REPORT OF THE CHAIRMAN OF THE TASK FORCE

APPOINTED TO CONSIDER THE MATTER OF ESTABLISHING A REGIONAL FAST FERRY SERVICE IN THE SOUTHERN CARIBBEAN

THIRTY SECOND MEETING OF COTED 16TH TO 20TH MAY 2011
CONSULTANCY STUDY

- Footprints Advisors of Curacao
- Terms of Reference completed in 2008
- Consultancy commissioned in 2008
- Draft report completed in 2010
- Final draft report submitted at 32nd Meeting of COTED in May, 2011
TERMS OF REFERENCE

- TO EXAMINE THE FEASIBILITY OF ESTABLISHING A REGIONAL FAST FERRY SERVICE IN THE SOUTHERN CARIBBEAN
OBJECTIVES OF THE STUDY

- To ascertain the type and level of demand for an inter-island fast ferry service for the carriage of goods, passengers and motor vehicles
- Identify the technical and operational characteristics of the vessels recommended
- Determine the port infrastructure requirements
- Determine the possible route structure and fleet mix
- Determine the economic feasibility including costs, operational and other implications
- Determine the possible options for public private sector partnership model
- Highlight the policy issues to be addressed by governments
- Formulate recommendations with respect to the best options based on an acceptable return on investment for a sustainable fast ferry service
The Study concluded that market volumes, conditions and barriers prohibit the Region from successfully establishing fast ferry services. However, if latent demand exists for intra-regional trade, for example, because of high pricing and inefficiencies in the existing transportation system, the regional fast ferry project may present an opportunity to improve transportation linkages, lower barriers to trade and contribute to the reversal of the declining trend in intra-regional trade.
The market research and demand analysis were based on data and information sourced from the CARICOM Secretariat, the Final Report of October 2008 *Study of the Costs of Air Travel in the Caribbean Region*, which was done by the International Air Transport Association (IATA), the Organization of Eastern Caribbean States (OECS) Shipping Study of January 2010 and structured and semi-structured interviews conducted by the Consultant with various stakeholders in the study area.

In some cases, it was noted that data for intra-regional passenger and cargo tonnage movements was unavailable in the Report of the study. For example, data was not presented for the movement of cargo tonnage between Trinidad and Tobago and Barbados and for the movement of passengers from Trinidad and Tobago to Saint Lucia.

Estimates of the movement of containerized and break-bulk cargoes within the Study area were based on certain assumptions drawn from the OECS Shipping Study of January 2010. Consequently, the estimates used may have understated the annual tonnages moved within the project area.
The Southern Caribbean Region is characterized by sea conditions which range from moderate to rough seas (Sea State 5). Open seas are subject to westward equatorial currents and significant wave heights of up to four metres and two metres swells. The hurricane season, which extends from June to November each year has a significant impact on sea conditions.

In order to achieve a ninety per cent service reliability in the prevailing sea conditions, the study has recommended a ninety (90) metre length overall catamaran with a passenger seating capacity of nine hundred (900) persons, a capacity to accommodate one hundred and twenty (120) roll-on-roll-off vehicles (ropax) and equipped with a stern ramp.
TYPE OF VESSEL RECOMMENDED

- T&T EXPRESS
The Study concluded that in order for the fast ferry service to run on schedule, the turnaround times at ports should not exceed sixty (60) to ninety (90) minutes. Consequently, it recommended that dedicated roll-on-roll-off port and ferry terminal infrastructure and facilities capable of accommodating two hundred and fifty (250) passengers and a transit shed for the consolidation of less-than-container-loads (LCL) cargo containers be constructed at certain ports to ensure efficient and sustainable regional fast ferry operations in the long-term.

In some ports, reinforcement of the quayside is required. However, in order to minimize the cost of the port infrastructure upgrade required at certain ports, the Study recommended that a fast ferry designed with a stern ramp be used for the regional fast ferry project.
T&T SPIRIT EQUIPPED WITH A STERN RAMP
For the regional fast ferry pilot project, the Consultant did not include Guyana and Suriname, the distance between which ports range between two hundred (200) and three hundred (300) nautical miles and requires transit times greater than eight (8) hours.

However, the potential for increased trade with Guyana and Suriname in agricultural produce has been recognized in relation to the prevailing high level of food price inflation in the Caribbean.

The north–western geographical region of Guyana has been identified as a potential “food basket” for the export of agricultural produce to the Caribbean.

Trinidad and Tobago is recognized as an industrial, manufacturing, commercial and distribution services centre to the rest of the Caribbean.

Countries such as Grenada, St. Vincent, St. Lucia and Barbados are recognized as Service economies in the international Travel and Tourism Industry.
DEMAND ANALYSIS

- The study concluded that existing intra-regional passenger and cargo flows are not at a sufficient level to support a regional fast ferry service with the desired size of vessel and quality proposed. However, on certain routes, substantial latent demand for inter-island travel seems to exist to make a ferry service a viable proposition in the medium to long-term (3–5 years). Latent demand is known to exist but needs to be tested and proven.
DEMAND FOR PASSENGER TRANSPORT

Volume of Passengers per Route

- Saint Lucia to Trinidad and Tobago: 10,595
- Barbados to Saint Lucia: 11,443
- Grenada to Trinidad and Tobago: 10,169
- Trinidad and Tobago to Grenada: 16,145
- Barbados to Trinidad and Tobago: 21,491
- Trinidad and Tobago to Barbados: 17,700
Based on interviews conducted with stakeholders, the Study concluded that there is an unproven demand for the movement of vehicles. However, the Study did not recommend the transport of vehicles in the short-term due to port infrastructure constraints and legal, regulatory and motor vehicle insurance policy restrictions which prohibit the importation of vehicles within the Study area.
Demand for Cargo Transport

Volume of Cargo per Route

- Trinidad and Tobago to St. Vincent and the Grenadines: 41,209 tons
- Trinidad and Tobago to Saint Lucia: 18,948 tons
- Trinidad and Tobago to Grenada: 38,959 tons
- Saint Lucia to Trinidad and Tobago: 2,901 tons
- Barbados to St. Vincent and the Grenadines: 14,817 tons

Volume/tons
Based on all of the above, the most promising routes for the proposed fast ferry service identified in the Study are as follows:

- Trinidad and Tobago – Grenada;
- Barbados – Saint Lucia;
- Barbados – St. Vincent and the Grenadines;
- St. Vincent and the Grenadines – Trinidad and Tobago.
The route structure may be based on either of the following logistical options:

- **A Direct Point-to-Point Service** between destinations in which case a fleet of vessels may be required, which is suitable for the operational, technical and capacity requirements of the project service area;

- **A Hub-and-Spoke Service** between destinations in which case a single vessel, or a combination of large and smaller vessels, may be more suitable to the operational, technical and capacity requirements of the project service area.
# Supply Analysis
## Liner Shipping Connectivity Matrix

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<th>GD</th>
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</table>
UN/LOCODE country codes are used for trade and transport locations: Barbados (BB), Grenada (GD), St. Lucia (LC), Trinidad and Tobago (TT), St. Vincent (VC), Total (TTL)

3 of the 5 countries (TT, LC and VC) have 2 container ports, which explains the high service density in St, Lucia and St. Vincent

Service frequencies and transits over (1) week are excluded

All possible trade lanes are serviced in both directions with only one exception – Grenada to Barbados
The Study concluded that border procedures, which involve integrating customs, immigration and port health procedures in each destination, can substantially reduce turn-around times (internal integration); and cooperation and the exchange of information between authorities at both ends of the route can further reduce turnaround times (external integration).

The CARICOM Caribbean Travel Pass (CARIPASS) and Implementation Agency for Crime and Security (IMPACS) which were instituted in a “single domestic space” during the 2007 Cricket World Cup have been cited as temporary institutional arrangements that can facilitate the start up of the proposed regional fast ferry service.

Member States must address and resolve the legal, institutional and regulatory issues in order for the project to be successfully implemented.
The Study recommended a Public Private Partnership (P3) structure for the proposed fast ferry service. That partnership requires CARICOM regional support in order to facilitate the establishment of the legal and regulatory framework as well as the internal and external integration of border control procedures necessary to provide the enabling environment for the free movement of goods and services within the study area.

Government participation is limited to initial capital investments, the provision of dedicated marine and port infrastructure, facilities and services, the creation of a legal and regulatory enabling environment and to the testing phase of the fast ferry project.

The structure of investment places the long term investment risk on the private sector
Two (2) options have been proposed for the conduct of the six (6) month pilot project as follows:

- **Daily charter hire** of one of the existing Trinidad and Tobago Inter–Island ferries, to provide a weekly service: Trinidad or Tobago–Grenada–St. Vincent–Grenada–Trinidad; and

- **Dedicated charter hire** of a similar vessel to provide the following: a twice weekly service: Trinidad–Grenada–St. Vincent–Saint Lucia or Barbados and return on the next day.
The Study concluded that the pilot project will require government investments and support during the testing phase until the service is proven to be viable at which point private investment funds may be fully committed to a service and a full scale tender may be issued for a private operator to run the service.

A government subsidy and corporate tax incentives and exemptions may be required to offset the daily operating and maintenance costs and possibly the cost of mobilization and demobilization.

A waiver of port charges has been recommended in order to reduce the overall cost of the pilot project.

The test routes should be limited to shorter distances and a maximum of three (3) to four (4) hours transit time between port destinations to ensure passenger comfort and limit the on-board facilities and services required.
## FINANCIAL PROJECTIONS

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<tr>
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<th>Option 1</th>
<th>Option 2</th>
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<tr>
<td><strong>Projected No. of Passengers</strong></td>
<td>13,200</td>
<td>35,200</td>
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<td><strong>Total Operating Cost</strong></td>
<td>US$ 1,274,000</td>
<td>US$ 7,990,000</td>
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<td><strong>Assumed Capacity Utilisation</strong></td>
<td>30%</td>
<td>40%</td>
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<tr>
<td><strong>Assumed Passenger Fare</strong></td>
<td>US$ 30</td>
<td>US$ 30</td>
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<tr>
<td><strong>Assumed Vehicle Rate</strong></td>
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<td>US$ 200</td>
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<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>US$ 1,116,000</td>
<td>US$ 2,976,000</td>
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<tr>
<td><strong>Net Operating Loss</strong></td>
<td>US$ 158,000</td>
<td>US$ 5,014,000</td>
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</table>
CONCLUSIONS OF THE TASK FORCE

- The Task Force concluded that the Study was well researched and provided a very high level assessment of the demand for a regional fast ferry service within the Study area and a useful guideline that can form the basis for review and informed decisions to be taken.

- However, following the Second Meeting of the Task Force, certain comments which were drawn to the attention of the Consultant have not been satisfactorily addressed in the Final Report of the Study.
THE CARICOM COUNCIL FOR TRADE AND ECONOMIC DEVELOPMENT (COTED) is invited to –

- **note** the Final Report dated January 2011 of the *Study on the Feasibility of Establishing a Fast Ferry Service in the Southern Caribbean* which was undertaken by FOOTPRINTS ADVISORS of Curaçao, Netherlands Antilles;

- **consider** the Report of the Chairman of the Task Force which was established to consider the matter of establishing a fast ferry service in the Southern Caribbean;

- **Accept** the recommendations of the Task Force as follows:
RECOMMENDATIONS OF THE TASK FORCE

- a six-month pilot project be implemented [by an agency to be decided] in order to test the market for a regional passenger fast ferry service;

- the pilot project be implemented using a six-month charter hire of a dedicated vessel and crew;

- the route structure proposed for the regional pilot project under option 2 should reflect the wider objectives set for the conduct of the Study and include the following countries:

  Route rotation 1: Trinidad and Tobago–Grenada–St. Vincent and the Grenadines–Saint Lucia–Barbados–Trinidad and Tobago;

  Route rotation 2: Trinidad and Tobago–Barbados–Saint Lucia–St. Vincent and the Grenadines–Grenada–Trinidad and Tobago;
RECOMMENDATIONS OF THE TASK FORCE

- the scope of the pilot project should be expanded to include the transportation of cargo taking into account the concerns raised about the impact of the transportation of cargo on vessel turnaround time at ports;

- due consideration be given to national security issues through the introduction of x-ray inspection systems for the examination of cargo containers;

- a cash flow analysis for the pilot project be conducted [by an agency to be decided] in order to support the estimates of revenue and expenditure as well as the deficit financing required, and establish a budget for review and approval of the pilot project [by an agency to be decided].

- make further recommendations as necessary with respect to the proposed ferry service.
PROCUREMENT PROCESS

- Request for Proposals and Invitation to Tender implemented during October to December, 2011
- Subsidies requested:
  - Fuel
  - Operating losses
  - Corporate taxes
  - Import duty exemptions

- Result: Unsuccessful outcome
ALTERNATIVE SOLUTIONS

- Use of LNG vessel technology
- Organic growth of the Trinidad and Tobago Inter Island Ferry Service to include Grenada in the first instance
- Gradual expansion of service routes to include the other Eastern Caribbean Islands
THANK YOU

- Carnival Runner