Overview of the Central Pacific Shipping Commission (CPSC)

Background
Shipping is crucial to the economic development and sustainability of the Pacific Islands Countries and Territories (PICTs). The long standing concern of irregular shipping continues to affect Member States and thus dominates the transport agenda of meetings of the Leaders of Forum Island Countries (FIC) and Small Island States (SIS).

Way Forward
There is no single solution to address this concern. The improvement in shipping services to PICTs within the context of sustainable development will require multi-sectoral and multi-lateral actions, including decisions by individual Governments. However, to obtain economic and political leverage, regional and international cooperation by PICTs is also necessary. Conversely, without coordination, individual States will continue to be marginalized by larger groups that already dominate economic and maritime policy.

Basis for Action
a. Shipping is a key driver for socio-economic development in the region.
   i. Shipping underpins trade, food security and provides employment opportunities. It is thus a key priority for the region as reflected annually in the Forum communiqués from 2005 to 2008.
   ii. Most PICTs are net importers of goods and services; however, individually their import volumes do not meet the economic threshold of private shipping companies to profitably provide regular shipping.
   iii. Thus shipping services are either not regular or not affordable for most small economies of the region.
   iv. The quality and frequency of international shipping are largely beyond the control of PICTs.
   v. The constraining influence of those factors on the sustainable development of island countries cannot be underestimated.
   vi. The challenge, however, remains of providing regular and affordable shipping services to many of the region’s island states.

b. In 2006 the Leaders provided definitive decisions on the way forward.
   i. In carefully studying shipping patterns in the region, RMP identified a number of shortcomings that could be addressed.
   ii. The 2006 Meetings of Leaders of the Forum and later SIS Leaders endorsed an SPC/RMP proposal to address these concerns of PICTs, in particular SIS.
   iii. SPC tasked the then Regional Maritime Programme (RMP), now the Economic Development Division’s Transport Programme (EDD-TP), to provide high-quality shipping company management and operational advice to PICTs.
   iv. RMP then set out to promote more efficient shipping services to sufficiently address the shipping service needs for PICTs, in particular SIS - A Pacific solution to a Pacific challenge

Major Challenges to regional shipping and trade
To address the following constraints in shipping, it is therefore imperative that a multi-sectoral approach be taken by all relevant parties:

Physical Constraints – PICTS
- Small market economy - low cargo volumes inbound even less or no cargo outbound,
- Irregular shipping affecting SIS supplies,
- High shipping freight rates.
- High fuel costs,
- Limited or no port facilities,
- Large infrastructure development & maintenance costs – high port costs.
- Increasingly regulated operating environment
- Low technology & efficiency levels
• long distances & thin routes,
• Limited resources - HR & Finance

**Major Commercial Constraints - PICTs**
- PFL services limited to profitable routes
- Effects of the global economic downturn
- Shift in PICTs trading patterns from New Zealand and Australia towards Asia
- Rationalisation of operations by shipping companies through mergers and/or buyout, replacing smaller ships with larger economical ones and concentrating on lucrative routes
- Small operators have had to reduce services or form alliance with other operators or get out of business or shift to less profitable routes.
- Some PICTs are now being approached by ship operators to provide subsidy to maintain the current level of shipping or face a reduction

**Additional Challenges for Small Island States (SIS)**
In addition to the above constraints the small island states are also facing the effects of rising sea level as follows:
- Food crops affected by seawater and further reducing limited arable land
- Limited or dwindling traditional food source is affecting nutritional imbalance and causing health problems
- The shortage of local/traditional produce is aggravating the high prices of goods & services;
- As a result of the above challenges, socio-economic issues are emerging thus social & political stability is being threatened in some places.

**Measures undertaken by SPC/EDD to improve shipping to SIS**
In order to improve shipping to SIS, a number of initiatives were agreed to by the SPC, PIFS, SIS Leaders and the Forum Island Leaders. The following initiatives were implemented:

1. **Building Regional maritime capacity**

2. **Commodity Mapping & Trade Study:**
   a. To explore the commodities used by SIS with reference to their country of origin, quantity, demand, historical and current route, trade arrangements and trends.

   b. The intention being to match them to the major ports in the area concerned, with their physical characteristics and capabilities, and to work out which port(s) would be best suited to collect or consolidate the incoming and outgoing cargoes or commodities.

   c. This would then be later distributed to their various destinations resulting in a more efficient and effective manner of distribution of cargo to its destination.

3. **Regional Hub & Transhipment Ports:**
   a. A hub port refers to the practice where shipping lines call into one major port within a country or region, rather than at several ports in the same vicinity. Feeder shipping services then tranship passengers and cargoes to neighbouring countries.

   b. The hub and spoke model is a system which makes transportation much more efficient by greatly simplifying a network of routes. It has been proven to be an economical and an effective means for the transfer of cargo or commodities from its port of origin to its destination, or from manufacturer to consumer.

   c. The PICT Ministers responsible for Transport in their previous meetings have agreed to further investigate this form of logistics and how it could be applied to the SIS of the Pacific islands region.
4. **Feeder Shipping Service**
a. The issues surrounding feeder shipping services to the SIS comprising Nauru, Kiribati, Tuvalu, Marshall Islands, Wallis & Futuna by the Kiribati Shipping Services Ltd (KSSL) and Tokelau, Niue and Cook Islands by the Samoa Shipping Corporation Ltd (SSCL) have been discussed at various regional meetings over the last few years.

5. **Purpose-built ship**
a. Being mindful of the port limitations in the region, SPC and PIFS were also tasked to provide analysis and costing for the provision of a donor funded purpose-built ship as a long term solution.

6. **Bulk Fuel Purchase Scheme**
a. In conjunction with the above, the proposed Bulk Fuel Purchase Scheme will significantly support shipping in the region including the Feeder Shipping Services.
b. The savings accrued through the proposed Scheme will have a positive effect on shipping costs given that fuel forms the major component.

7. **Shipping Services Agreement**
a. Under the Agreement the use of Kiribati Shipping Services Limited (KSSL) ships to provide a feeder service from Suva to these Central Pacific SIS. This service commenced in full operation in June 2009.

8. **Pacific Shipping Commissions**
a. In carefully studying shipping patterns in the region, RMP realises the very close collaboration amongst shipping companies render little or no competition to the PICTs resulting in a near cartel environment. To address this arrangement, shipping commissions along the lines of the Micronesian Shipping Commission (MSC) model is planned in the form of Pacific Shipping Commissions.
b. Pacific Shipping Commissions are planned for SIS in the Central and Eastern Pacific Regions to address current shipping difficulties. Its main objective is to encourage and promote an economical, reliable, safe and coordinated shipping service that meet the demand for international commercial shipping to these island nations.
c. It is based on the Micronesian Shipping Commission (MSC) model. An important feature of MSC is the promotion of sufficient or controlled competition so that monopoly is removed but the restricted number of carriers for operations to remain commercially viable.
d. The Central Pacific Region will include Kiribati, Tuvalu, Marshall Islands, Wallis & Futuna with shipping links through Fiji, whilst the Eastern Pacific group will include Tokelau, Niue, American Samoa and Cook Islands through Samoa.

9. **Engagement of a Shipping Adviser**
a. To accord fulltime attention to improving shipping services in the region with initial focus on SIS.

10. **Regional Maritime Associations**
a. The grouping includes the following associations:  
   i. PacMA – Maritime Administrations and Maritime training institutions.  
   ii. PIMLA – Pacific Islands Maritime Lawyers Association  
   iii. PacWIMA – Pacific Women in Maritime,  
   iv. PCPA - Pacific Countries Ports Association – Members are reviewing port facilities, operations and costs.

11. **To explore opportunities to maximize cargo capacity on KSSL Ships to Central Pacific SIS**
a. Encourage Stakeholders to explore trade opportunities thus maximize cargo capacity on KSSL Ships to Central Pacific SIS.
b. A call to Exporters to support shipping to Pacific SIS and in turn benefit in the process.

12. **To work with Regional ship owners.**
a. Work is currently underway to engage PICT Ship owners to improve maritime safety and to explore trading opportunities within the region.

**Central Pacific Shipping Commission (CPSC)**
To address this regional concern, the Central Pacific Shipping Commission concept was proposed along the lines of the Micronesian Shipping Commission (MSC) model comprising Federated States of Micronesia, Marshall Islands and Palau. The CPSC comprises Kiribati, Tuvalu, Marshall Islands, Nauru and possibly Wallis & Futuna joining later. A similar arrangement is also proposed for the Eastern Pacific region covering Cook Islands, Samoa, Niue, Tokelau and possibly American Samoa and French Polynesia.

**Brief History of MSC**
The Micronesian Shipping Commission (MSC) was based on its predecessor, “Trust Territory Executive Order 113” which in turn was based on the US Federal Maritime Commission (FMC). MSC was formally established by signing of the MSC Treaty on November 21, 1997.

**What is the CPSC?**
It is an inter-governmental commission for joint cooperation, coordination and monitor of international shipping services in Participating Governments. The rationale of CPSC is to ensure sustained commercial shipping services for the common interest, needs and public welfare of the respective communities through controlled competition.

**Impact on the CPSC Member States**
It is expected that the CPSC will be able to effectively monitor international shipping to participating Member States. This will have a direct and positive effect on the economies of the Member States and well being of the respective communities, hitherto were recipients of irregular and costly shipping services.

**Goals and Objectives**
There are four major goals of the CPSC incorporating specific objectives within each of them. The CPSC is to serve as a medium for:

i. Consultation on matters affecting international shipping services to Member States;

ii. Cooperation amongst Member States and stakeholders in advancing an attractive shipping environment to service providers;

iii. A united front by Member States for the negotiation of favourable shipping services; and

iv. Joint monitor and implementation of shipping policies by Member States.

**Objectives of CPSC**
- Facilitate access for Member States to international markets to promote national trade and commerce;
- Facilitate adequate and reliable frequency of shipping services to Member States to guarantee sufficient supply and inventory;
- Approved Carriers to arrange services to all sub-regional SIS thus provide favourable route structures to serve all member states’ ports;
- Ensure affordable service rates in line with the local economies;
- Control competitions based on the volume of cargo available and restrict number of carriers to remain commercially viable.
- Monitor conditions for cost-efficient shipping services.
- Promote sufficient or controlled competition thus monopoly is removed.

**Commissioners of CPSC**
The Commissioners consists of Cabinet Ministers, one from each participating Government. Chairmanship of the Commission is rotated annually. Decisions made by the Commission are based on consensus, although a majority vote of 2/3 is required for adoption of any measures. The CPSC meets annually or as often as may be required to:

- evaluate performance of shipping services,
- review new shipping proposals and
• review carriers’ tariff rates.

**CPSC functions**
The duties of the Commission shall be to ensure that its purpose of monitoring commercial shipping within its area through shipping licenses is carried out in accordance with the MOU to:

- determine the general policies for fulfilling the purpose of the CPSC;
- review the performance of shipping services provided by international carriers holding shipping licences for services;
- consider proposals and decide on approving, disapproving, revoking, or issuing shipping licences to commercial carriers for shipping services in the Central Pacific region; and
- review and approve or disapprove applicable tariffs filed by shipping licence Holders for shipping services in the Central Pacific Region or any subsequent changes in the tariffs as may be requested by the shipping licence Holders.

**Secretariat of CPSC**
The intention is to have a minimum number of staff in the Commission Secretariat which will be headed by a Director. The Office will be located as directed by the CPSC. The function of the Secretariat will be to:

- manage the day-to-day functions of the CPSC,
- collect and maintain necessary shipping data,
- liaise with shipping lines and shippers and
- maintain general records of the CPSC.

**CPSC Secretariat functions**
The main functions of the CPSC Secretariat will be to:

i. manage the day-to-day functions of the CPSC;
ii. maintain general records of the CPSC;
iii. act as recording secretary or clerk of the Commission;
iv. collect, analyse and maintain necessary shipping data;
v. continuously monitor and analyse national and international transport activities and provide Member States with appropriate information;
vii. prepare negotiations with shipping lines, shippers, organisations and other interested parties; and
vii. organise suitable meetings for exchange of information and experience

**Provision of Shipping Licence (SL)**
Shipping Licence will be required for all service to all member states. An annual fee applies for each SL issued by the CPSC. Member states also commercial carriers servicing the region, except for Government owned and operated vessels, to arrange contribute to the effective operation of the Commission.

**Criteria for Granting a Shipping Licence**
Routes must satisfy basic trade requirements of all member states. All Tariffs charged should be reasonable for the service proposed. The Carrier must demonstrate capability to provide a reliable and stable service in terms of frequency, regularity and on time performance. The Service must be flexible to accommodate both specialized and conventional tonnages/cargo. Capitalization or investment shall be sufficient to adequately sustain the proposed service. Employment of suitable citizens of the Member countries will also be expected.

**SPC/Transport assistance**
The CPSC Committee have requested to initially utilize the services of the Secretariat of the Pacific Community’s (SPC) Economic Development Division - Transport to progress this initiative until a proper Secretariat is established.

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5