



Competitiveness of Port Services, Jamaica

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Outline

- Rationale
- Market Characteristics
- Identified Impediments to Competition
- Recommendations



Rationale

1. Government of Jamaica goals: Business environment improvement and competitiveness reforms
2. Efficient Port – attractiveness in global logistic supply chain

Market Characteristics

2 ports

Port of Kingston

Port of Montego Bay

2 Terminals: KFTL & KWL

2 Terminal: PAJ

Types of Cargo:
*Transshipment
*Domestic

Services Offered:
*Stevedoring (Terminal Operators)
*Pilotage (Regulator Only)
*Towage (Regulator Only)

Types of Cargo:
*Cruise
*Domestic (Limited)
*LNG

All Services Offered by Regulator



Market Characteristics (cont'd)

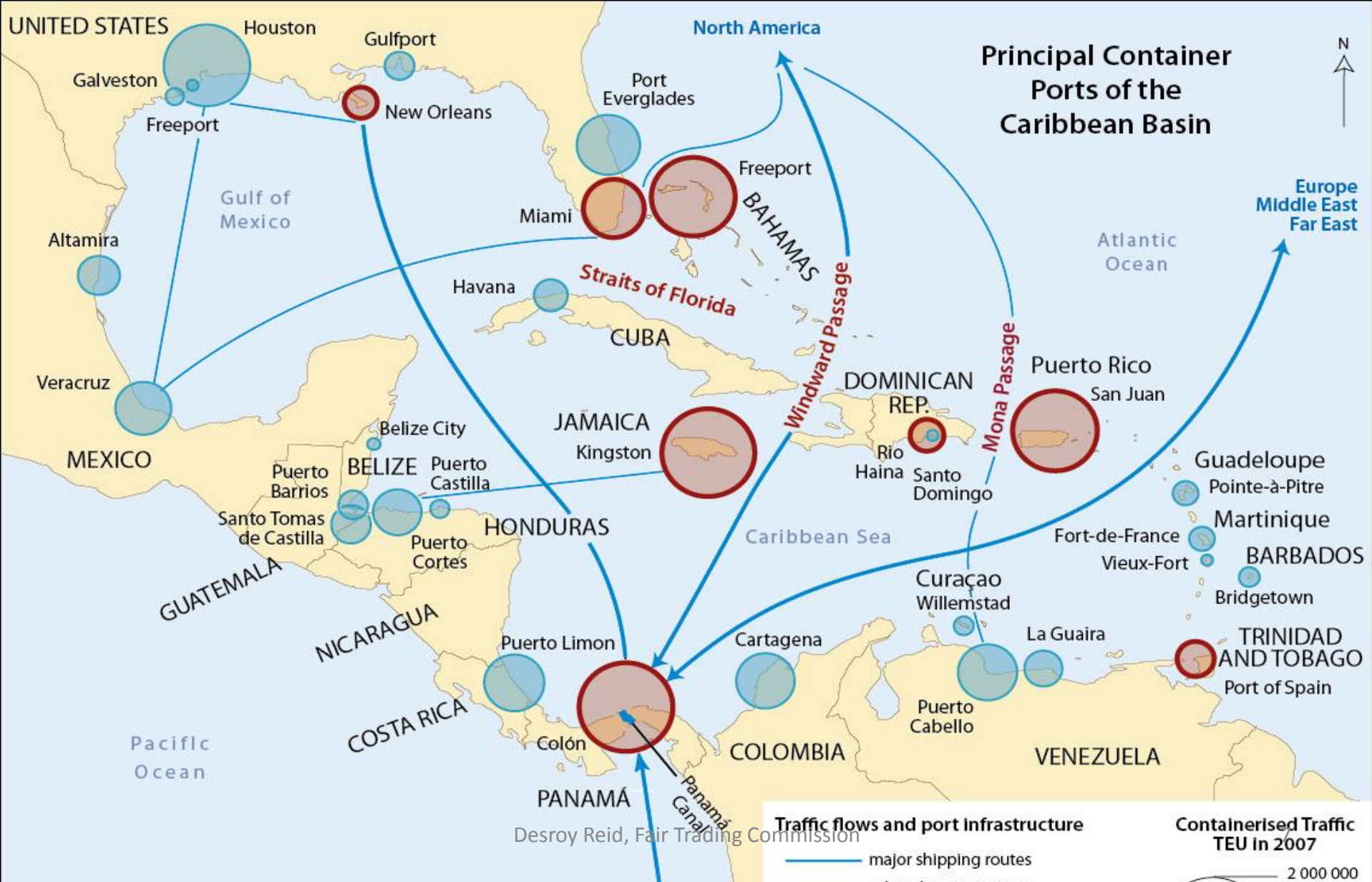
- High Barriers to Entry
 - Regulation
 - Capital Outlay
- High Transaction Cost
 - Bureaucracy
 - Switching cost



Channels of Competition

- Intra-port Competition
 - Terminal Operators (2)
 - Service providers [Towage (1); Pilotage (1); Stevedoring (2)]
- Inter-port Competition
 - Domestic Level (Limited)
 - Regional Level (High)

Regional Competitors to Jamaica





Identified Impediments to Competition

- Cross Shareholding and Common Directorship
 - Eg. Stevedoring
- Acquisitions
 - One company acquired three of the four listed stevedoring companies over a three year period
- Vertical Integration
 - In 2015 a shipping line acquired the terminal operator that had a dominance in transshipment



Identified Impediments to Competition (cont'd)

- Conflicting of Interest
 - Regulator of port services (Towage + Pilotage)
 - Commercial entity in port services

- Lack of competition for port services
 - Towage
 - Pilotage



Identified Impediments to Competition (cont'd)

- Lack of Transparency of Operations
 - Sufferance Wharves
- High Barriers to Entry
 - Regulation
 - Capital Outlay
- High Transaction Cost
 - Cumbersome administrative processes
 - Excessive cross terminal charges



Recommendations

1. Amend Merger Review Guideline to include Merger Notification Process
 - Cross-Shareholding
 - Vertical Integration
 - Acquisitions
2. Remove Conflicting of Interest (Sector Regulator)
 - Divest commercial activities



Recommendations (cont'd)

3. Lower Barriers to Entry

- Amend regulations to facilitate new entry (pilotage)
- Competitive bidding process (towage)
- Issue new license(s) to facilitate entry into stevedoring
- Reduce capital necessary for entry

4. Increase Transparency at Sufferance Wharves

- Public Education
- Increase policing



Recommendations cont'd

5. Lower transaction cost

- Fast Track plans to implement “one stop shop”
- Fast track plans to improve new port community electronic system
- Regulate cross terminal charges



End