Building a Maritime Hub Strategy….

Commonwealth Secretariat

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TRADE COMPETIVENESS SECTION

TRADE DIVISION

Strategic Focus

Trade Competiveness Programme

Aim

- Helps countries improve their supply capacity in order to exploit opportunities offered by international trade

How

- Reduced transaction costs and streamlined procedures to facilitate trade
- Improved market access capabilities
- Improved enabling environment for export development
- Enhancing the development of services

..Integration and participation in the global trading system…….

Marketing plans for target countries/channels

Benchmarking and feasibility for systems and procedures

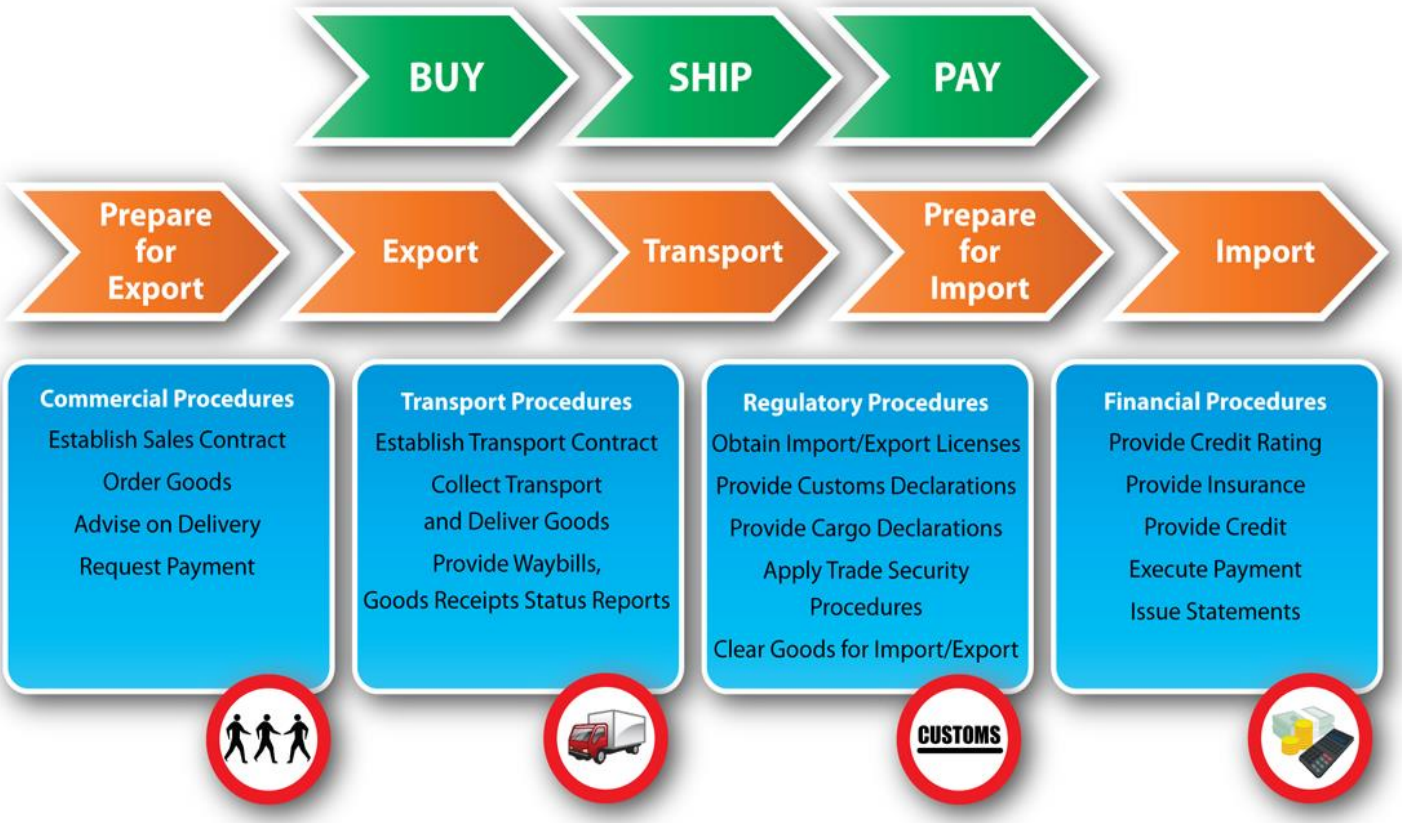
National and sector export/ competitiveness strategies for merchandise goods & non-tourism services

Trade Facilitation

- Trade facilitation is a cornerstone in the Commonwealth's goal to promote export competitiveness
- The aim is for member countries to reduce the costs of doing business and, as signatories to the WTO, to meet their international obligations in this area

Facilitation of International Supply Chain

(Reference Model)



Example of Projects

- Improving the competitiveness of Professional services in St. Kitts & Nevis.
- Development Plan for Jamaica's Health and Wellness sector.
- National Export Strategies
  - Uganda ,Jamaica, Grenada, Tonga, Samoa
- Strategic Action Implementing Single Window Uganda
- Market- Access- UK-
  - Ugandan –Organic Agriculture Exporters
  - Sri Lanka's garment exporters
- Jamaica – Shipping hub, Bunkering study
- Benchmarking Trade Facilitation Systems and processes.
  - Bangladesh, Jamaica, Malawi, Sri Lanka
- Export Credit Insurance – Sri Lanka

Commonwealth Maritime Projects in Jamaica

- A framework to position Jamaica as a shipping hub (2010)
- A study to position Jamaica as a bunkering location in the region (2012)
- Market Study for the Establishment of Ship Repair/Dry docking Facilities in Jamaica (2015)

Jamaican Economy

- Small Island State
- Economy is heavily dependent on services (70% GDP)
- Foreign exchange
  - Tourism
  - remittances
  - bauxite/alumina
- Sizable merchandise trade deficit
- Large-scale unemployment
- High debt-to-GDP ratio

National Development Plan

- Vision 2030
- Identified the establishment of Jamaica as a shipping centre
- Targeted ancillary shipping services
- Strategy to generate income and employment for the economy

Strategic Advantage

- Location
  - Trade routes connecting Europe, the Far East and the US East and Gulf coasts via the Panama Canal
- Expansion of Panama Canal
- Port facility

Outputs

- Actionable strategic plans
- Frame works
- Market study
- Economic Impact analysis

Methodology

- Board stakeholder engagement & consultations
- High level interactions (ministerial level)
- Stakeholder workshops
- Benchmarking against best international practices
- Practical approached

Findings

- The 2010 study on the Shipping Hub recommended
  - Development of “The Stage 1 Maritime Cluster
  - 3 key sectors
    - Dry docking
    - Bunkering
    - Crewing

Impact

- Bunkering
  - New players entered into market
  - Government facilitation
- Dry Docking
  - Leading maritime operator – willing to start to dry docking operation

Dry Docking & Ship Repair Study

Key elements of the Study

- **Market Analysis**
- **Competitive Analysis**
- **Recommended Strategy**
- **Financial Analysis**
- **Economic Impact Analysis**

Market Analysis

Key elements of the Study

- **Trends in world vessel fleet development**
- **Fleet development by sector – container, bulker, general cargo and cruise**
- **Dry docking and ship repair trends – certification requirements**
- **Ship-owner/Charterer needs**
- **Approach to ship repair and dry docking facility development**

Growth in the world fleet and total seaborne trade (forecast included).

Source: IHS Global Insight and SAI data as of February 2012.

Market Analysis (cont')

- Identified requirement for dry docking and ship repair facility able to accept vessels with an LOA in the range of 150m to 200m
- Target Market

Government craft	•Coastguard vessels: HMJS SURREY, HMJS CORNWALL and HMJS MIDDLESEX •Other government-owned vessels
Feeder container operators	•Meeting certification requirements/scheduled maintenance/repairs – vessels calling Jamaica/other passing traffic (up to 1500TEU vessel size)
Dry bulk vessels	•Meeting certification requirements/scheduled maintenance/repairs – vessels calling Jamaica in conjunction with grain, fertiliser operations etc/other passing traffic
General cargo vessels	•Meeting certification requirements/scheduled maintenance/repairs – vessels calling Jamaica in conjunction with diverse general cargo operations/other passing traffic
Cruise/Passenger Vessels	•Meeting certification requirements/scheduled maintenance/repairs – vessels calling Jamaica/other regional traffic
Support Craft to Energy Sector	•Meeting certification requirements/scheduled maintenance/repairs - regional activity

- Scope of work: Emphasis keep it simple

Competitive Analysis

- **Comprehensive analysis of the Caribbean dry docking and ship repair supplier market**
- **Established:**
  - Only five (5) companies offering dry docking facilities able to accommodate vessels with a LOA of 150m to 200m+

- Grand Bahama Shipyard, Bahamas
- Curacao Dry Dock Company, The Netherlands Antilles
- Talleres Del Golfo, Mexico
- MEC Shipyards, Panama, and
- C L Marine, Trinidad

Competitive Analysis (Cont')

- **Competitive facilities a considerable distance from Jamaica**

Existing Repair Bases	Distance from Kingston (km)
Freeport, Bahamas	969 kilometres
Curacao, Netherlands Antilles	1058 kilometres
Talleres Navales Del Golfo Mexico	2040 kilometres
MEC Shipyards, Panama	1040 kilometres
C L Marine, Trinidad	1877 kilometres
Planned New Facilities	
Trinidad Dry Dock Company	1877 kilometres
Roosevelt Roads, Puerto Rico	1177 kilometres

Recommended Strategy

- **Two possible, three (3) phase development**
- **Phase One:**
  - Vessel size and type as highlighted above
  - Fast track start: acquire a floating dry dock
  - Government to facilitate business start-up via:
    - Dry dock and repair base to have SEZ status
    - Tax breaks
    - Fast Customs clearance of vessel component parts etc
  - Private sector to take the lead
  - Project to involve a Technical Partner
  - Services: dry docking core of business, as needed repairs on wet docks and mobile/on-board ship repair services
- **Phase Two:**
  - **Acquisition of another floating dry dock with an LOA 400m+ to access the considerable cruise sector business centred on Jamaica**

Financial Analysis

- **Financial Model developed as part of the Study work with two functions in mind:**
- A base case model that examines the financial viability of the project. Inputs taken from the Market Study
- To provide an interactive tool that allows government and/or interested parties to input into the model a range of variables (as defined below) to examine a range of different business scenarios

Base Conclusions

- Under the core defined assumptions the project is seen to be profitable and to record the following results:
  - – IRR: 10.7 per cent.
  - – NPV: USD16.3m.
  - – B/C ratio: 0.96.
  - – Payback period: 11 years.

Core position is one of significant and worthwhile returns

Economic Impact Analysis

What do we mean by economic impact?

Simply put in the context of the new ship repair business it is the potential direct, indirect and induced impact of the business in economic terms through key elements such as jobs, personal income, business output (sales volume) and taxes.

What is the approach taken to measuring these impacts?

- Based on data developed through an extensive interview and telephone survey programme related to comparable businesses and factoring in national and regional cost factors as well as spend patterns and trends.
- The overall framework employed is a bespoke one tailored to sector parameters, the forecast performance of the business as detailed in the main ship repair study and national and local factors.

Summary of Findings

Measurable effects

The following is clear from the findings of the analysis of estimates ship repair economic impact in the year 2020:

- The ship repair business is a labour intensive business and will progressively generate jobs, both direct and indirect
- The business will deliver significant earnings into the Jamaican economy, a substantial portion of which will come from overseas
- There is a strong multiplier effect from the earnings of the businesses' employees
- Business services revenue grows year upon year reaching 4.25 million in the final year of the Phase One development
- In the year 2020 the economic impact of the new high capacity Jamaican ship repair business will generate 678 jobs and account for a total income and consumption of USD24.48 million

In Conclusion:

- Ship Repair & Dry Docking is the Third successful module to flow out of the original Maritime Hub Study (also undertaken by MMA)
- It was correctly identified as an area of opportunity
- The emphasis throughout the Study was on developing a realistic PRACTICAL APPROACH to the opportunity
- There is no doubt implementation of the Dry Docking & Ship Repair project will progressively make a positive contribution to the Jamaican economy.

THANKS TO:

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