Stakeholder Relationships in the Shipping Industry

A TCI View
Can you guess what percentage of world trade travels by sea?

As many may know, the Turks and Caicos Islands relies heavily on trade. Information coming from the Strategic Policy Planning Department indicates that during 2017, merchandise imported to the TCI valued about US$432.6m or an 11.1% increase from 2016. Exports in the same year were estimated at about US$2.3million, a decrease of 48.5%.

The International Maritime Organizations estimates that over 80% of world trade is conducted by sea but largely remains unnoticed by people outside of the industry.

Shipping is said to be the life blood of the world’s economy. The increasing growth in freight transportation brings benefits to consumers globally through competitive freight costs.

The shipping industry is made up of many key players who have a common interest in the movement of freight in and out of a country. Their activities influence the cost structure in the industry. The old adage —’no man is an island’ rings true and as we delve in to take a closer look we can take stock of some of the key players (stakeholders) involved in this critical industry.

One definition for stakeholder relations can be termed as the practice of forging mutually beneficial associations with groups and individuals who may have a ‘stake’ in a common interest. These groups and individuals are essential to the development of the ports’ system. Both the private sector and government are vital players to the success of the port and can also bring projects to a startling halt. As such, a port cannot operate in isolation of its stakeholders.

The objective of this issue is to give the reader a bird’s-eye view of our stakeholders in the freight transportation sector and the impacts of those relationships.
No single decision maker can transform the freight transportation sector without adequate support from its stakeholders.

The Ports Authority does not have a formally structured stakeholders committee. However, a quickly recognizable group of stakeholders to the ports’ system would have to include: its customers (importers and exporters), vendors, regulatory body, shipping agencies, stevedoring provider, the general community, customs and immigration, and of course the staff.

Every stakeholder group has its unique set of requirements, but in meeting the obligations of the Port they are all inter-related. For example, the regulatory body, customs and immigration are mainly concerned with national and international compliance issues; whereas the customers, vendors and the general community’s main concern is getting their goods in a timely manner so that their businesses or entities can turn a profit or satisfy a need. One group is driven by preserving order and systems at the ports and the other is driven by a commercial interest. But no one group can exist without the other. If there are no customers and demand for any of the ports’ services than there will be no need to regulate that activity.

To ensure that both groups work together towards a common objective, which is ultimately a smoothly functioning Ports’ system that transacts business in a timely manner, communication is key. When we speak about communication it is important to realize that this exchange is not necessarily one way. The Port needs to get critical information about changes in its operations to its stakeholders in a timely manner. We must also encourage feedback as this would help to inform us of the relevancy and effectiveness of the programs that we seek to implement.

It is absolutely essential that all stakeholders are aware of any changes in the ports operational system that will have impact on their activities. This can be accomplished by having periodic forums where all stakeholders are invited or by having notice of the ports’ activities published in the media. To this end, the Ports Authority has realized the need for instituting vehicles to disseminate information that is quickly accessible to the public and has developed social mediums such as a website (www.portstci.com) and Facebook page (Ports Authority, Turks and Caicos) to showcase new developments in the Port in real time.

Building a healthy dialogue with stakeholders helps to create buy-in from them. It also minimizes resentment when it comes towards implementing the ports’ initiatives. At the Port we appreciate that strong relationships with our stakeholders can provide huge benefits as we work towards improving our services and modernizing our systems of delivery.

To this end we look forward to engaging our stakeholders in a more meaningful way going forward as we strive to satisfy the competing interests in this important sector of our economy.

Who are our stakeholders

The industry is made up of a number of key players and those that are familiar to us in the movement of freight here in TCI include but are not exclusive to the following:

**Shipping Lines:** These are the companies whose role is to move goods of shippers from one point to the next by sea. Their service is to act in the best interest of their clients (shippers) while still maintaining their interest in making a profit and depending on leases, they may have the options regarding which ports to call at.

**Stevedores:** These persons are operators of cranes responsible for the offloading and loading of cargo and contribute to the efficient workings of the port enabling vessels to make the fastest and safest turn-around in safe working conditions.

**Custom brokerage and freight forwarder:** Persons in this business facilitate the movement of goods, dealing with customs procedures and transport. These persons act in the best interest of their client (shippers) dealing with government customs regulations.

**Trucking companies:** These companies employ drivers to move their goods safely and efficiently from the port.

### Stakeholder Partnerships and Staff Training

by Deleria Simms—Human Resource Manager

Since The Turks and Caicos Islands rely heavily on imports of food and non-food items and most of that import arrives by sea, it can be argued that the Port is the lifeblood of the economy. The need to get goods to the market or the consumer quickly could come to heads with restrictions due to the capacity of the Port and Port regulations.

The Ports Authority has embraced the power of community with regional partners and local stakeholders to equip our staff to maintain safety and security while ensuring the efficient flow of cargo from the port.

**Regional Partners**

On December 5th 2017, PFSO, Keith Simons, attended a United Nations sponsored conference on Trade and Development (UNCTAD). The focus of the conference was on Climate Change and its impact on seaports. It provided an opportunity for discussion of the challenges as well as collaboration and shared knowledge on how to put adaptive measures in place to minimize the impact
to coastal and transport infrastructure.

Security within the Ports Authority is governed by the ISPS code and the Merchant Shipping Regulations which has standardized port security operations globally. Through our membership with organizations such as the Port Management Association of the Caribbean (PMAC) and the American Association of Port Authorities (AAPA), we have been able to benefit from training and workshop opportunities to ensure that we meet international standards of competence. This year members of our security team have participated in workshops on Port and Maritime Crisis Response and Recovery sponsored by the Organization of American States held at the Port of Miami as well as one held in Puerto Rico which incorporated both MTSA (Maritime Transport Security Act of the United States) and ISPS (International Ship and Port Security Code) security standards.

Local Partners

Enforcing safety and security on the ground requires a well-trained and well-equipped staff. The challenge for the Ports Authority is that we have three commercial ports on separate islands and we must operate as one port with the same standards and reporting procedures. As a statutory body, the Port works in collaboration with government ministries that have a shared interest in events that may affect port operations.

The Department of Disaster Management and Emergencies (DDME) sponsored a workshop to assess the country’s readiness for the hurricane season. Security Safety and Risk Manager as well as PFSOs were in attendance to represent the Ports Authority. Our presence at that workshop was important, in light of the damage to our ports by last year’s hurricanes and our ability to bounce back quickly to enable the resumption of the flow of much needed cargo. In addition to that, two officers were selected to participate in an upcoming Ministry of Health, Agriculture and Human Services Mass Casualty workshop scheduled.

Financial planning plays a vital role in helping the Port prepare for potential risks to safety and security. Sarhea Rigby, the Port’s Accountant, attended a two-day workshop with the Ministry of Finance with the aim to mainstream disaster risk reduction and climate change adaptation measures in regards to developing policy documents to better respond to risk and securing funding with a system of oversights and accountability.

Stakeholders—Shipping Agents

Included in this year’s budget is a visit to SEACOR Island Lines and Tropical Shipping home base facilities in Fort Lauderdale Florida by our senior security personnel to observe its loading and discharge operations. The visit would allow exposure to the systems and process of their operations to see what aspects of it can be implemented to increase the efficiency of our port environment.

The Ports Authority understands that finding a sustainable balance between safety, security and efficiency is paramount to successful port operations. We recognize that we cannot accomplish it without investing heavily in training. Networking with our international partners, local government agencies and other stakeholders enables us to cultivate a secure port that is vigilant and supports our growing economy.

International Shipping — An Elaboration of the Term ‘Freight’

By Delton B. Jones—Deputy Director of Ports

In its simplest notation, freight is a summary of charges levied by a carrier for the movement of cargo from one point to another. In this article we look at the charges which constitute freight generally and discuss how these are reflected in bills of lading for cargo transported to the Turks and Caicos. We will also look at how the price of freight has changed over the last few years.

In setting its tariff, a shipping line will take into consideration its fixed and variable costs. The tariff is set to reduce the impact of the variable costs which are largely outside of the control of the shipping line. The base tariff freight rate is fairly stable in the short run and reflect those cost items which are fixed. The basic rate is intended to cover the economic costs of shipping and allow shipping companies to make a reasonable rate of return from their operations. In determining the base freight rate of shipping factors such as distance, competition on a shipping route, type of cargo, the weight and cubic space of the cargo, overheads and amortization. The rate is normally set in relation to the cost of shipping a container. The base rate would vary depending on whether you are shipping a full container (FCL) or less (LCL). The LCL rate would therefore be a fraction of the
cost of FCL shipping rate.

Due to the volatility facing the shipping industry, shipping companies have many variable costs which they are allowed to pass on to customers. These variable costs consist of a number of surcharges and handling costs associated with shipping cargo. These are often referred to as accessorial charges. Therefore, what is typically referred to as freight is a combination of the base tariff rate and the accessorial items.

A look at a bill of lading associated with shipping lines serving the TCI is illustrative. Figure 1 below shows the allocation of the base tariff (Ocean Freight) for general LCL cargo and hazardous cargo shipped to the TCI during mid 2016.

The information from the TCI bill of lading is reflective of the way shipping lines allocate their cost between fixed and variable costs. Generally, Ocean Freight is the highest proportion of the charges on the bill of lading, averaging about 58%. This is followed in the bill of lading by processing fee and terminal handling charge, averaging about 18% and 9% respectively in the figures. The information also shows that depending on the types of cargo, additional surcharges can be applied to the base (ocean) freight rate. For example, Hazardous Cargo surcharge is applied when hazardous cargo is being transported. Depending on local issues and the part of the world where freight is charged, additional surcharges related to port infrastructure development, environment and security concerns might be added to the base freight tariff. The key thing is that freight is not as straightforward as it seems and one should inspect the bill of lading to see what is included.

An ongoing topical issue associated with freight charges in the TCI is terminal handling charge. In the TCI, terminal handling charge is the stevedoring charge associated with moving cargo in the ports system. Stevedoring charges in the TCI (main ports: Grand Turk and Providenciales) are set in accordance with the Provo Stevedoring Agreement. Under this agreement the tariff is adjusted [increased or decreased] annually on August 1st in relation to the All Urban Consumer South Florida CPI for the Bureau of Statistics of the US Department of Labor. These adjustments are intended to remove the effects of inflation on the value of the tariff, which is held

<table>
<thead>
<tr>
<th>Charge/fee</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Ocean freight rate</td>
<td>Basic freight charge for movement of container from Port A to Port B</td>
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<tr>
<td>Documentation Fee</td>
<td>Charges that may be applicable for the preparation of export documentation such as Certificate of Origin, Export Permits, Licenses and such</td>
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<tr>
<td>Bunker Adjustment Factor (BAF)</td>
<td>Charge added to ocean freight rate to compensate shipping lines for fluctuating fuel costs. Sometimes called “Fuel Adjustment Factor” or FAF</td>
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<tr>
<td>Low Sulphur Surcharge</td>
<td>Charged for the use of fuel that has lower emission</td>
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<tr>
<td>Terminal Handling Charge (THC)</td>
<td>Charges to move cargo, could be charged at both export and improve destination</td>
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<tr>
<td>Bill of Lading Fee</td>
<td>A fee charged by the shipping lines for the processing of the bill of lading on behalf of the client</td>
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<tr>
<td>Currency Adjustment Factor (CAF)</td>
<td>A charge, expressed as a percentage of a base rate that is applied to compensate ocean carriers of currency fluctuations.</td>
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<tr>
<td>Hazardous Surcharge</td>
<td>A surcharge imposed for shipping hazardous materials or goods</td>
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Table 1: Glossary of typical shipping charges

Source: Adapted based on understanding-freight-rate-sheet
constant relative to prices in the year (2009) of the commencement of the agreement.

Conclusion

The information presented on bills of lading in the TCI is consistent with international practice. The typical bill of lading is made of a mixture of fixed and variable charges. It is, therefore, important to analyze the bill of lading to carefully understand what constitute the ‘freight’ you are paying. Whilst we have not been able to show changes in the terminal handling charge it is a fact that this has changed annually in recent years. This fact is not lost on port users and the public. For various reasons this is the case, while changes in other components of freight seem to go unobservable and are more generally accepted. Going forward the Ports Authority should commit to careful analysis and publish information changes in freight rates and stevedoring changes as this have cost of living and doing business implications.

Our intent is 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 peoples of the region.

During the early 1970s, the TCI shipping industry was somewhat primitive whereby small coastal vessels departed Miami River port once a month and arrived at the islands of Grand Turk, South Caicos, and Providencias. These same coastal vessels would also anchor off the coast of Pine Cay to offload cargo on to the government barge to take to Sandy Point, North Caicos. All cargo on the vessel was listed on a one or two page manifest that was very vague, however, it was accepted by the authorities.

These coastal vessels transported cargo in the HOLD / Hatch loaded on to pallets or loose boxes and sorted for the different islands. Vehicles were loaded on to the open deck secured by chains and binders, which were exposed to the salty sea water and unfriendly atmospheric conditions during the voyages. Most challenging was when Customs officials had to take a small boat from Provo to be transported to the cargo vessel anchored off the coast of Pine Cay awaiting Customs clearance. Once clearance was issued the Government barge would come alongside the vessel, and the vessel crane would offload manifested cargo onto the government barge. At times when the crane was inoperable due to lack of diesel fuel or low on hydraulic oil, or they busted a hose, the cargo had to use manual labor. The Customs official would tally the cargo, process the import declarations and collect government revenue at sea aboard the vessel. The government revenue was accounted for by issuing of official receipts and cash only which was taken back to Provo and secured for deposit in the bank on Thursdays, only when the bank opened. The bank officials flew to Provo once a week to do business and would return back to Grand Turk.

There were times when imports for North Caicos were not processed or paid for due to the absence of the consignee, so the cargo would be transported to Sandy Point and put into a truck and stored in a warehouse at the North Caicos airport.

This trend continued until about 1985.
when the need for more imports grew and the first landed craft vessel arrived at the Provo port with roll on roll off cargo including heavy equipment and heavy duty trucks to include general cargo. Then the market continued to grow with small tug and barge arrivals once per month with containerized cargo on wheels, but due to the inconsistency and unscheduled services by the carriers, there was a greater need for a much more reliable service as the islands were experiencing tremendous growth.

The Port of Provo had no type of port equipment and the authorities encouraged the shipping companies to bring in their own port equipment to offload their vessel. This opened the market for a better containerized service and vessel scheduled service whereby lift on lift off containerized service was eventually introduced in the late 1980s.

Since 1992 to present, the Port of Provo has experienced phenomenal imports to include containerized cargo, break bulk, sand and aggregates, heavy equipment, vehicles, fuels, etc. on a weekly basis and often times on a daily basis. There was approximately 21,000 TEUs shipped imported in 2017 and it is projected that there will be an increase to 24,000 TEUs by 2020.

The various authorities demand full disclosure and support documentation of all these imports and 100% compliance for full accountability. The majority of the documentation is provided electronically and must be submitted to the Authority 48 hours prior to vessels arrival.

There are so many compliance, safety, reporting and administrative demands that are enforced by the authorities nationally and internationally in this industry, which our standards must be met from an international perspective. This is what we call a “Changing industry”.
Look us up on our website: portstci.com and

Facebook page: Ports Authority Turks and Caicos Islands

or

Send us your comments/queries to

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