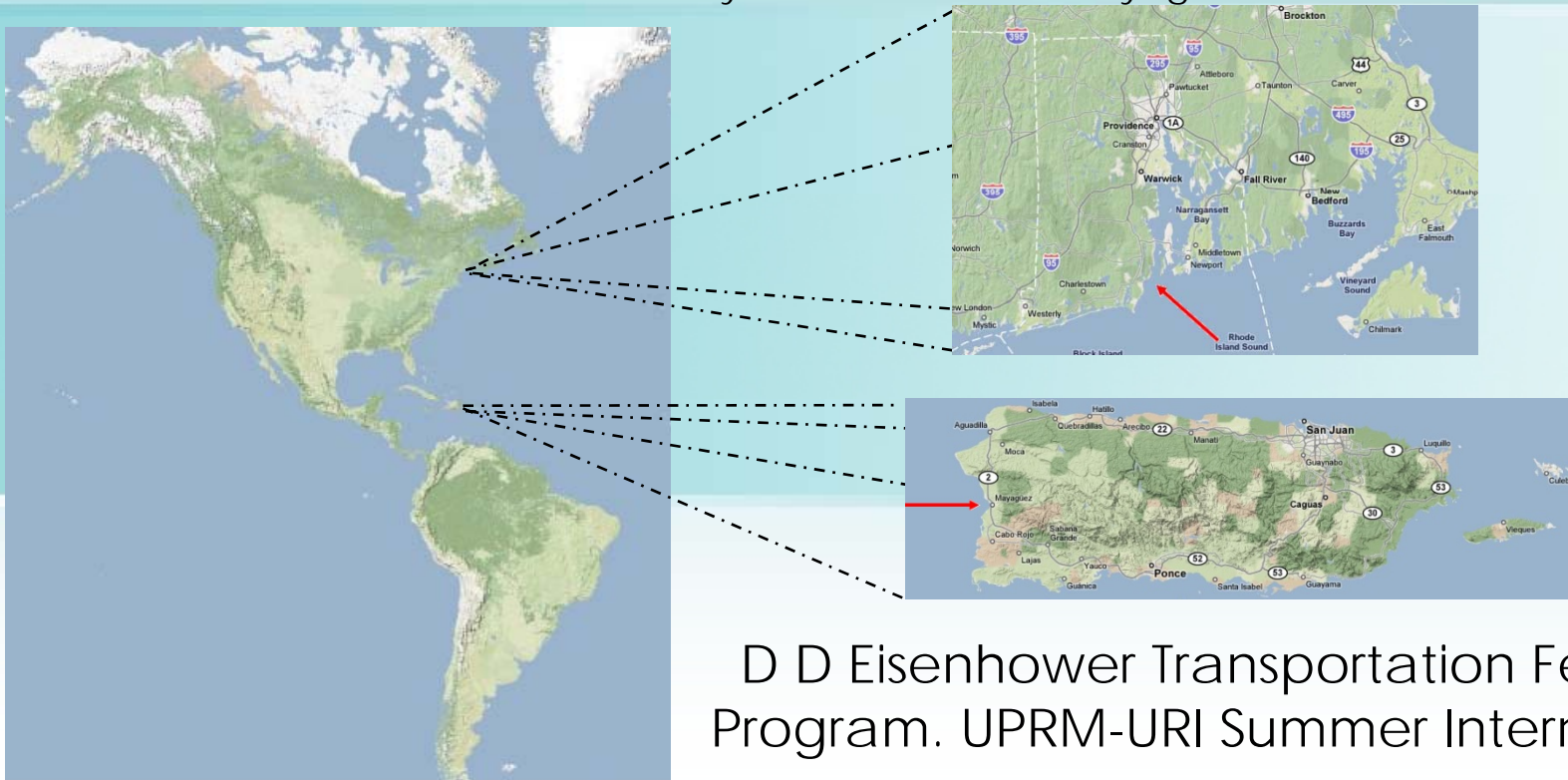


Puerto Rican Ports and their implication in economic development

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D D Eisenhower Transportation Fellowship
Program. UPRM-URI Summer Internship 2008

Objectives

- Case study:
Port of Mayagüez. Competitiveness of America's port in the Caribbean Sea
- Surveys:
Competitiveness of Asian and American ports: implications for global chains
- Research study:
The strategic location and the importance of the ports of a Caribbean island: Puerto Rico
 - San Juan
 - Mayagüez
 - Ponce



Part I: An overview of the Port of Mayagüez, and competitiveness of America's port in the Caribbean

Introduction

- In 1952, Puerto Rico was proclaimed as Commonwealth of Puerto Rico, remaining as a US territory
- Puerto Rico shares citizenship, currency and military with the US and their borders are open to each other allowing free movement of merchandise and people
- Area: 3,580 square miles. Coastline: about 320 miles. Population density: 1,106 people per square mile
- Its ports play an important role in economic development
- Strategic location at the intersection of the trade and commercial routes from North America and Europe towards Latin America and the Caribbean
- Most important ports are San Juan, Ponce and Mayagüez

Port of Mayagüez: An Overview

- Built in the 1930s by the US Army
- The Commonwealth's Act No. 10 of May 18, 1959, allow to create a public corporation
- Establishment and operation of Starkist and Bumble Bee at Mayagüez port between 1962-1998
- Transferred from Ports Authority to Mayagüez Port Commission in 2004
- 2007: Holland Group Port Mayagüez Inc. was awarded the administration and concession of the port for a 30-year period with an option of extending the contract for additional 30 years



Facilities and activities at the Port of Mayagüez

- 3.8 miles wide and a main canal with depth range from 47 to 120 feet
- 4 wharves (only 1 is owned by the Mayagüez Port Commission)
 - Its berth is 1280 feet long and 30 feet deep
- Open storage available for containers and cargo facilities
- Ferris del Caribe is the main user of the port
 - 2006-2007, 19,292 gross ton ferry tied up 162 times, shipped 142,813 passengers, 18,006 passenger vehicles, and 11,119 containers



- Six cruise ships arrived between December 2006 and June 2008
- Some other occasional shipments

Holland Group's Plans for the Port of Mayagüez

- Plans to invest \$600 million for the enlargement and development of the port (Bnamericas interview to Frank Haacke)
- Port of Mayagüez Master plan for 2015 includes expansion of port's front for up to 120 acres
- Plans for Tourism investment:
 - Make Mayagüez a cruise destination with lodging infrastructure and tourist activities in the port area
- Plans for Cargo investment:
 - Piers for motor vehicles and fruits
 - Refrigeration facilities



Competitive, Strategic Considerations and Challenges

- Competitive Considerations
 - Incentives for cruise ships
 - Port of San Juan faces capacity issues
 - Added-value areas
- Strategic Considerations and Challenges
 - Puerto Rico has the potential of becoming a “port island”
 - Aguadilla airport and Port of Mayagüez opportunities
 - Trade agreements. “Made in US” products
 - Highly educated and bilingual work force
 - Tourists attractions in the area
 - Land limitations
 - US economic recession. Puerto Rico’s economy dependency on US
 - Most of tourism from US mainland
 - Meteorological threats





Part II: Surveys

Competitiveness of Asian and American ports: implications for global chains

Justification of the study

- The expansion in trade is growing at a faster rate than the planned capacity increases for the major ports and intermodal service facilities
- This imbalance has increased the probability for interruptions along the supply chains
- The capacity – demand imbalances have created an opportunity for other ports

Purpose

- To rank the competitive factors that a port should consider when attracting new business and investments.
- To learn how the ports of Puerto Rico ranks among other ports in the US and Asia



Survey contents

- General information about the respondent
- Volume competitiveness
 - Cargo volume
 - Port location
 - Port facilities
 - Service level
 - Cost
- Investment competitiveness
 - Price
 - Institutional structure
 - Legal framework
 - Financial resources
 - Port reputation





Part III: The strategic location
and the importance of the
ports of a Caribbean island:
Puerto Rico

The role of the ports in Puerto Rico's economy

- Ports and airports: only entry/exit to the island
- 60% of consumers goods are imported
 - Imports about 45 million USD
 - Exports about 60 million USD
- US is the main commercial partner (2006 Statistics).
 - 83 % of exports
 - 50% of imports
- Free-trade agreements (FTA)
 - NAFTA
 - CAFTA
 - Chile and Singapore
- 1,375,456 passengers arrived on cruise ships
- Avoid customs clearance and immigration controls in the US mainland



The Port of San Juan: facts

- San Juan is the biggest city of the island with a population of 421,958 people and has a density of 10,691 people per square mile
- 60% of Puerto Rico commerce is concentrated in San Juan and its metropolitan area
- The port of San Juan moved 9,609,540 short tons of cargo and 1,374,749 passengers during fiscal year 2006-2007



The Port of San Juan: Ports Authority Administration

- Public corporation and government instrument managed by an Executive Director and a Board of Directors
- Mission:
Development, maintenance and administration of the ports and airports it owns and to guarantee an efficient usage of air and water facilities
- 90% of commercial exchange take place at the Port Authority facilities



Port Authority :

Facilities at San Juan, Isla Grande and Puerto Nuevo

- Cargo facilities

- The Ports Authority provides 22,700 feet for berthing (34 wharves and 46 berths), 1,100,000 square feet of covered storage, 1,500,000 square feet of open storage and 108 cuerdas for containers
- Currently it has a capacity of 2.5- 3 million TEU's and 18 cranes for container vessels
- The main cargo routes are: San Juan- Jacksonville, San Juan- Elizabeth, San Juan- Houston and San Juan- New Orleans



- Tourism facilities

- 6 piers for tourism purposes
- Mega cruises can tie up at 4 wharves
- 10 cruises can tie up simultaneously



Strategic and Competitive Market: Challenges for Port Competitiveness

- Economic and political stability.
- Typically, there are no complaints on Department of Revenue (Hacienda) or US Customs time clearance processes.
- Most delays are due to vessel's problems.
- The number of containers moved per hour is above the average.
- Home-port cruise destination.
- Luis Muñoz Marín International Airport has connection to the biggest US hubs: Dallas, Chicago and Miami (Executive Director of Ports Authority Fernando Bonilla).
- Potential to keep growing as a cruise destination. Attractive for all type of cruise passengers.

Strategic and Competitive Market: Challenges for Port Competitiveness

- Reorganization of Puerto Nuevo cargo area.
- To implement a security plan to detect the entrance/exit of illegal merchandise.
- Bay areas that should be dredged. Ongoing projects by the US Corps of Engineers are addressing this technical issue.
- To widen the entry channel at “El Morro” fort to allow more vessels to enter/exit the San Juan Bay simultaneously.



The Port of Mayagüez: facts

- Seventh largest city in Puerto Rico with 98,500 people (US Census 2000)

- Tuna fish industry flourished until 1998

After 1999, federal tax incentives of Section 936 of the US Code of Internal Revenue were removed as well as a rigorous environmental legislation were established. These legislative decisions caused relocation of the tuna fish facilities and loss of more than 10% of the labor work force in Mayagüez

- Mayagüez will host the 2010 Caribbean and Central American Games between July 18 and August 1

Challenges and Future of the Port of Mayagüez

- The port has potential for cargo and tourism activities
- Recurrent funding issue
- If the transfer of the remaining 1,000 acres of land from PRIDCO to the Mayagüez Port Commission within a 18 months period ending in December 2008 is not completed, Holland Group has the option in its ongoing contract to cancel its administration responsibilities and all associated clauses



Recommendations

- The area and the geographic and strategic location of Puerto Rico make suitable the specialization of its ports based on a particular commodities and managing different accommodations
 - San Juan: tourism, some cargo
 - Mayagüez: fruits, flowers and motor-vehicles
 - Ponce: transshipment
- Enhancing all the ports in the island will provide an added-value in the strategic location that will most likely improve the overall economy in terms of imports and exports similar to the phenomenon in the ports of Miami and Ft. Lauderdale in Florida

Future work

- Port of transshipment of Ponce characterization
- Follow up the Mayagüez Port development plan
- Activities for port differentiation



Acknowledgements

- Dwight Eisenhower Fellowship Program
- University of Rhode Island Transportation Center
- University of Puerto Rico at Mayagüez. Puerto Rico Transportation Technology Transfer Center
 - Dr. Benjamín Colucci
 - Dr. Alberto Figueroa
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3. Eng. Eván Gonzalez, former Executive Director, Puerto Rico Port Authority
4. Tony Jacobs, Executive Director of the Port of Mayagüez
5. Luis Angel Ruiz , Special assistant to the major of Mayagüez . Mayagüez port Administrator from 2004-2007
6. Elí Tilen, Director of Planning Office, Municipality of Mayagüez
7. Eng. Sergio Zeligman, Member of Mayagüez Port Commission
8. Mr.Ventura Pérez, Marine Express Manager