

1999

# An analysis of the economic and social issues associated with restructuring the Port of Port-au- Prince (Haiti)

Ginelle Lambert Noel  
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**WORLD MARITIME UNIVERSITY**

Malmö, Sweden

**AN ANALYSIS OF THE ECONOMIC AND SOCIAL  
ISSUES ASSOCIATED WITH RESTRUCTURING  
THE PORT OF PORT-AU-PRINCE (HAITI)**

**BY**

**Ginelle LAMBERT NOEL**  
**République d'Haiti**

A dissertation submitted to the World Maritime University in partial  
fulfilment of the requirements for the award of the degree of

**MASTER OF SCIENCE**

**in**

**PORT MANAGEMENT**

**1999**

## DECLARATION

I certify all the material in this dissertation that is not my own work has been identified, and that no material is included for which a degree has previously been conferred on one.

The contents of this dissertation reflect my own personal views, and are not necessarily endorsed by the university.

.....

August 16, 1999-07-10

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## **ABSTRACT**

Title of the dissertation: **An analysis of the economic and social issues associated with restructuring the port of Port-au-Prince (Haiti).**

Degree: **MSc**

For the last two decades, the Haitian economy has been in recession, a situation which was accentuated by economic sanctions due to the "coup d'état" in 1991. This problem has led various international institutions to make certain recommendations to Haitian authorities regarding measures relating to the management of public enterprises, among which is the Autorité Portuaire Nationale.

Ports play a vital role in the Haitian economy. Almost 98% of the total tonnage in international trade pass through its public and private ports. APN being the main public port in the country accounts for about 60% and contributes 3.8% of the Gross Domestic Product. Port activity is forecast to increase taking into account the announced policy for the development of tourism. But current constraints faced by APN such as those linked to its organisational structure, government interference and lack of rationality in investment, challenge the capacity of APN to respond to current needs or expectations.

A detailed analysis of the port situation has revealed inadequacies in equipment facilities, poor equipment mix in relation to the type of cargo handled, poor nautical access and weak communication systems as well as high operating and port costs compared with neighbouring countries. At the same time it points out that traffic has been increasing during the last 10 years. This increase has had the effect for increasing the pressure on the existing infrastructure, which has accelerated the

degradation of equipment and facilities to such an extent, that there is now a critical present need for investments to increase port capacity. According to a study conducted by Nathan Associates Inc in October 1998 this investment need is in the region of \$US 20 Million to \$US 60 Million. The profit generated by the port is not sufficient to meet the investment requirements and the international agencies are not ready to finance. It is observed that APN has no choice but to try to stimulate foreign investment by undertaking a fundamental restructuring of its organisation and mode of operation.

An analysis of the possible options for reform has been made taking into consideration the socio-economic environment of APN's evolution. It concludes that a leasing approach would be the most appropriate mode of organisation. Through this arrangement, APN would transfer all activities with commercial characteristics to the private sector and focus instead on regulatory tasks, standards and control. However, opposition campaigns from some sectors could be anticipated that would focus on the ideological dimension of delegation or "deresponsabilisation" of the government. Therefore, such a course of action clearly carries a risk of stirring up social insecurity concerns. In this respect, forecast benefits in terms of revenue, port performance, capacity of investments and profitability may not be realised due to social and political turbulence and opposition.

To minimise these difficulties the study envisages accompanying measures such as a compensation package, employee support to create their own enterprises and development of legislation specifying the new role of APN.

In conclusion, the study highlights the importance for Haiti not to be timid in addressing its problems in the present world economic context. Corrective measures must be undertaken to improve the performance of its institutions. A stand against corruption and non-performance must be taken to avoid the marginalisation of the economy and the country.

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## **LIST OF ABBREVIATIONS**

<b>APN</b>	Autorité Portuaire Nationale
<b>BOT</b>	Build Operate Transfer
<b>BRH</b>	Banque de La République d'Haiti
<b>CEFEP</b>	Centre de Formation et d'Entrainement Portuaire
<b>DWT</b>	Dead Weight Tonnage
<b>FEL</b>	Front End Loader
<b>FLT</b>	Fork Lift Truck
<b>GDP</b>	Gross Domestic Product
<b>IDD</b>	International Direct Dial
<b>IFS</b>	International Financial Society
<b>MARAD</b>	Maritime Administration
<b>N/A</b>	Non Applicable
<b>SEMANAH</b>	Service Maritime et de Navigation d'Haiti
<b>TEU</b>	Twenty Foot Equivalent Unit
<b>WMU</b>	World Maritime University

## **INTRODUCTION**

Since the beginning of the 1980s, the Haitian economy has been in recession, marked by a significant drop in the principal development indicators, due to poor resource management. The situation was at its worst at the time of the “coup d’état” in 1991 and the 2 years of economic embargo. Today, the question of loss of employment due to the unhealthy economic situation in the country is continually being raised. Everybody has apparently accepted that it is important to adopt a series of proper measures in order to correct the situation. These measures are expected to affect different public and autonomous sectors such as Public Administration, Mixed Enterprises and the Fiscal system.

It was within this context that the International Financial Society (IFS) recommended in 1994-1995 the application of a series of arrangements affecting, in particular, mixed society management organisations, where the first aim was to reduce the presence of the State in the current running of these companies. The Autorité Portuaire Nationale (APN) was the focus of one such objective.

According to the UNCTAD report on "Development and Improvement of Ports" (page 2) “the need to develop foreign trade and contribute to national economic growth places a heavy burden of responsibility on the ports of all countries and especially the ports of many developing countries. It is essential that ports function efficiently. An examination of the latest classification of world ports by tonnage of goods handled or number of containers received, shows that the ports recording the most spectacular progress in recent years are generally those of developing countries and regions, particularly in Asia and these same countries have also recorded high rates of economic growth. Conversely, there is no known developing country that has recorded substantial economic growth without a sustained increase in its foreign

trade, based on efficient ports. Ports play a special role in the development of foreign trade”.

Today, it is obvious that the "Autorite Portuaire Nationale" (APN) must be restructured so that it can promote the economic growth of Haiti.

The main objective of this study is not only to demonstrate the need for the restructuring, but also to contribute ideas for the re-engineering of the port processes, and to evaluate the economic and social consequences of the proposed changes. Before proceeding, it is important first to define the concept of "process re-engineering" which is quite a new concept in the port sector. "Process Re-engineering" may be defined as the concept of fundamentally changing the way work is performed in order to achieve radical performance improvements in speed, cost and quality.

This dissertation does not aim to ignore or to minimise the existing studies of port organisation and management and particularly the studies related to APN. In the present context, where modernisation of APN represents an inescapable issue, its objective is to bring the author's views to bear on this question, drawing upon her broad knowledge of APN specificities, and her solid studies in Port Management at WMU.

The main body of the study is composed of four chapters. The first chapter gives a brief overview of the Haitian economy, and offers insights into the importance of the port, by considering its contribution to external trade, the tourism activity, and resulting employment. The contribution of the port to the Gross Domestic Product is calculated through the aggregated value.

The second chapter presents the situation of APN, in particular its organisational structure and its infrastructure and equipment. It highlights certain issues, which support the case for a comprehensive restructuring of the port.

Chapter III deals with the possible options for reform and an analytic study of the economic and social implications, while Chapter IV presents recommendations, accompanying measures and concludes the study.



## **CHAPTER ONE**

### **1- Basic Facts and Figures**

Haiti, one of the oldest Republics in the Caribbean, occupies one third of the island of Hispaniola and its coastline extends over 1,535 kms. There are 2 international ports and 14 other commercial ports serving the national trade. ( See Appendix 1 and 2 ). Being an island, its economy is heavily reliant on the ports and related activities, which constitute the cornerstones of Haiti's economic development

The port authority as a service port is the owner of the infrastructure and superstructure and provides all port services and labour in accordance with the decree of March 15 1978 which established its organisation. In the bay of Port-au-Prince there are ports which are managed by Autorité Portuaire Nationale and others by private enterprises.

The international port of Port-au-Prince, which is the main port of the country is primarily concerned with ensuring the vital supply of energy and manufactured products and foodstuffs, and transport of Haiti's limited primary resources. In the era of regional integration and globalisation, a real transformation cannot be achieved without strong port services that take into consideration the structure of the Haitian economy.

**Table 1- Contribution of the sectors to GDP  
(in Million of Gourdes)**

	<b>86-90</b>	<b>91</b>	<b>92</b>	<b>93</b>	<b>94</b>	<b>95</b>	<b>96*</b>	<b>97*</b>
<b>Primary sector</b>	1,686.8	1,939.2	1,925.2	1,754.3	1,557	1,402.4	1,398.5	1,365
<b>Secondary sector</b>	806.2	1,031.3	648	670.1	617	749	831.3	886.5
<b>Tertiary sector</b>	2,607.3	2,225.5	1,990.8	2,007.5	1,917.1	2,052.7	2,076.9	2,085.8
<b>Total GDP</b>	5,100.3	5,196	4,564	4,431.9	4,091.1	4,204.1	4,306.7	4,337.3

**\* Preliminary data**

**Approximate exchange rate US\$: (1US\$=17.10Gourds)**

**Source: Rapport de Cooperation au développement 1997, PNUD Haiti, Sept. 1998**

As in the case of most developing countries, the Haitian economy has been based for a long time on agriculture, which during the past eight years has contributed more than 35% of the GDP (Table 1). This period has seen the expansion of the tertiary sector by 47% while the contribution of the secondary sector has reached approximately 17% of which 6% is for the sub-sector of subcontracting work for export.

In order to establish, the contribution of the port to the Gross Domestic Product (GDP) of Haiti, it is necessary to calculate the Aggregated Added Value and compare it to the GDP. Salaries, profit and taxes should be known by taking into consideration the year corresponding to the last GDP. For this calculation, only the headings directly related to the ports will be considered.

For the year, 1996-1997 the Aggregated Added Value was calculated as 166million Gourds and the GDP is 4,3 billion Gourds. Therefore, the contribution of the port to GDP is 3.8%. This indicator is very important because it shows the importance of

the port in the realisation of the “national cake” and means simply that the national income is provided by almost 27 enterprises of APN size.

### **1.1- Importance of the port to the Haitian economy.**

To illustrate the importance of the port to the Haitian economy, it is necessary to highlight the importance of the port with respect to three aspects of Haiti’s economic life: external trade, tourism and employment.

#### **1.1.1- Port and external trade**

Whether the primary or secondary sector is being considered, today the characteristics are such that they are creating a significant increase in the demand for port services. The Haitian agriculture is produced through a system of inefficient small pieces of land. The majority of traditional export products are currently consumed locally, for example about 60% of the production of coffee is consumed in Haiti. At the end of the 80s, coffee represented 20% of exports against 60% for manufactured products. With respect to imports, foodstuffs like rice and sugar have increased from 15.9% in 1980 to 22% in 1989.

On the other hand, the index of industrial production has shown some improvements during the first two quarters of the year 97-98 (1.2% and 1.5%), reflecting the recovery of the activities in the manufacturing sector. This has facilitated the increase of Haitian exports which have been able to reach the level of 60 million U.S dollars since the first quarter of the year 1998.

At the same time, weaknesses in the industrial sector, whose products are intended for the local market, coupled with the problems of agricultural production, has resulted in a clear increase in importation. Table 2 shows clearly this trend.

**Table 2**  
**General trade**  
**(in Million of US dollars)**

	92	93	94	95	96	97	97/92
<b>Export</b>	118.4	130.77	107.82	137.3	147.48	192.67	38.55%
<b>Import</b>	256.24	311.5	197.48	517.15	498.64	512.16	49.9%

**Source:** Rapport de coopération au développement 1998, PNUD Haiti Sept.97  
 US I\$= 17.10 Gourds

Increases in both import and export levels are leading to strong pressures on the demand for port services. In Haiti, sea transport accounts for more than 98% of the total tonnage of the country's international trade. This need for the use of the port for the purposes of import and export would have arisen anyway even in the case where the national production would have exceeded the national demand level. It is to this complexity that the international port of Port-au-Prince is exposed. Through it, passes approximately 90% of produced or used goods

### **1.1.2- Port and tourism**

Because of the direct and indirect employment created, the amount of foreign exchange that this sector provides to the country, and its positive impact on handicraft production, manufacturing and agriculture, the tourism industry constitutes for Haiti an important strategic sector. The country clearly needs to direct its efforts towards improving the competitiveness of the tourist industry compared to other countries in the region such as: the Dominican Republic, Cuba and Jamaica. Haiti receives only about 100.000 tourists/year, whereas Jamaica has reached the level of 2 million tourists/year. Therefore, the difference is very considerable. The present airport infrastructure cannot permit a great number of tourists, so the balance must fall to the ports. The port needs to be well equipped and in compliance with the international standards. The Haitian port infrastructures are limited to only two

adequately equipped ports: one in Port-au-Prince and the other in Cap-Haitien which is the second city of the country, whereas the Dominican Republic has 9 modern ports with 3 providing specialised services.

### 1.1.3-Port and direct employment

Generally, the establishment of a port in a region facilitates the development of the zone and other activities linked to it. Generally, in developing countries, the understanding of people is that the port has a role to play as a supplier of jobs. This is why there is an overemployment situation leading to an unsatisfactorily high percentage of the budget being utilised for personnel wages.

For sure, the level of port employment varies from one country to another. It depends on a number of factors such as: the type and number of port activities, the technological and education level, the volume of goods handled, and the salary levels of the country's workers.

Within the APN context, since 1989, direct employment has been directly correlated to the above factors. Since that period, the activities have multiplied to include general cargo, container, dry and liquid bulk. Due to the increase in port activities, the volume of traffic has doubled over the 10-year period i.e. from 494,794 T in 1988-1989 to 940,345T in 1997-1998. In line with the above developments, the number of employees has increased from some 700 in Sept. 1989 to nearly 1,700 in Sept. 1998, which means an increase of 140%. In terms of productivity, therefore this has fallen from 690T/employee/year to 550T/employee/year.

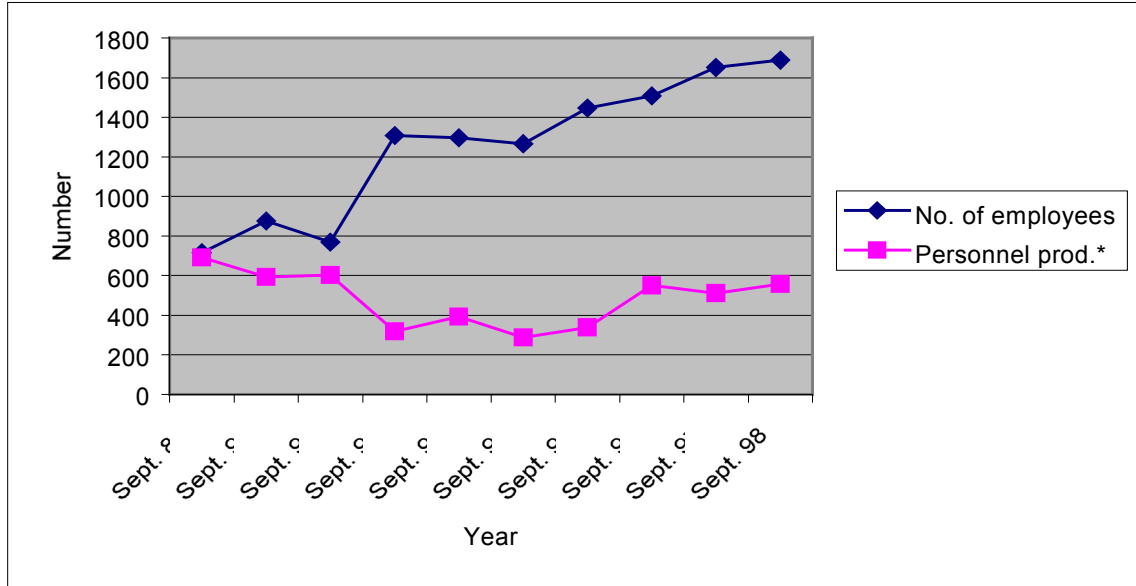
**Table 3**

**Evolution of the personnel and productivity**

	Sept. 89	Sept. 90	Sept. 91	Sept. 92	Sept. 93	Sept. 94	Sept. 95	Sept. 96	Sept. 97	Sept. 98
<b>No. of Employees</b>	715	876	769	1307	1296	1267	1446	1508	1651	1688
<b>Personnel Productivity</b>	692	593	602	218	393	289	339	550	512	557

Source: Service du Personnel de l'APN

Fig 1: Evolution of the personnel and productivity



\* Personnel productivity in Ton/employee/year

## Conclusion

Analysing the impact of the port on the economy by using quantifiable parameters as Aggregated Added Value allows us to evaluate the contribution of the port to GDP. Haiti being an island, the port has a great impact on the economy and is also the centre of coastal activities for both internal and external trade. Due to the bad condition of the road network linked to the sub-regions, the "cabotage" activities have been particularly important. In other words, the port serves as a "driving belt" for properties and goods, and it is also to the economy what the market is to an enterprise. Despite its importance however, the performance of the port has been weak over the last several years, due to a variety of circumstances. Those circumstances will be analysed in the next chapter.

## **CHAPTER TWO**

### **Evaluation of the port situation**

#### **2.1-Organisational structure**

The Autorité Portuaire Nationale (APN) is under a board of directors composed of 5 members whose chairman is the governor of the Banque de la République d`Haiti (BRH). It is an autonomous organisation under the Ministry of Finance. The main activities of the port consist of providing services to ships such as berth allocations, pilotage, safe navigation and services to cargo (loading and unloading), storage, and the stuffing and unstuffing of containers.

##### **2.1.1 Structure**

The executive structure is headed by a General Manager and is divided into 9 main departments:

- a- Administrative department
- b- Technical department
- c- Operational department
- d- Safety department
- e- Financial department
- f- Maintenance and Repair department
- g- Control department
- h- Coastal navigation department
- i- Port of Cap-Haitien department

**a) Administrative department**

This unit looks after the application of the work regulations and harmonisation of relations between APN and its personnel. It is also responsible for looking after the property and stocks of the institution.

**b) Technical department**

The mission of this department is:

- . To maintain the existing infrastructure in good condition
- . To plan and supervise the execution of new works undertaken by international firms
- . To realise civil works
- . To assure the functioning of different technical services.

**b) Operational department**

This department is responsible for the planning of ships' arrival such as providing berths, cargo handling (loading and unloading), storage, delivery of cargo and renting of cargo handling equipment.

**c) Fire/Safety department**

This unit is in charge of safety of personnel, property and goods stored within the port area, and is also responsible for prevention of fire.



**d) Financial department**

This division manages the funds of the institution, and assures the financing of port activities. It also looks after the debt service and prepares the operating budget and financing plans.

**e) Maintenance/Repair department**

This department is responsible for the maintenance/repair of all the cargo handling equipment in the main port.

**g) Control department**

This department is responsible for the internal audit of the institution. In addition, it controls the execution of the financing project plans and expenses as well as their justification.

**h) Coastal navigation department**

The mission of this department is to manage and control all coastal navigation ports in the country.

**i) Port of Cap-Haitien department**

Cap-Haitien which is the second city of the country has an international port but smaller in size than Port-au-Prince. This unit is responsible for the management of this particular port. It provides administrative and financial services such as:

- . Personnel management
- . Accounting
- . Statistics

. Technical services.

In terms of the functional departments, the size of the organisation is too heavy and has been expanded over time. This is illustrated by the creation of Financial, Control, and Repair/Maintenance departments in the beginning of the 1990s. In the past, these functions were performed under other departments such as Administrative, and Technical. These moves have resulted in a bureaucratic organisation leading to non-flexibility. As a matter of fact, a critical evaluation of the existing organisational structure reveals in some respects overlapping of functions and duplication of tasks due to overstaffing within the institution. For sure, this results in a high level of salary mass, high operating costs and inefficiency. The management becomes more reactive and as a result takes time to provide response to customer demands. It is clear that some functions can be combined with a view to having a flat organisation structure, which would provide efficiency, cost-effectiveness and pro-active management. The organisational chart of the port is presented in Appendix 3.

The analysis of the Autorité Portuaire Nationale (APN) would be incomplete if it was limited to technical, financial and operational aspects. It is also important to consider administrative practices and influences affecting APN in the running of the institution. For a better clarification, it is necessary to highlight in this section the trends, which have marked its evolution during the past 15 years.

### **2.1.2- Political interaction**

APN is one of the public institutions with commercial characteristics that, has to some extent, autonomy of management. Nevertheless, it is placed under the supervision of the Ministry of Finance, and the General Manager is appointed by presidential decree. This situation gives rise to difficulties for the institution for two reasons:

- i) Political influence takes place at every level of the organisational structure leading to significant distortions in the optimum management of human

resources as well as in the definition of priorities. Clearly this situation generates great conflicts and subjective behaviours, leading to an obvious loss of efficiency.

- ii) Government interference in the budget of APN is also a logical consequence of this situation. At present, APN funds can be transferred to the government account without the competent services at APN knowing, and thus only becomes apparent at the time of the audit. Similarly, the pressures upon the General Manager are frequent and either result in excessive employment of people from various popular organisations close to the government, or simply the allocation of funds to be dedicated to the execution of specific projects, that may not align with the priorities of the port.

### **2.1.3- Frequent changes in Administration**

Frequent change is also one of the characteristics of the institution, and has been intensifying during the past 15 years. During this period, 12 General Managers have been engaged to head the port authority. The change rate of one Manager every 15 months illustrates very well the great instability existing in the running of this organisation. Such a rate is totally incompatible with the generation of even medium term plans.

This factor is not without importance because:

- . APN has not been able to develop a long-term strategic plan
- . In Haiti, each new Manager comes with his own staff and vision, and in most cases does not adopt the programs or actions of his predecessor.

Therefore, this situation leads to a continual return to the start; with the same problems continually arising again. Very often, the same solutions are proposed but their implementation suffers due to the lack of consistency of thought. This lack of continuity results in the atrophy of the institution, where development is in no way related to demand or to current transactions.

## **2.2- Infrastructure and equipment**

### **2.2.1- Anchorage area/Berthing facilities**

The berths are divided into 3 operational zones, which enables the port to receive at the same time seven ships of 120m average length. The access channel and harbour were originally dredged to a depth of 10 m, but due to siltation problems that are worsening, today it is only between 8m and 8,5m. The port has the following berthing characteristics:

	<b><u>Length (m)</u></b>
Passenger quays	500
South wharf	800
North wharf	450
RO/RO Ramps (2 units)	

These characteristics have limited APN to receiving only vessels of up to 28,000 DWT. This is a quite unsatisfactory situation for the institution, as it clearly results in a serious loss of income through not being able to satisfy demand from higher tonnage vessels. (See Layout of the port in Appendix 4)

### **2.2.2- Storage facilities**

The port is equipped with two warehouses and two open storage areas, which in total represent more than 100 thousand square meters. See Table 4). One open yard is being used for stacking containers and the other one for storage of cars.

**Table 4**  
**Storage Facilities**

<b>Denomination</b>	<b>Area (m2)</b>
<b>Shed 1</b>	<b>5,620</b>
<b>Shed 2</b>	<b>5,620</b>
<b>Open Storage</b>	
. <b>Container</b>	<b>84,792</b>
. <b>Cars</b>	<b>10,060</b>
<b>Total</b>	<b>106,092</b>

**Source:** APN Yearbook

One of the sheds is not in good condition, few goods are stored in it, and most of them, after discharging, go directly to private warehouses or import consignee's warehouses. The other one is leased to PI480, which is a humanitarian organisation for the storage of foodstuff.

The open storage area used to assemble drums and timber is located behind the sheds 1 and 2 and linked internally by road to the private terminals. The storage area used for storing container and cars is in the east part of the port. The storage facilities - shed or open storage - are not well positioned and this hampers the smooth flows of movements either for quay transfer operations or storage of goods. With improved stevedoring practices, new handling techniques and modern kinds of handling equipment, the capacity of the open storage area would be increased, it is for this reason that the port is now doing some reclamation work to recover more land.

### **2.2.3- Equipment**

The loading and unloading of containerised and conventional cargo are carried out by a gantry crane of 30T, a mobile crane of 150T, a straddle carrier of 33.6T, trailers, diesel forklift trucks, and tractors. From Table V, showing the cargo handling equipment, it may be seen that the average age is quite old, and some of the units have already reached the end of their economic life. Most of the equipment is for quay transfer operations either to the transit shed or to the open storage yard.

The port has only the one gantry crane of 30T capacity for which availability is about 78%. Due to this fact and the regular non-availability of the mobile crane, container ships are compelled to spend more time than should be necessary in the port. In addition, it is not possible to handle more than one container vessel at a time. Faced with this deficiency, the ship agents or these ships use their own equipment, which means an important loss of income for the APN. The scale and condition of equipment is clearly inadequate and cannot permit the operations manager to deal with this matter of vessel turnaround time, which is an important issue. Table 5 also illustrates the low availability of some of the other equipment. Only the trailers have reached an availability of 80%.

**Table 5**

**Inventory of Cargo Handling Equipment in the port of Port-au-Prince**

**Conventional General cargo equipment**

<b>Operator</b>	<b>Equipment type</b>	<b>Capacity</b>	<b>Units</b>	<b>Age</b>	<b>Availability %</b>
<b>APN</b>	Diesel FLT	3-3 1/2T	10	3-14	46
	Diesel FLT	5T	1	3	70
	Diesel FLT	7-71/2T	4	9-13	60
	Diesel FLT	9 T	2	9-14	30
	Trailers	10T	10	N/A	80
	Mobile crane	150T	1	22	0

**Container Handling Equipment**

<b>APN</b>	FEL	24T	1	21	48
	FEL	33.6T	1	21	15
	FEL	35T	2	12-20	50
	Gantry crane	30T	1	21	78
	Straddle carrier	33.6T	1	18	0
	Tractors		15	9-18	N/A
	Trailers	40t	15	23	N/A

**Source:** Charles, E (1998). MSc dissertation page 16

Furthermore, this situation of shortage of equipment faced by the main port has led to the development of private ports that are also engaged in international trade. A significant part of the sea traffic is handled by these private ports. They are:

- "Les Moulins d'Haiti" quay

This quay handles raw materials such as wheat and Soya for the production of flour.

- Cement quay

At this quay, they import also raw materials like gypsum and clinker for the production of cement. Presently, these facilities are out of service as a result of a fire, which occurred some years ago. This traffic goes now through Varreux Terminal.

- Varreux Terminal

All kinds of traffic are handled at this terminal such as sugar, cement and containerised goods.

- Oil Terminal

At this terminal, imported oil products are stored in several tanks belonging to different distributor companies such as SHELL, TEXACO, ESSO and ELF.

Situated not far from the main port (about 30kms away), these private ports are equipped with all the facilities needed for loading and unloading bulk cargoes such as: oil products, coal, steel ingot, clinker and gypsum, and work independently. This situation further reinforces the need for the port to upgrade its equipment if it is to remain competitive.

#### **2.2.4-Nautical access**

Nautical access is one of the key physical indicators of port performance to which a port management should pay particular attention, in order to assure safety of all vessels moving within the port area. Regarding the port of Port-au-Prince, the navigational aids system is almost non-existent. However, thanks to the experience, skill and ability of the port pilots, ship traffic has been executed safely and efficiently. Port-au-Prince is a non-tidal port and there are no navigational restraints i.e. locks, bridges, etc so, ships can enter freely, without delay at any time.

The SEMANAH (Service Maritime et de Navigation d'Haiti) which is a state service under the supervision of the Ministry of Transport has been created to deal with maritime safety matters in general, and aids to navigation in particular. This organisation is constrained in terms of budget and manpower, and is unable to fulfil the requirements of a proper MARAD (Maritime Administration). It is vital that in



the near future this situation be rectified and a sustainable safety system be set up for the passage of all vessels under way.

As regards telecommunications, the port is equipped with IDD options, Fax machines and Internet. To communicate with a ship the harbour master offices use the VHF radio when the ship is in the port area.

It is essential for a port to have a good system of communication both for its efficiency and its competitiveness. Even though the port of Haiti is not equipped with a modern system like radar; the harbour master officers do their job very well. It is essential that, in the near future, the port improve its communication systems.

### **2.3- Efficiency analysis**

Nowadays, ports are under increasing pressure to demonstrate the effective performance of their port operations. It is no longer enough to have low port tariffs. In this extremely competitive environment, a port must be able to provide a good quality of services, and comply with international requirements for quality assurance certification (ISO 9000).

In the new conception of the term, service quality may be defined as: “the ability of the port to satisfy client requirements in terms of capacity, logistic services, vessel turnaround time, flexibility, reliability and costs”.

Such a definition has the advantage of emphasising objective and quantifiable parameters such as: waiting time, turnaround time in port, handling productivity, free storage delay, working hours in the port etc. By using these indicators, it is possible to compare the level of service at different ports. These parameters are very often in conflict. For example a reduction in service time may be achieved by a substantial increase in logistics leading to higher operating costs. In APN’s case, the

shortcomings are significant for all of these parameters thus, complicating the strategy needed in order to enhance the quality level.

### 2.3.1- Operational performance

#### 2.3.1.1- Traffic

The total traffic throughput of the main port of Port-au-Prince has seen important fluctuations during the past 10 years. The lowest tonnage handled during this period was recorded in 1991-1992 (Table 6) due to the international trade embargo imposed against Haiti. From 1994-1995, after these international sanctions had been lifted, the traffic throughput increased steadily throughout the subsequent period to a point where the total tonnage of goods handled in 1997-1998 was 236% of that handled in 1988-1989.

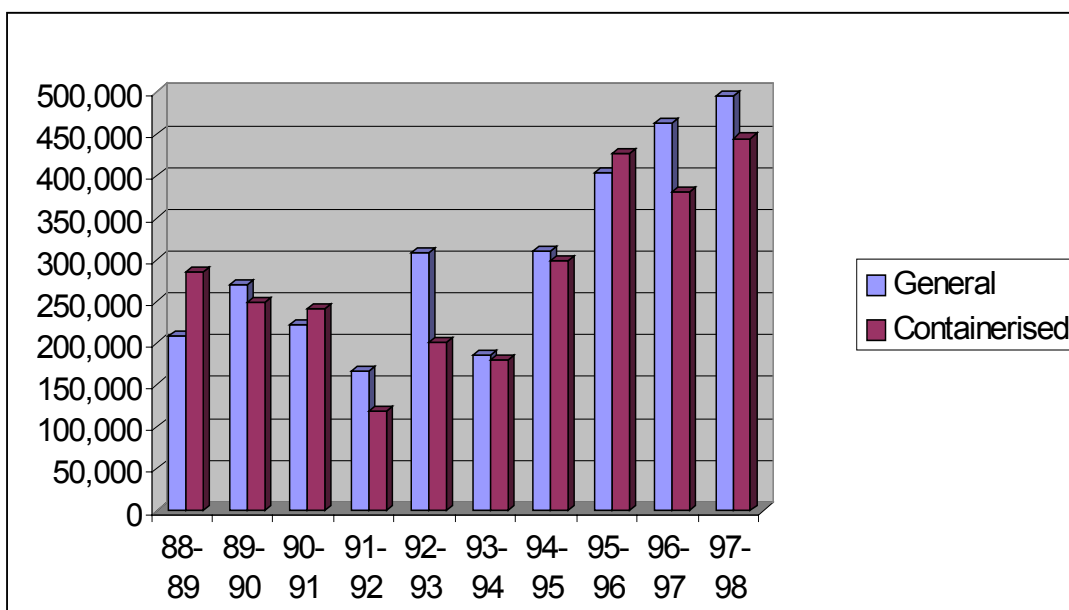
**Table 6**  
**Total cargo handled in the main port**  
**(1988/89-1997/98)**

General cargo (in Tonnes)										
	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98
Imports	209,127	269,642	222,002	166,448	307,915	186,517	310,347	403,069	463,081	484,303
Exports	123	384	21	4	306	–	–	310	654	10,859
<b>Sub-total</b>	<b>209,250</b>	<b>270,026</b>	<b>222,023</b>	<b>166,452</b>	<b>308,221</b>	<b>186,617</b>	<b>310,347</b>	<b>403,379</b>	<b>463,735</b>	<b>495,162</b>
Containerised cargo (in Tonnes)										
Imports	233,305	200,845	190,868	100,964	171,172	167,473	270,407	394,187	346,667	407,145
Exports	52,239	48,437	50,129	18,626	29,408	12,674	28,363	32,248	34,993	38,038
<b>Sub-total</b>	<b>285,544</b>	<b>249,282</b>	<b>240,997</b>	<b>119,590</b>	<b>200,580</b>	<b>180,147</b>	<b>298,770</b>	<b>426,435</b>	<b>381,660</b>	<b>445,183</b>

**Total tonnage of goods handled**

88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98
494,794	519,308	463,020	286,042	508,801	366,764	609,117	829,814	845,395	940,345

**Fig 2: Evolution of General cargo vs containerised cargo**



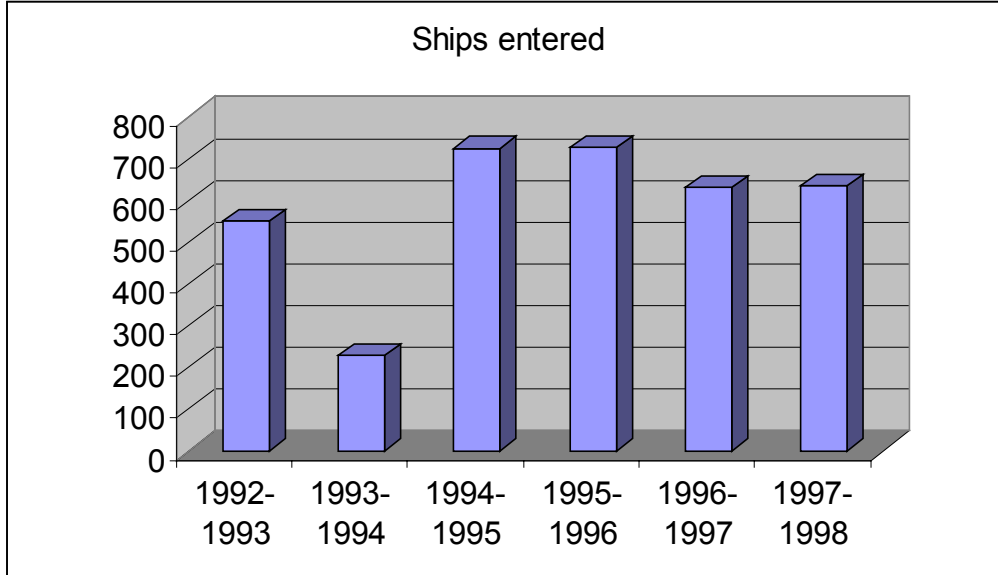
**Source: Service des Statistiques de l'APN**

Both general cargo and containerised cargo were affected by the trade embargo, as explained above. After the embargo, general cargo increased to 495,000 Tonnes in 1997-1998 representing an increase of almost 66%, while containerised traffic also increased by 48% from 300,000 Tonnes in 1994-1995 to 445,000 Tonnes in 1997-1998.

**Table 6.1**  
**Shipping traffic**

1992-1993	1993-1994	1994-1995	1995-1996	1996-1997	1997-1998
552	230	726	728	632	636

**Figure 3 : Ships entered**



Out of the 636 ships received in 1997-1998, it is important to note that 4 % were RO/RO, 16% LO/LO, 26% general cargo, 50% multi-purpose and 4% tankers (edible oil). This reflected a rate of about 53 ships per month. It will be seen that from 1994-1995 to 1997-1998 the number of ships calling at the port has decreased in spite of an increase in total tonnage handled during this period. This increase in traffic has undoubtedly had a positive impact on port revenues, and on the economic activity of the country.

### **2.3.1.2- Hinterland of the port**

The main port is located in an area where the road network is in quite good condition and able to provide easy access to the countryside. There is no railway link with the rest of the country however, and only trucks make the connection. The industries that exist as a consequence of the port are:

- two industrial zones located not far from the port
- some factories and several assembly plants spread out within the capital along the main routes serving the subregions
- agricultural areas in the northern, southern, western and central departments.

Normally, apart from at rush hours, cargo can go in and out of the port in a reasonable time. As a result, those industries located near the port area can easily obtain their raw materials and export their products. Transport costs are reduced due to the short distances involved. Shipping companies are also situated in the port area so a constant relationship is easily maintained because of the proximity.

### 2.3.1.3- Vessel turnaround time

Quality of services depends on speeding up the cargo handling operations and minimising delays in order to improve the vessel turnaround time, and in this way reaching a high cargo handling performance. If a port cannot ensure short ship time in port, the cost incurred by the ship while in port will increase. The direct consequence is a sharp increase in the ship-owner's voyage costs, which means higher freight rates. The final victims are then the shippers and consumers. Conversely, it is obvious that if a port is able to achieve a short ship turnaround time, it means that the cargo handling operations is efficient.

From the port point of view, as well as from the perspective of the shippers or ship-owners concerned, these indicators are of vital importance in any decision-making related to the quality of services provided and ultimately in the choice of a port of call.

**Table 7**  
**Average Turnaround Time in the port of Port-au-Prince in comparison with ports in 3 other countries**

	Container ships				General cargo ships			
	Cuba	Colombia Carthage na	Mexico Vera Cruz	Haiti Port-au- Prince	Cuba	Colombia Carthage na	Mexico Vera Cruz	Haiti* Port-au- Prince
<b>Waiting Time</b>	3hours	4hours	N/A	6 hours	3 hours	48 hours	2h	23 hours
<b>Service Time</b>	12 hours	14hours	14h	28 hours	21h	38 hours	40h	105 hours

**Source:** Compiled on the basis of information collected from students coming from those countries \*\*

\* Operations Department of APN

\*\* Accuracy of data should be treated with caution, however reliability is considered sufficient for illustration purposes.

According to UNCTAD, the grade of waiting that is generally acceptable to shipowners is 10%, beyond this rate the port is considered as to be inefficient. The grade of waiting in the port of Port-au-Prince is about 21%. Based on the level fixed by UNCTAD, it can be concluded that the port productivity needs to be improved.

In respect to waiting time, Haiti has the worst performance at 23h and 6h for general cargo and container ships respectively. The lowest waiting time in the region is 3h realised by Cuban ports. Concerning service time, ships were serviced for 105h in Haiti compared to 21h in Cuban port, which is a ratio of about 5:1. For container ships, service time in Haiti is more than double other regional ports i.e 28h compared to 12h for Cuba and 14h each for Colombia and Mexico. In this respect, APN has a great deal of work to do in order to reduce the gap with its competitors. (See Table 7)

#### **2.3.1.4- Berth occupancy**

The average berth occupancy in the main port is approximately 85%. According to UNCTAD, the acceptable berth occupancy ratios are 50% for 2 available berths and 60% for 3 available ones. In the case of the port of Port-au-Prince, the number of berths is two for the container ships and three for break-bulk cargo. Seen from this aspect, the berth occupancy ratio is clearly too high because of a poor productivity ratio.

The main reasons for such a low productivity are lack of cargo handling equipment (either gantry crane or quay transfer equipment) and low availability of the only existing crane due to frequent and lengthy time breakdowns.

### 2.3.1.5- Gang productivity

It is important to note that, cargo-handling operations in the port of Port-au-Prince are executed by two (2) different groups of workers. The operations on board the ship are realised by stevedores belonging to the private sector under agent responsibility, whereas quay transfer operations, either to the sheds or to the open storage area are undertaken by the dockers of the port authority. The second group of workers is linked to APN on a basis of collective agreement negotiated annually with their union.

However, it is the normal practice nowadays in most ports for cargo handling personnel docker to be under one management entity, which takes care of all operations. Clearly under such an arrangement, better planning and co-ordination of the operations can be facilitated.

The main port is open 24 hours a day but the normal working hours are 7:00 to 12:00 and 13:00 to 16:00. Overtime starts at 16:00 and can be worked upon negotiation, but most of the work is finished during normal working hours.

**Table 8**  
**Port of Port-au-Prince productivity compared with other ports**

	<b>Colombia</b>	<b>Mexico</b>	<b>Jamaica</b>	<b>Haiti*</b>	<b>Standard</b>
<b>General cargo</b>	<b>28Tons</b>	<b>30Tons</b>	<b>N/A</b>	<b>20Tons</b>	<b>30</b>
<b>Container</b>	<b>14 moves</b>	<b>25 moves</b>	<b>25 moves</b>	<b>12 moves</b>	<b>25-30</b>

**Sources:** Compiled on the basis of information collected from students coming from those countries.

\* Operations Department of APN

\*\* Accuracy of data should be treated with caution, however reliability is considered sufficient for illustration purposes

Productivity from Haiti is very low compared to other ports in the region as well as to the standard productivity level. For example, while Haiti handles 12 moves/crane/hour, the lowest productivity in the region for containers is 14 /crane/hour in Colombia. It means in terms of competition, Haiti will be viewed less favourably by the shipping lines. Therefore considering the poor performance in terms of Waiting Time, Service Time and gang productivity, Haiti cannot be considered the rational choice for shipping lines. (See Table 8)

### **2.3.2- Financial performance**

#### **2.3.2.1- Cost of services**

For the past several years, port users have been complaining about the high port costs of Haiti. In this regard, the general manager has sought to shed light on this question and asked experts to conduct a study comparing APN tariffs with those of the main Caribbean ports. In 1997, the “Centre Régional TRAINMAR” submitted its findings in this matter, and concluded that the port of Port-au-Prince was the most expensive in the region.

In the light of the above considerations, it is obvious that APN has high operational costs, with direct consequences for service charges. Table 9 below shows the container handling charges in Port-au-Prince as compared to some other ports in the region.



**Table 9**  
**Port cost/container in comparison with other ports**  
**(US Dollar)**

Full Container	SPRB UENA	SPRC	SPRSM	LIMON	CRISTOBAL	BALBOA	MANZANILLO	RIO HAINA	Haiti
\$ US	178	175	168	273	284	280	293	270	454
Index	39	38	37	60	62	61	65	59	100

**Index 100= Haiti**

**Source: TRAINMAR Study (1997)**

SPRB: Buenaventura (Colombia)

Cristobal: Cristobal (Panama)

SPRC: Carthagena (Colombia)

Balboa: Balboa (Panama)

SPRSM: Santa Marta (Colombia)

Manzanillo: Manzanillo(Panama)

Limon: (Costa Rica)

Rio Haina: Dominican Republic

The average port cost/container in the main port of Port-au-Prince is about 454 US dollars. Compared to other ports in the region, it can be said that this average cost is almost double that of others. In order to compete realistically in the bay of Port-au-Prince, it would be necessary for APN to adjust the port costs to, or below, the level currently prevailing at the port of Rio Haina in the Dominican Republic.

### **2.3.2.2- Financial Statements**

Due to the trade embargo imposed on Haiti, port traffic levels were lowest in 1991-1992. This translated into revenues of 4 Million Gourds, which constituted a decrease of about 96%. After the embargo was lifted in 1994-1995, the traffic improved significantly and, as a result revenue increased from 4 to 221 Million Gourds. Since then, there has been a steady increase in revenue at an average rate of 20%/ year. This is in line with the continued increase in traffic since the lifting of the embargo.

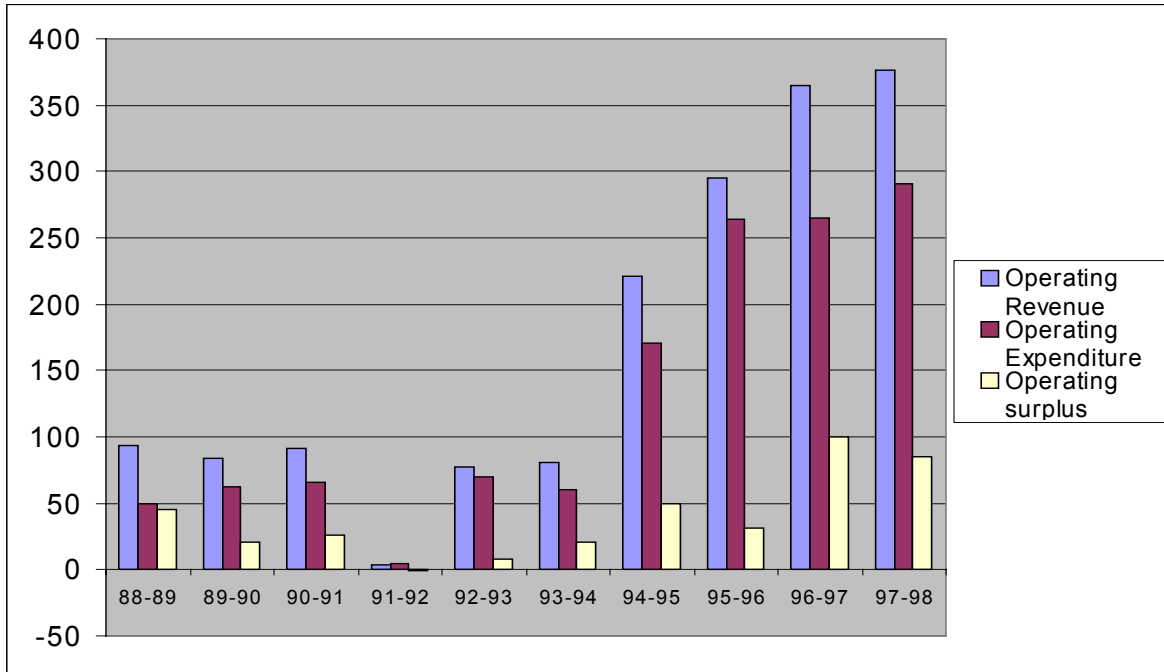
Operating expenses have been increasing year after year. Besides increases in salary, operating costs were affected by the high running cost of equipment due to old age. Revenue/Ton as well as Expenses/Ton have followed the same trend. But the financial statement analysis shows that expenses have increased more than revenue. This leads to, or contributes to, a reduction in the profit of the organisation. From 31% in 1988/89, the profit margin has dropped to 18,6%, in spite of some measures taken to control costs such as limiting employment, scrapping old equipment, strict control of fuel use and spare parts. Obviously, efforts should be made to regain the level of profitability achieved in 1988/89 where expenditure was about half of the revenue. In 1998/99, expenditure has increased tremendously to about 80% of the revenue.

**Table 10**  
**Financial Statements (in Million of Gourds)**

	88-89	89-90	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98
<b>Operating Revenue</b>	94	84	91	4	77	81	221	295	365	376
<b>Operating Expenditure</b>	50	62	66	5	70	60	171	264	265	291
<b>Operating surplus</b>	45	21	26	-1	8	21	50	31	100	85
<b>Profit(Loss) before Tax</b>	29	7	11	-2	-5	9	39	19	88	70
<b>Average Revenue/Ton</b>	<b>190.64</b>	<b>160.83</b>	<b>197.37</b>	<b>12.93</b>	<b>151.95</b>	<b>219.9</b>	<b>363.73</b>	<b>355.53</b>	<b>432.04</b>	<b>399.48</b>
<b>Average Expenditure/Ton</b>	<b>100.7</b>	<b>119.45</b>	<b>142</b>	<b>17.23</b>	<b>136.72</b>	<b>163.5</b>	<b>280.83</b>	<b>318.74</b>	<b>313.36</b>	<b>309.22</b>
<b>Profit(Loss)/Ton</b>	<b>59.06</b>	<b>13.43</b>	<b>24.01</b>	<b>-8.13</b>	<b>-9.82</b>	<b>25.66</b>	<b>64.38</b>	<b>23.1</b>	<b>103.76</b>	<b>74.12</b>
<b>Profit margin Profit/Revenue</b>	<b>30.9%</b>	<b>8.3%</b>	<b>12.1%</b>	<b>-50.0%</b>	<b>-6.5%</b>	<b>11.1%</b>	<b>17.6%</b>	<b>6.4%</b>	<b>24.1%</b>	<b>18.6%</b>
<b>Operating Expenses/Revenue</b>	<b>53.2%</b>	<b>73.8%</b>	<b>72.5%</b>	<b>125.0%</b>	<b>90.9%</b>	<b>74.1%</b>	<b>77.4%</b>	<b>89.5%</b>	<b>72.6%</b>	<b>77.4%</b>

Source: Rapport Financier de l'APN

**Fig 4: Trend in revenue, expenditure and surplus**



#### **2.4- Need for investment**

Because of the frequent changes in management, the individual actions undertaken by one department or another do not always produce the multiplier effect expected and APN presents the image of an institution which is under-equipped and far from being ready to respond to the challenges ahead. It is clear that in spite of the quality of the human resources and multiple credit agreements, the material and logistics structures remain inadequate to guarantee the competitiveness of the port compared to other countries in the Caribbean.

The situation is now at a critical point, because the main port does not have adequate draft nor does it have facilities for high tonnage vessels, which generally choose to call at other ports in the region. Nowadays, ships are deep drafted and longer than in the past. Ports, which can receive long and deep draft vessels, will see their potential

increasing. Despite technical services being aware of this deficiency, as well as the resultant loss of subsequent revenue, an investment policy taking into consideration the issues mentioned in the previous paragraphs, has not been developed. It has therefore proved impossible to elaborate and make operational an investment plan having as its goals: to increase the capacity by building new quays, reinforce competitiveness by purchasing adequate equipment; and decentralise operations by rehabilitating the existing infrastructures of other towns. All that have been possible are short-term management and investments decisions with very low impacts.

The “Development Programme” of the port of Port-au-Prince was drawn up in 1972 and was to be implemented in three phases. The first phase of the modernisation works of the port was concluded in 1979, but since then no major investment has been made. It is not surprising that, after some 2 decades of non-investment in either ship-to- shore equipment or port infrastructure, the situation has deteriorated greatly. Some necessary works, and the acquisition of handling equipment are now of the utmost importance in order to reinforce the port structures and achieve improved efficiency.

A study conducted by Nathan Associates Inc, in October 1998 on the basis of information provided by R.A Lowier Consulting Inc. and S.T Hudson, recommends for the port of Port-au-Prince investments from \$US 24,7 to \$US 62,8 million to be executed in **3 stages**:

The **first stage** would involve the levelling of infra-and superstructure: north quay infrastructure, open storage area for container, general cargo and other areas and equipment. The amount of investment for this stage totalled \$US 6,3 M approximately. Among the necessary works planned, it should be pointed out:

- Pavement of container area and the road, installation or setting up fenders, lighthouses, buoys and other lights within the port area.

In the **second stage**, more extensive works should be undertaken at the north quay to facilitate the handling operations of full containers. In particular:

- . Rehabilitation of longitudinal beams
- . Setting up of standard rails
- . Acquisition of other equipment such as tractors, Reach Stackers, and Flatbeds

The amount of planned investments is around \$US 11,5 Million.

**Phase 3** envisages two scenarios: one for expansion and the other one for reinforcing phase 2. In the first case, it is a question of extending the north quay and acquiring 2 Panamax gantry cranes at an investment amounting to \$US 45M. The second scenario is more modest with only \$US 6,9 M of investment.

#### **2.4.1- Handling equipment**

Lack of cargo handling equipment in the main port has led to low productivity and long vessel turnaround time. Taking into account the age of the only gantry crane in the port which is 24 years old and its low rate of availability as a consequence of frequent breakdown, it is clearly necessary for the port to purchase at least one new gantry crane to support the existing one. In order to ensure proper cargo handling operations and to reduce vessel time in port, investment should also be made in other types of handling equipment.

#### **2.4.2-Repair and/or Maintenance of quays**

The quays at the main port are not in good condition because of the lack of maintenance and repair. The damage arises from the violent impacts of ships while berthing on the quay wall, which affect the beams due to the poor condition of the fenders. The "Finger Pier" which is dedicated to passenger ships was seriously damaged after hurricane "George" in September 1998. The existing fenders are poorly maintained and in urgent need of replacement. Obviously, the lack of

maintenance of port structures can negatively impact the image of the port, resulting in poor port services and higher costs to shipowners.

**Table 11**  
**Immediate investment for increasing the productivity level of the port**  
**(in US \$)**

	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total cost</b>
<b>Repavement of damaged areas</b>	115.000m <sup>2</sup>	20	230,000
<b>Electricity works</b>	10	40,000	400,000
<b>Rehabilitation of 2 Transit Sheds</b>			300,000
<b>Building of surrounding wall</b>	3,660m	26	95,160
<b>Tractors, FLT</b>	4	60,000	240,000
<b>Ship to shore gantry crane</b>	1	4,500,000	4,500,000
<b>Reach Stacker</b>	2	500,000	1,000,000
<b>TOTAL</b>			<b>6,765,160</b>

**Source:** Rapport Final de Phase 1: Préparation des actifs pour la modernisation du port de Port-au-Prince, Haiti par Nathan Associates Inc, Oct. 1998.

### **2.4.3- Training of personnel**

The permanent staff of APN is composed of 1,600 people - senior, middle managers, technicians, employees and workers with different academic and professional backgrounds. This manning level has been progressively increasing with the passing years and according to the way events develop. Even if some professional training was given during these last 10 years, it was difficult to set up a sustained training programme, principally because the port was subject to demand fluctuations and subsequent difficulties in running. Nevertheless, training of personnel should constitute for APN a constant preoccupation in three respects:

- 1- A skilled personnel is more able to guarantee good quality of services and a better productivity
- 2- In Haiti, there is no specialised training centre in port operations
- 3- The rotation rate of the personnel is significant due to the phenomenon of external interference and frequent changes noted during the last years.

Faced with this situation, which should lead to an improvement in the rate of loss of senior managers and technicians, APN should have a dynamic training policy for its personnel, if the organisation wants to improve productivity and competitiveness. It should not be arise anymore for people to be employed to perform a certain job who do not have adequate knowledge to do it. Accordingly investments should be made at this level. Until recently, training opportunities had been given fundamentally to top, senior or middle managers. Although in the port, there is a training centre called "Centre de Formation et d'Entrainement Portuaire" CEFEP, it would seem that no arrangements have been made to enable senior managers to pass on their knowledge to the junior staff or to technicians. Of course, those employees cannot perform their tasks nor take any initiatives, so it is necessary for their managers to always tell them what to do.

With respect to this issue, the **Malta Free Port Corporation** experience is a concrete example of what can be done, and its application to APN merits investigation. A group of equipment operators and operation clerks who were selected based on their knowledge in the job as well as their aptitude and skills, were sent to Rotterdam for 6 weeks training. Upon completion of the course, they were categorised as trainers, responsible for training other operators and clerks. For senior and middle management, special training programmes – for example on Port Marketing, Terminal Management – were carried out from time to time both locally or abroad. That is to say that the objective was to train all staff from top to bottom. There is no doubt that port efficiency cannot be achieved without proper training of personnel. Haiti will never lose the benefit or advantage of training of human resource in port operations, whatever the nature of APN's status after the modernisation process.

## **Conclusion**

To summarise, the main difficulties facing the port decision-makers in managing the company are due to:

- . Bureaucracy which leads to non flexibility
- . Long-decision making processes
- . Overstaffing: high level of salary mass, high operating costs
- . Non availability of capital funds for investment because of government priorities for other projects. Therefore the needs for new equipment cannot be met.
- . Poor use of profits
- . Excessive involvement of the government in the management system
- . Management being reactive rather than pro-active
- . Lack of forecasting/planning
- High percentage of old equipment. So, operation is not cost-effective
- . Ineffective preventive maintenance systems



- . Lack of funds for repair
- . Poor maintenance planning
- . Difficulty in following new technological development or changes in the port market

More generally, the objectives of the company are being distorted by social objectives such as providing employment. Hence the essential aspect of return on capital, and reinvesting this towards growth is being totally lost. Those responsible are very often more responsive to a political or administrative hierarchy than to market requirements.

**“Political and “social”** considerations have been dominating port objectives and policies, while the changes in the “business” environment, which are threatening the viability of the organisation, have not been addressed. The need for competitiveness in the international port industry can only be met through a reorientation of objectives and policies. Only by making changes in the style of management, through the use of modern management practices can port performance be improved and the difficulties in the above areas be overcome. The nature of the required reforms will now be examined.

## **CHAPTER THREE**

### **Reforms**

A significant number of studies, reports and documents have been directed at examining the efficiency and productivity of the main port of Haiti. These studies have concluded that the port is not efficient at all, due to its high costs, poor services and low productivity. So, there is a real need for the decision-makers in Haiti to restructure the administration of the port of Port-au-Prince. In order to make an efficient analysis of the various kinds of port restructuring, it is necessary first of all to describe the possible options and then make an analysis of each of them to see which ones provides the best fit in Haiti's case.

#### **3.1- Possible options for reform**

##### **3.1.1- Commercialisation**

Under this concept a port is required to apply economic objectives that enable it to run the port organisation or management on a more commercial basis. It involves rationalisation of capital investment and operational expenditures, working with greater flexibility in having real autonomy in the operation of the company, and being accountable for its decisions and performance. At the same time, the company remains state-owned.

Some governments in their efforts to implement commercialisation practices have failed while some others have succeeded. The reason for this failure is because the public sector or the government remains in charge of operation and management. Government objectives are not based on satisfying market needs, but preferably to

meet broader macro-objectives such as increased employment and the national interest. In so doing, the port is unable to operate commercially, and hence is deprived of its ability to provide users with well-maintained and modernised facilities.

This method cannot realistically be applied in Haiti's case because the intent in the commercialisation approach is to allow the port authority to function as a private enterprise which is already the present status of APN and will not therefore bring any change. The autonomy, which APN presently enjoys, is only nominal and hence ineffective. It would appear that there is no will on the part of the government to provide the needed autonomy to make commercialisation effective.

### **3.1.2- Corporatisation**

This approach involves setting up a legally independent entity, a public sector landlord (the port corporation), that manages the organisation while having recourse to commercial methods of doing business. It remains under the government ownership but is managed as a private enterprise. This method may be seen as complementary to commercialisation, but with the difference that the board members have legal corporate independence. Under the corporatisation option all land and assets are legally transferred to the company. The port of Singapore, which is one of the most efficient ports in the world, adopted this method and now is moving to be open to the private sector.

As rightly pointed out M. J. Grosdidier de Matons, this method has led to efficiencies in some ports, it maintains some significant uncertainty "precisely because government can continue to exercise pressure on the company to create employment, distribute benefits, enter into a system of patronage".

Due to the numerous socio-economic problems, such as unemployment that presently face the government, it would be difficult for the government to make this method

work. As explained by M. Grosdidier de Matons, even a legally independent entity would not be able to manage the company. Based on these considerations, it may be concluded that this concept would not be appropriate.

### **3.1.3 - Management contract**

The concept of a management contract involves an arrangement made by the government body with a private interest to manage the organisation during a specific period of time generally not exceeding 5 years against payment of compensation. The port authority still remains the owner with responsibility for providing funds or capital for the running of the organisation.

The disadvantage of this method is that the government will remain responsible for provision of further capital. The current economic situation of Haiti is bleak: with decreasing exports, continuing depreciation of the national currency versus U.S dollar and decreasing agricultural production. In such a critical situation, it would not be realistic to apply this method even if the necessary money to pay redundant people could be borrowed from World Bank. Money would be required for payment of the management team in foreign exchange and to invest in both infrastructure and superstructure, so as to provide efficient services to users. In reference to Table 11 even without privatisation, it is estimated that an amount of \$US 6,7 Million would be necessary to raise the level of the port in terms of productivity.

### **3.1.4-Privatisation**

Generally speaking, privatisation is the transfer of ownership and control of an existing enterprise, activity or service from the public to the private sector. It can be either total or partial. In the first case, it means a complete withdrawal of the government or the State from the running of the organisation in favour of the private sector by the means of sale of all land and assets. Thus, the private sector has full rights to manage the enterprise. Partial privatisation means a portion of the assets is

transferred to the private sector based on the scope of the arrangement being entered into. In the port industry, privatisation entails change from a service port system to either a 'landlord' or 'tool port'.

In a landlord port, there are two main players: the port authority and the private sector. As regards the organisation of operations, the private operator is the person responsible for port operations, labour and provision of superstructure. The port authority is responsible for the provision of infrastructure and sometimes part of the superstructure. The port authority is not limited to providing only harbour facilities but may also create added value to the users by offering or providing other services. For instance, the port of Singapore has invested in the provision of distribution centres near the port area for use by forwarders/NVOCC's, through transport operators and truckers for the loading and stripping of containers and for the assembly of groupage consignments.

Under this structure the most common types used are:

- a- Lease to private companies
- b-Build Operate and Transfer (BOT)
- c-Joint ventures
- d-Outright Sale of assets

#### **3.1.4.1 Leasing**

This is an arrangement made by the port authority for renting specific facilities to the private companies. Thus, the private sector is responsible for running the organisation, but the government still remains the owner of the land and the fixed assets. The contract is valid for a fixed period of time in return for payments to the lessor during the life of the lease. Amsterdam, Rotterdam and Hamburg are examples where this method has been adopted, and where efficiency of the approach is well demonstrated.

It would seem that the government has chosen to entrust the management of the port to a team of private managers for a period of 5 years. As regards management contracts, it does not imply any significant investment or pre-financing on the part of the Management Company.

This choice would appear to have certain shortcomings with the current situation of the port, it is not a problem of management, because during those last decades there are people who have been trained abroad in modern port management techniques. Clearly, the problem is not a lack of qualified personnel, but the freedom to apply those techniques. Due to the reasons mentioned in 2.1.2 and 2.1.3, they in effect constitute barriers to the development of the port. For instance, government interference was too heavy and managers were unable to manage the port on a commercial basis.

It may therefore be preferable to adopt the landlord approach under leasing agreement rather than the management contracts because of the incapacity of the port to provide necessary investments for appropriate port equipment and the lack of concern of the customer needs.

In the case of the port of Port-au-Prince, the leasing arrangement could be applied in leasing the existing site and that equipment which is in good condition, to the private sector, and selling the rest of the equipment, which has already reached the end of its economic life. The private sector would take the responsibility for further investment in superstructure.

The major advantage offered by this approach compared to the others is the opportunity presented to the port authority to avoid further investment in heavy equipment, which is very costly. It would also provide an opportunity to the government to retain a degree of control while at the same time permitting the private sector to work in a commercial environment. Here is some indicative purchase prices.

<b>Equipment</b>	<b>Purchase price/unit</b>
-Ship to shore gantry crane	\$US 4,500,000
- RTG (stacking capacity 1 over 5)	1,250,000
- Front end loader (42t)	350,000
- Reach stacker	500,000

This list shows the very large amount of money needed to purchase modern, efficient cargo handling equipment. Nowadays, such equipment is the key to competing in international markets. In the port of Haiti, availability of equipment is very limited because it is old, resulting in unreliability and costly services. As the port authority cannot raise the necessary funds for purchasing new equipment, so it would clearly be beneficial to lease the port operations to the private sector.

For all these reasons, it may be concluded that the landlord approach under leases agreement is perceived to be a viable approach to restructuring the port of Port-au-Prince.

#### **3.1.4.2 Build Operate Transfer (Concessions)**

Under this practice, the port authority gives a private company the rights to build quay walls, paving, erection of administrative buildings, workshops and the installation of ship to shore handling equipment with the obligation at the end of the concession contract to give the facilities back in good condition to the port authority. For instance, this method is used in Le Havre where the "Compagnie Industrielle Maritime" has provided oil and petrochemical storage activities.

Considering this approach, it would appear in theory to offer some advantages. The BOT arrangement would allow the private sector to build and operate new port facilities while the port authority would have the right to exercise regulatory

functions and to ensure the evolution of the enterprise based on the agreement signed.

According to UNCTAD report "Guidelines for Port Authority and Governments on the privatisation of port facilities", Concessions under BOT arrangement have some intrinsic shortcomings such as:

- . the risk that the grantee is mainly interested in special tax advantages or in real estate development
- . the likelihood that if the concession scheme operate at a deficit the grantee will be reluctant to finance new investments or properly maintain facilities
- . the danger that the grantee will reduce maintenance and investments to a minimum in the final years of the concession and leave behind a non operational facility.

However, these shortcomings can be tackled head on or solved when negotiating the concession agreement and drafting the concession terms.

The BOT approach could be applied in the port for the development of passenger handling facility in the port of Port-au-Prince. There is potential for the port to attract cruise shipping for tourists from Europe and the USA. Some years ago these facilities were damaged by a hurricane and due to shortage of funds, the port could not put it back to use. So now, there is an opportunity to give it to the private investors under BOT arrangements. However, the high risks associated with investment in Haiti are an obstacle to attracting foreign investors. It would seem clear that the government must take action to improve the country's rating.

### **3.1.4.3 Joint venture**

This concept usually involves an equity contribution by both a government body and a private enterprise. Generally it is undertaken where it responds to mutual interests, for instance technological transfer against access to a particular market. It may also be attractive to the parties to share the risks in a particular business venture.



This method appears to have been the choice of China when, in September 1993 Hutchinson Whampoa Ltd, owner of HIT and SPA (Shanghai Port Authority) signed a very significant contract, where the terms gave Hutchinson a 50% stake in Shanghai's Container facilities.

This concept would appear to offer advantages for both the government and the private sector because of commercial risk sharing. By joining their contribution in terms of knowledge, technology and capital efficiency, competition could be improved and promoted. In the case of Haiti, this form of privatisation could be applied because it would offer opportunities to the port authority to reduce the current heavy administrative and financial burdens.

#### **3.1.4.4 Outright sale of assets**

Sale of assets means transfer of ownership of infrastructure, superstructure and equipment from the public to the private sector. Different approach include:

##### **i)-Public offer**

This could be achieved through a complete or partial sale of shares to the general public resulting in the business being quoted on the Stock Exchange and the shares being openly traded.

##### **ii)-Competitive tender**

This method consists of the sale of assets rather than shares. There is no restriction at all, and any company or consortia can bid. The sale is made to the successful bidder, normally a trade buyer.

### **iii)- Negotiated sale**

In this case, the sale is open to one purchaser only which may be a trade buyer or an MEBO (Management/Employee Buy Out). The government has the freedom to choose the purchaser and the price is determined by negotiation.

Considering a country like Haiti where people are not too familiar with the involvement of the private sector in national affairs and specifically where the port has always been a source of employment, it would be difficult for a government to decide to sell completely the port assets. It would almost certainly constitute a source of conflicts between the government and the population. This method would not therefore be appropriate for the present situation in Haiti.

## **3.2 Characteristics of the possible options for reform**

Under all the major reform options considered, namely Commercialisation, Corporatisation, Management contract and Privatisation (Partial and Full), it will be noted that under whatever options adopted there is always sharing of responsibilities between the public and private. This is clearly shown in Table 12. For instance, in the case of Equipment Provision the private sector would be mainly responsible for minor equipment while the landlord authority would be responsible for major investments such as Gantry cranes.

## **3.3 Assessment of the options**

The idea behind the evaluation of the reform is to assess the impact of privatisation based on:

- . Reduced port cost
- . Ability to generate revenue
- . Introduction of expertise
- . Guaranteed revenue stream

- . Removal of political control
- . World Bank or Investment Banks support
- . Degree of oversight required
- . Political feasibility
- . Attractiveness to foreigners
- . Flexibility of operations
- . Guaranteed competition

As will be observed from Table 13, the Commercialisation, Corporatisation and Management Contract options provide limited benefits, while Landlord and Joint-Venture have a greater potential for improvement of the port. In those 3 options, there is no full autonomy and therefore the government will continue to influence some of the key decisions of the management, for example appointment of the directors of the company, tariff setting etc. In the case of Port-au-Prince, there are limited opportunities that can attract private investors under BOT arrangements. The port has fully developed facilities for leasing. This includes the facilities for handling general cargo, container, passengers and RO/RO.

## **Conclusion**

It is important to note that privatisation is not an end in itself, it does not automatically resolve the port problems if the appropriate measures are not implemented or the necessary requirements are not met. In order to ensure successful port reform, firstly a strong government commitment is an indispensable condition because government has a decisive role to play in the process. It is also important to have a broad-based consensus among all the parties concerned i.e. top managers, middle managers, bureaucrats, workers and the public in general. They would need to be well informed on the evolution of the process.

Secondly, defining clear general and specific objectives is another important condition for successful port reform, if it is to satisfy the needs of the clients and the

markets (UNCTAD report on Analysis of deregulation, commercialisation and privatisation of ports. Page). The government needs to bear in mind that the method adopted has to match the objectives behind the changes. If not it would be better not to start the restructuring process.

The next chapter will focus on the proposed option for re-engineering the port of Port-au-Prince and the necessary measures to be taken to achieve this objective.

**Table 12**

**Characteristics of the possible options for reform**

Characteristic	Reform Options							
	Existing situation	Commercialisation	Corporatisation	Privatisation				
				Management contract	Partial			Full
					Landlord	BOT	Joint venture	Sale of assets
<b>BASIC FEATURES</b>								
Term	N/A	N/A	N/A	3-5 years	10-15 years	20-30 years	20-30 years	N/A
Financial flows	N/A	N/A	N/A	Fee paid by APN	Annual payment to APN	Annual payment to APN	Profit Sharing	N/A
Examples	N/A	Morocco		Mombassa, Kenya	NY, Rotterdam, Miami	Le Havre	China Malaysia	UK
Type of investors	APN/Agents	APN	Corporate Entity	Team of Management	Port operating companies	Major international stevedoring companies	Gvt. and Private operator	Private operator
<b>ASSIGNMENT OF PORT FUNCTIONS</b>								
Pilotage	APN	APN	Corporate Entity Or APN	APN or independent organisation	Landlord or ind. org.	Landlord or independent organisation	Landlord or private	Private operator
Berth allocation	APN	APN	CE	Contractor	Landlord	Concessionaire	Landlord or private	Private operator
Cargo handling	APN/Agents	APN/Agents	CE	Team of management	Operator	Concessionaire	Landlord or private	Private operator
Equipment provision	APN/Agents	APN/Agents	CE	Team of management	Operator	Concessionaire	Landlord or private	Private operator
Equipment maintenance	APN/Agents	APN/Agents	CE	Team of management	Operator	Concessionaire	Landlord or private	Private operator

Facility maintenance	APN	APN	CE	Team of management	Landlord	Concessionaire	Landlord or private	Private operator
Security/Safety	APN	APN	CE	APN/Ind. org	Landlord	Concessionaire	Landlord or private	Private operator
Leasing of space	APN	APN	CE	APN	Landlord	Landlord	Landlord	Private operator
Land use allocation - short term - long term	APN APN	APN	CE	APN APN	Landlord Landlord	Landlord Landlord	Landlord	Private operator
Public warehousing	APN	APN	CE	Contractor	Landlord	Landlord	Landlord	Private operator
Capital investment - minor - major	APN APN	APN	APN APN	APN APN	Operator Landlord	Concessionaire Concessionaire	Landlord	Private operator
Port access	APN	APN	APN	APN	Landlord	Landlord	Landlord	Private operator
Marketing	APN	APN	APN	APN	Landlord/O perator	Concessionaire/ Landlord	Landlord/ private	Private operator
Maritime Policy	APN	APN	Government	Government	Government	Government	Government	Private operator
Tariff setting	APN	APN	CE	APN	Operator	Concessionaire	Landlord	Private operator
Tariff review	APN	APN	CE	APN	Operator	Concessionaire	Landlord/ private	Private operator
Tariff administration	APN	APN	CE	Contractor	Operator	Concessionaire	Landlord/ private	Private operator
Long-term planning	APN	APN	Government	Government	Government	Landlord / Concessionaire	Landlord/ private	Private operator

**Table 13**

**Assessment of the possible option for reforms**

Criteria	Reform options						
	Commercialisation	Corporatisation	Management contract	Privatisation			
				Partial			Full
				Landlord	BOT	Joint venture	Sale of assests
<b>Reduce port costs</b>	* Takes time to inculcate in the business culture	* Depends on level of autonomy	* Depends on contract incentive	**May turn on level of investment	*** Maximum scope	*** Maximum scope	N/A
<b>Generate investment</b>	* Limited scope	* Loan from investment banks	* Limited scope	* Extent depends on term	*** Extent depends on term	**Depends on level of participation	N/A
<b>Introduce expertise</b>	* Little expertise	* Open to the market	* Limited to management team	** Port operating expertise	*** Would include stevedoring expertise	** Expertise from private	N/A
<b>Guaranteed revenue stream.</b>	N/A	N/A	Threshold	* Set by lease terms	* Set by concession contract	* Set by joint-venture agreement	N/A
<b>Removal of political control</b>	* It can remain	*Possibility to put pressure on the Corporate Entity	* Short term	** Medium term	*** Long term	Limited extent	N/A
<b>WB Capital support</b>	* Limited support	* Depends on investment	* Depends on investment	* Depends on investment	*** Loans for capital investment		N/A
<b>Degree of oversight required</b>	* Some regulatory response responsibilities	*Annual performance report	* Annual revenue of financial and operation performance required	** Review of compliance with lease terms	*** Minimal compliance with concession agreement only	*Annual performance report	N/A

<b>Political feasibility</b>	* Little change	* Substantial change	*** Incremental changes only	** More substantial changes required	* Strong legislative foundation	* Substantial change	N/A
<b>Attractive to foreigners</b>	Not attractive	* May interest some operators	* May interest some operators	* May appeal to certain operators	*** Maximum profit potential	* May appeal to certain foreigners	N/A
<b>Flexibility of operations</b>	* Limited autonomy	*** Full autonomy	* Depends on performance specifications	** Relations with agents key	*** Full autonomy	*** Full autonomy	N/A
<b>Guarantee competition</b>	* Only inter-port competition	* Inter-port	* At current levels	** Could increase between agents	* Only competition with other private ports.	*** Intra and inter port competition	N/A

- \* Some benefit
- \*\* Greater potential for improvement
- \*\*\* Maximum potential

**Source: APN - Rapport d'Expert au Conseil de Modernisation des Entreprises Publiques (CEMEP), par Mission d'Assistance Technique de la Banque Mondiale, Mars 1997.**

**N.B** Although the BOT looks the most interesting option, foreigners will not be attracted to invest because of high risks associated with investment in Haiti. Also the port has fully developed facilities available for leasing to the private sector, and there is limited land available for the development of additional facilities under BOT.



## **CHAPTER FOUR**

### **Recommendations**

#### **4.1- Proposed option**

There are many examples in the past of private organisations that were once regarded as modern and efficient but which are now in a state of ruin. In fact, today it is not enough to just to modernise but requires at the same time managerial, technological and administrative measures to remain competitive in a world where only change is continuous or permanent.

Looking into the future, the necessary financial resources and managerial expertise to ensure a long-term market presence are critical factors in the further evolution of the port. As mentioned previously, Haiti being an island has a great dependence on ports to support its economy and needs highly developed logistics centres for its foreign trade and to maintain the standard of living of its inhabitants. So, the government must understand the real necessity to apply modern, practical management to many of the country's organisations.

The two options proposed for restructuring the port of Port-a-Prince would both to transform it from service port to landlord port status. The approach would involve segmenting the port traffic into activities or business units. The first option would involve leasing the general cargo, RO/RO and container facilities, which are in relatively good condition. The second option would introduce a BOT arrangement for the dilapidated passenger quays. This would require an initial investment to

improve it. The transfer of the activities would need to be done gradually so as to allow for a smooth transition, lessen the impact of restructuring and provide an opportunity to gain experience with time.

The physical layout of the port is currently as follows:

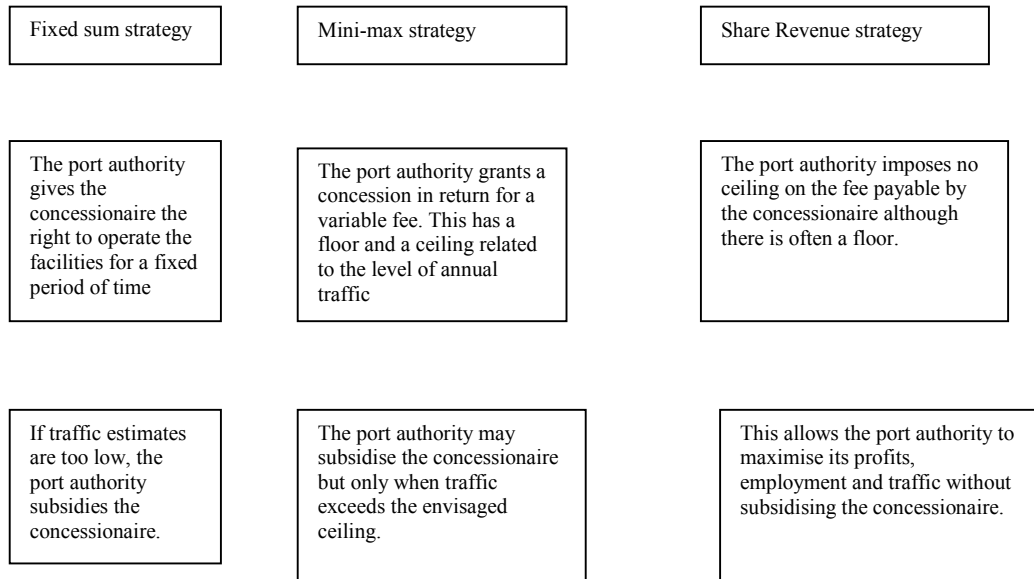
- i. in the north there are two (2) multi-purpose berths with a ship-to-shore gantry crane and two sheds serving those quays
- ii. in the south three (3) general cargo berths and 2 berths for passengers with a “chalet d`accueil” for recording the passengers upon their arrival
- iii in the east there are two (2) Ro/Ro berths with an open storage area for cars

It is suggested that each category of activity, included the terminal and equipment serving it, should constitute one leasing agreement. By adopting this approach there would be at least 2 or 3 operators within the port area. The idea behind this segmentation is to create an open market by involving different interests from the private sector in port activities, while at the same time avoiding a monopoly situation, which would distort the market. It would also provide a means for reducing cost and improving service.

#### **4.1.1 Payment method of lease**

Considering the payment method to the lessor, there are different ways in which this can be done but the most common types are:

- a. Flat rate or Fixed sum lease
- b. Mini-max lease
- c. Share revenue lease



**Source:** Improving Port Performance -IPP4 UNCTAD Geneva, May 1998

The application of any one of these strategies is to enable the operator to attract traffic that will allow him to pay for the lease and also make profit. From the point of view of the port authority guaranteed income is required as well as sharing of the income generated by additional traffic.

i The Fix Sum strategy does not appear to be a suitable method for APN because the use of the fixed asset is compensated for by a fixed amount of money during a specific period of time. This method seems to provide more advantages to the lessee than the lessor.

iii The Revenue Shared strategy takes into consideration an annual rental and the lessor shares with the lessee the benefits of additional cargo activity above an agreed bottom level but without fixing a ceiling. This method does not provide any guaranteed payment to the port authority.

iv In the Minimax strategy the lessor and the lessee agree on a minimum and a maximum amount of rent based on the actual activity performed on the fixed assets or on the traffic handled. The bottom and the ceiling amount are then established in advance. It means that the operator should operate to reach the current performance level, which is for example 1,1 Million Tons and the maximum 1,7 Million Tons, the achievable level according to the forecast trend. This pricing strategy tries to provide a "win win" situation for the port authority and the terminal operator.

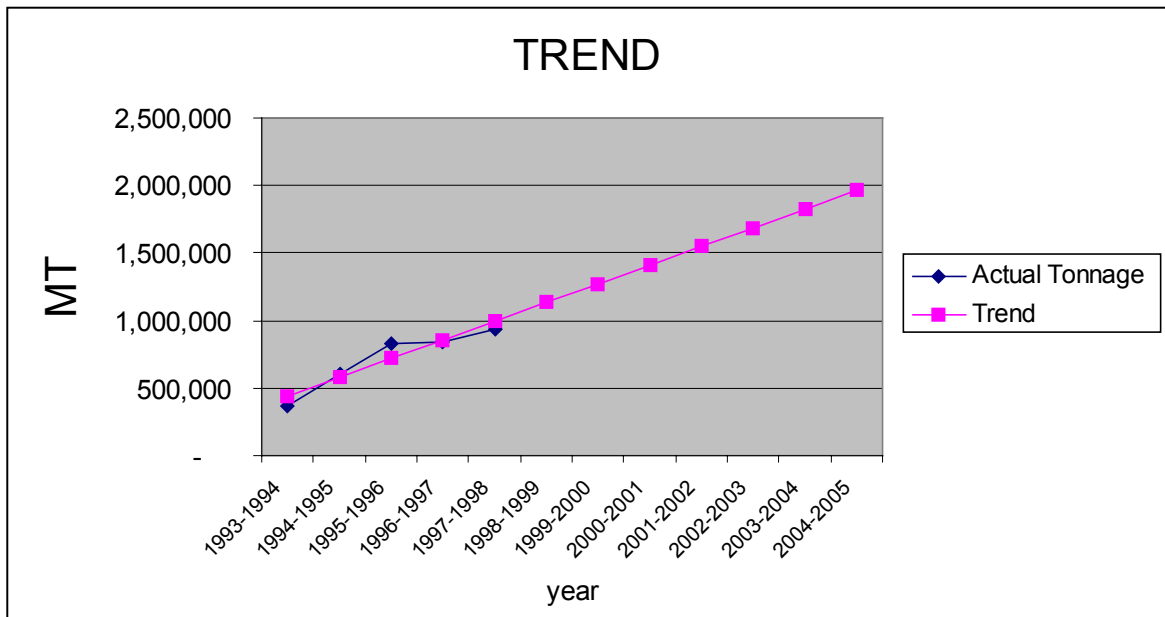
This method involves a guaranteed minimum rental together with a tariff rate on throughput. It is somewhat uncertain because it depends on the traffic, which is fluctuating. Based on the past traffic of the port of Port-au-Prince which has been continuously increasing year after year since 1992 and on the expected success of the future operator in attracting traffic, the author thinks that the Mini-max method is the best strategy to be applied in calculating the concession fees.

In order to show the traffic trend over the 6 future year, calculations have been made by using the regression method. This traffic forecast is based on the 5 past year's performance of the port. It is important to note that those estimations do not take into consideration the evolution of the current GDP, which could make these values lower than indicated. Many other factors could affect the result but this is only calculated on statistical data drawn from the past performance of the market. The aim of the forecast is to determine the achievable level. The methodology of the trend calculation is shown in Appendix 5.

**Table 14**  
**Cargo Traffic Forecast**

year	Actual Tonnage	Trend
1993-1994	366,764	441,599
1994-1995	609,117	579,943
1995-1996	829,814	718,287
1996-1997	845,395	856,631
1997-1998	940,345	994,975
1998-1999		1,133,319
1999-2000		1,271,663
2000-2001		1,410,007
2001-2002		1,548,351
2002-2003		1,686,695
2003-2004		1,825,039
2004-2005		1,963,383

**Figure 5: Cargo traffic trend**



It is suggested that the facilities or services to be privatised should be managed and operated on the basis of public user needs and in a non-discriminatory fashion. The

private sector should not be allowed to impose restrictions in the use of the terminals and vessels of any shipping line should be permitted to use the facilities. It is also important to be sure that the private company provides a guarantee that all users will receive equal treatment at all times.

#### **4.2 Problems linked to the reform**

The institutional mechanism considered or envisaged will not likely evolve smoothly. There will clearly be a wide diversity of views and the first steps will no doubt give rise to misunderstandings, and strong debates and disagreements that will continue throughout the implementation process. Some people see it as a plot aimed at introducing a completely free market, once more for the benefit of the rich and discuss strictly on ideological grounds. But the problems linked to the implementation of the reform are at the same time economic and social. It is therefore important to manage these concerns in order to take necessary measures.

##### **4.2.1- On the economic plan**

APN presently faces a difficult economic situation with a turnover of 375 Million Gourds and an immediate investment required in the region of 410 to 1,068 Million Gourds. It therefore necessitates a level of capital requirement which neither the current activities nor international financial aid - now very limited- can hope to provide. The reform offers to APN the prospect of improving the performance of the port of Port-au-Prince and renewing the infrastructure, which, in the long term will be very beneficial for the Haitian economy. Moreover, improved competition at the operational level will contribute to reducing costs and increase the competitiveness of the port. The modernisation as proposed will have the effect of diversifying the sources of port turnover which range from charges on ships, goods, hiring or renting of some equipment, to fees on agreement leases and some taxes on ships. It will also allow the port to extract the surplus to be used for the renewal of buildings and infrastructure.

#### **4.2.2 On the social plan**

People who are in favour of APN restructuring will see it as an exercise that will:

- . put an end to "clientélisme" within the institution, a phenomenon that is incompatible with the search of productivity
- . reduce pressures on alternative uses of revenues and thus enable such revenues to be used for the realisation or execution of some social projects.

In addition to those arguments, the setting up of the reform will have to face to resistance from some sectors claiming it to be "antinéoliberalist" and not in the interests of employees and docker unions.

The first group, without going into subtleties or details, will present the corrective measures envisaged as the choice of the government to give up its responsibilities by leasing APN assets to the private sector, and in this way generating confusion within some sectors of the population. The second group will see in these measures a strategy to bring into question acquired advantages, and reduce the manning levels.

These expressions cannot and must not be marginalised; some of them are totally justified. It is totally right that the envisaged process will lead to a reduction in employment and a questioning of advantages. On the contrary, they must draw attention regarding the relevance and adequacy or appropriateness of the accompanying measures that should be taken, on the one hand to reduce dissatisfaction and on the other hand to obtain an even minimal consensus about the reform. This consensus is desirable before the implementation so that it may proceed in a calm environment.

It should be clear by the port authority before the port privatisation scheme is announced or published that personnel reforms will be implemented in advance of the private sector taking over the operation of the port facilities. The private

company should start its activities within a clearly defined and stable personnel environment. Various leasing agreements have failed in the past because the government has not solved this problem.

The port authority will need strong government support. Because of the radical measures necessary to implement the changes or privatisation, problems from unions can be expected. This is why all employees, at any level of the organisation, should be made fully aware of the institutional reform in progress. It would appear that privatisation presents some advantages, but of course also constraints, and the government needs to make efforts to transform or convert these constraints to advantages.

Clearly the private sector is looking for efficiency and cost-effectiveness. Thus labour requirements would need to be adjusted to match the amount of work to be done. Any excess labour would have to be laid off or the port authority would have to devise ways to deal with the surplus labour problem.

#### **4.3 Necessary measures**

As mentioned in the previous paragraph, these measures aim to reduce the social tension being able to create by the implementation of the reform. They will constitute an important cost for APN and will be of 2 kinds:

- Measures to compensate employees for the breaking of the agreement existing between employee and the institution.
- Development measures where the fundamental objective is to reduce social insecurity risks for those expecting to be laid off.

##### **i Compensation measures**

- . To provide a redundancy payment to the personnel being laid off
- . To cancel the union agreement, and compensate accordingly



- . To set up with the private companies or the leasing companies a preferential absorption agreement of qualified laid off employees.

## **ii Development measures**

- . To encourage the development of laid off employees so that they can take over the control of some port operations for example security activities, cleaning up the port area etc.

- . To undertake fiscal reform aiming at facilitating the restructuring

- . To establish new legislation redefining APN's role and making possible the modernisation process

- . To define policies and rules governing the use of the port, that are approved by the operators and the port users

- . To establish a master plan for the development of the port sector.

### **4.3.1 New role of the port authority**

It is obvious that after the private sector becomes responsible for the running of the port facilities and services, the traditional mission and functions of the port authority will change. In the new structure, the powers of the port authority would be limited to the activities listed in the presentation of the option, namely to decisions concerning land use, reservation of space for the port areas and construction and use of public works. The essential functions of the port would be as follow:

- i- Technical functions
- ii- Policy Making and Planning functions
- iii- Regulatory and Surveillance functions
- iv- Safety functions
- v- Monitoring and Marketing functions
- vi- Finance and Administrative functions

### **i- Technical functions**

The port would have responsibility for:

- . maintenance of the infrastructure such as road access, berths, channels, harbour shoreline etc used by the lessee.
- . management of the leases or concession arrangements and decision-making on the long-term deployment of the land areas and their most appropriate utilisation.
- . operation, management and maintenance of the coastal navigation ports

It is important to note that the actual maintenance can be subcontracted in the case of channels and harbour shorelines.

### **ii-Policy Making and Planning functions**

- . to develop strategic master plans
- . to establish a general medium to long term policy for the port
- . to obtain funds for major infrastructure works and supervise their implementation

### **iii- Regulatory and Supervisory functions**

As mentioned in the Technical function, the port authority is responsible for the maintenance and improvement of the port facilities, so supervision and surveillance will be required. In addition to that, the port authority will have to make sure that the port' assets are properly used by the operators according to the contracts, which have been signed.

### **iv- Safety functions**

department dealing with maritime traffic particularly in the approaches and access channels to ports and harbours should be reorganised. Bearing in mind that pilotage is a compulsory service then it will constitute one of the sources of revenue for the

port. In addition, it will constitute a means of control for the government on dangerous and polluting goods, which will enter the country.

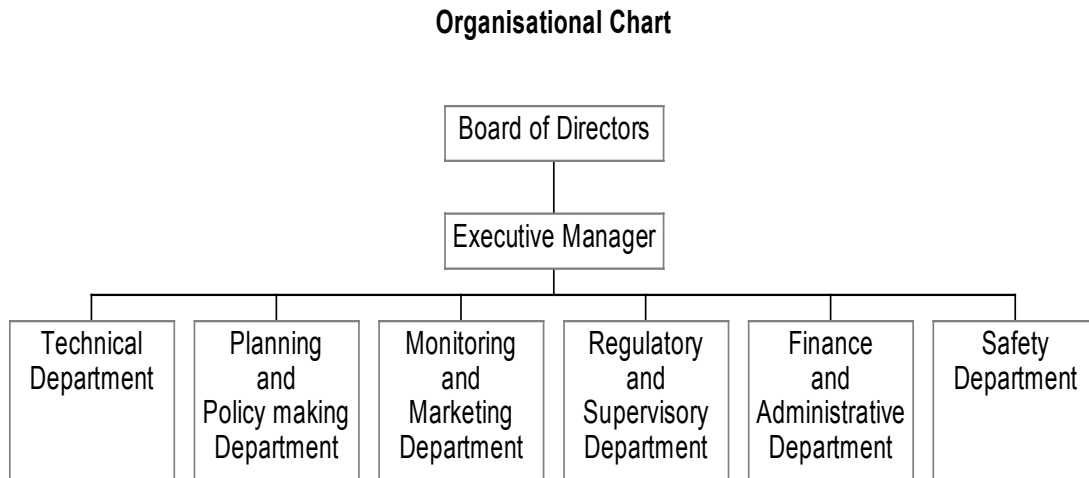
#### **v- Monitoring and Marketing functions**

During the execution of the policy making and planning of the port, monitoring performance and follow-up of structural developments are required. Together with the operators, the port authority will have to co-ordinate research into trade developments, prepare traffic projections, calculate available and required port capacities, promote and market the port abroad.

#### **vi- Finance and Administrative functions**

This department will be responsible for collecting and keeping records of the revenues and expenses of the port authority, as well as recruitment and training. As regards the training aspects, the private sector can provide some kind of on-the-job training, which is effective and the port authority will served as a complementary body. In order to do so, it will be necessary to reorganise the existing Training Centre in terms of teaching materials. Qualified personnel are available for performing these tasks.

The following diagram shows the proposed organisational chart of the port in its future role as landlord.



#### **4.3.2- Creation of a new port legislation**

The government should not have to be involved anymore in the management of port activities. It will only have the power of law making as regards navigable waters and the land area over which the port authority has been given management control.

As the role of the port authority changes, as it becomes a landlord, it will be necessary for the government to create new port legislation, which will reflect the exact responsibilities of the port. Provisions as regards the involvement of the private sector should be introduced in the new legislation, thus specifying their rights and duties. This is to avoid any controversial situation in the future. Therefore, the port authority will be a regulatory body with juridical status in charge of the management of the port according to the regulations defined, and will act on behalf of the government.

## Conclusion

Today, Haiti is at a crossroads where the government has to make difficult choices, which may have very significant consequences for the public but where immediate social advantages are not particularly clear. Restructuring of the port is one such choice. If these decisions are not made, the socio-political context is such that progress in resolving current problems will not be possible. This is illustrated in fact, by hesitations at the Central administration level of the port regarding what investment to make and has been to the detriment of the efficient running of the institution.

Most of the social and economic indicators such as literacy rate, infant mortality, annual per capita income (revenue per capita), standard of living, balance of trade are red (or alarming) for Haiti. The last report on human development of United Nations classifies Haiti in 152<sup>nd</sup> place. This weak rank in the list is the representation or image of a difficult situation characterised by an inadequate or inappropriate management of resources and a chronic instability on political plan. Over the last decade, Haiti has been left to its own devices, without planning and subject to a continuous crisis management. This will result, for sure, in the elimination of a certain number of sectors for instance agriculture on which the Haitian economy has long been based. During this period, industry has not been in good health and some of the processing industries have closed down. Even if the tertiary sector is today contributed excellently to the Gross Domestic Product, it is unrealistic to believe that such a situation can really be regarded as to the benefit of the development in Haiti until or unless better use is made of the new technological information and communication. The dynamic of this sector will therefore be constrained by the lack of qualified human resources in spite of the great flexibility of these technologies. Haiti's development has to rely on the strengthening of primary and secondary sectors.

The aim of increasing national production, announced in the official speeches, will not be accomplished in any other way. The reinforcement of those sectors will also provide greater welfare benefits to the population and provide the means to fight against the chronic commercial deficit, which faces the Haitian economy. If the announced measures to revive the tourism are also taken into account, it is reasonable to expect in the future years that pressures on port and airport infrastructures will be very strong. It is important for the necessary reforms to be undertaken with all despatch so as to bring the concerned institutions to an equivalent level of productivity and competitiveness. APN is clearly one of the institutions that should be restructured. In this new world economic order, made up of economic blocs or groups, regional markets, the removal of borders and the free movement of people, goods and ideas, it is illogical to look away or to take refuge behind ideological consideration concepts.

The best choice of alternative causes of action should be that which maximises the well being of the whole Haitian population. For that, it is important to start fighting against corruption at any level, lack of productivity, inefficiency and squandering. To restructure the port of Port-au-Prince by leasing the commercial operations to the private sector will mean that the port authority will be relieved of its present commercial characteristics and will focus instead on regulatory tasks, standards and control. This does not imply either a loss of profit or a reduction in the social or economic importance of the institution. On the contrary, more significant profits will be derived from such a reform, due to the enhanced control of the port. These profits can then finance social projects. It must be accepted that in a country like Haiti, it is unfair or unworkable today to combine the social contribution of an enterprise with its organisational functioning or the assignment of funds. Examples are noteworthy of private or public sectors, which have failed fail in their social mission. The issue is above all a matter of responsibility, structure and follow-on. The government should take a clear position in favour of this reform. Indecisiveness or hesitations can lead to perverse or bad results. According to E.S. Savas in his book, *La Privatisation: Pour une strategie performante, Nouveaux horizons* " le défi à relever est aujourd'hui de

parvenir à une meilleure division des responsabilités et des fonctions entre le gouvernement et le secteur privé afin de tirer avantage des forces de chacun et de dépasser leurs limites respectives. Il en résultera un partenariat qui pourra mieux satisfaire les besoins et les désirs de la population d'une manière cohérente avec les convictions et les valeurs fondamentales d'une société démocratique".

At a time of globalisation, where productivity and quality of services are key words, the National Port Authority must be modernised in order to be competitive, while at the same time reducing the long-term costs associated with this transformation.

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## Appendix 6

### The tendering process

Four major steps are generally considered in the tendering process:

#### **1- Drafting and publication of a "general notice inviting bids" and of the bidding procedures**

Two activities are involved:

- 1.1 Drafting and publication of a "**background document**" giving the economic and political context in which the privatisation process is carried on
- 1.2 The "**Bidding procedures**" refers to
  - . the purchase of the general bidding documents
  - . the conditions governing the submission of bids
  - . a schedule for submission and review
  - . selection criteria
  - . award of the licence or concession

#### **2- Drafting and issuance of the bidding documents**

The bidding documents to be presented for the privatisation for the privatisation of existing port facilities should include those following points:

- Description of the business
- Prevailing General conditions for the licence or concession
- Content of the bid proposal
- Basic license or concession agreement terms
- Criteria for the evaluation of the financial proposals
- A set of standard forms for presenting the proposals

#### **3- Evaluation of the proposals received and selection of the winning bid**

#### **4- Negotiation and award of the licence**





**Appendix 5**  
**Trend calculation**

Year	X	Tonnage (Y)	XY	X <sup>2</sup>
1993-1994	1	366,764	366,764	1
1994-1995	2	609,117	1,218,234	4
1995-1996	3	829,814	2,489,442	9
1996-1997	4	845,395	3,381,580	16
1997-1998	5	940,345	4,701,725	25
<b>Total</b>	<b>15</b>	<b>3,591,435</b>	<b>12,157,745</b>	<b>55</b>

By using the regression method to find out the trends, the linear regression equation  $y = a + bx$  will give the predicted value for the given value of the independent variable  $x$ . The following formulas are used to calculate **a** and **b**.

$$a = \frac{(n \sum Y_i \sum X_i^2) - (\sum X_i \cdot \sum X_i Y_i)}{(n \cdot \sum X_i^2 - (\sum X_i)^2)}$$

$$b = \frac{(n \sum X_i Y_i) - (\sum X_i \cdot \sum Y_i)}{(n \cdot \sum X_i^2 - (\sum X_i)^2)}$$

$$a = \frac{3,591,435 \cdot 55 - 15 \cdot 12,157,745}{5 \cdot 55 - (15)^2} = \mathbf{303,255}$$

$$b = \frac{5 \cdot 12,157,745 - 15 \cdot 3,591,435}{5 \cdot 55 - (15)^2} = \mathbf{138,344}$$

$$y = T = \mathbf{303,255 + 138,344x}$$

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