituted failure. Pending fail-

ure makes us capable of using pressure as a management technique to spur people on to great leaps of insight and urge them to tap into their productive reserve. Generally, organisations benefit from creativity and this is amplified when there is actual, pending or feared failure. The onus is on management to use failure as an opportunity to grow and to build organisational creativity. And, we are best advised to encourage others to do likewise. 

“ Pending failure makes us capable of using pressure as a management technique ”

Dr. Fritz Pinnock is Executive Director of the Caribbean Maritime Institute



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