



UNITED NATIONS ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

Seminar on the Development of an Integrated Transport and Logistics System  
in ASEAN countries and the Pacific region

*Bangkok, Thailand, 21 to 23 November 2012*

# **Inter-island shipping in the Pacific region: challenges and constraints**



# Secretariat of the Pacific Community

- Established in 1947, SPC is an international organisation that works in about 17 sectors, including energy, ICT and transport, which currently make up the 3 programmes of SPC's Economic Development Division (EDD) as these three sectors are considered the drivers of economic development.
- SPC's has 26 members, including the 22 Pacific Island countries and territories that SPC provides assistance to.
- SPC's work programme is determined by members, and all of its regional initiatives aim to support members' national policies and plans.





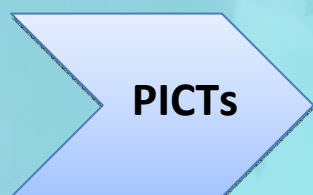


## This presentation aims to:

- Provide an overview of inter-island shipping in the Pacific region with a focus on the economic context within which shipping operates;
- Identify the challenges facing the industry, both at the macroeconomic and at the micro level – such as the challenges relating to infrastructure, governance, technology, resources and natural hazards; and
- Outline possible ways of overcoming these challenges.



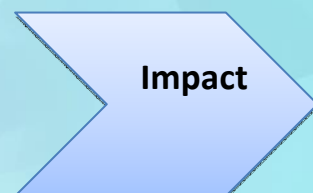
# Introduction



- Challenged by vast oceanic distances and isolation - a total land area of approximately 91,099 km<sup>2</sup> in a sea area covering 180 million km<sup>2</sup>
- Need reliable, efficient and affordable shipping services, to support sustainable economic growth
- Rely on cargo shipping for access to international markets for exports and to supply chains for essential goods, particularly fuel and food



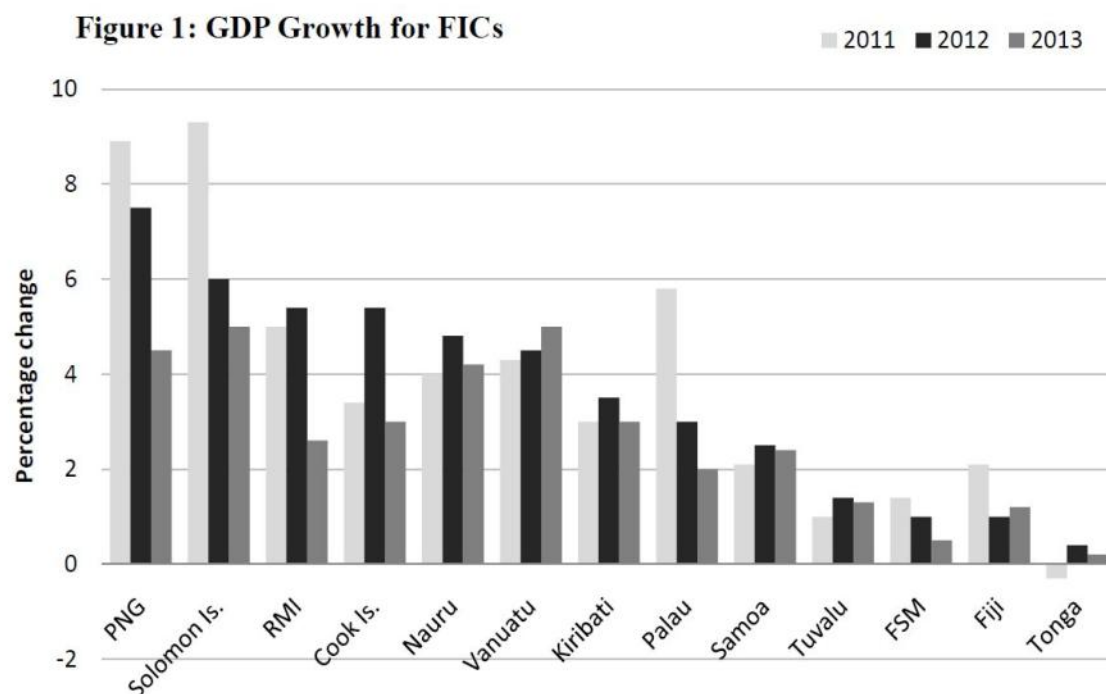
- Operate in a unique environment with significant constraints and challenges such as:
  - Small populations and large distances between PICTs
    - Low cargo volumes inbound, and even less outbound, making it challenging to support profitable regular services and low freight rates
- Not able to achieve economies of scale as serving small, isolated economies is expensive, particularly at current fuel prices



- Constrained economic growth as the cost of doing business increases
- Harder to compete in international markets
- Increased cost of inputs and operating costs



## PICT economic status and outlook



Source: ADB Asian Development Outlook April 2012 Update

- **Economic growth in the Pacific as a whole is expected to slowdown in 2012 relative to 2011.**
- **This is mainly due to an expected reduction in exports and the completion of major infrastructure projects in larger resource exporting economies.**





## PICT economic status and outlook

Country	Year	GDP USD000	GDP Current per capita (USD)	GDP growth rate
American Samoa	2007	537,000	8,448	1%
Cook Islands	2009	193,000	9,749	-4%
Fed States of Micronesia	2010	297,451	2,889	1%
Fiji	2011	4,390,515	4,391	2%
Kiribati	2011	1,760,369	1,760	0%
Marshall Islands	2011	3,168,783	3,169	5%
Nauru	2009	54,000	5,313	0%
New Caledonia	2009	9,283,000	37,124	0%
Niue	2009	15,900	16,575	2%
Palau	2011	8,729,818	8,730	6%
Papua New Guinea	2011	1,844,525	1,845	9%
Samoa	2011	3,531,845	3,532	1%
Solomon Islands	2011	1,517,422	1,517	9%
Tonga	2011	4,167,959	4,168	5%
Tuvalu	2011	3,634,044	3,634	-1%
Vanuatu	2011	3,335,357	3,335	4%
Wallis and Futuna	2005	188,000	12,640	N/A
<b>AVERAGE</b>			<b>7,578</b>	<b>2%</b>

- Coupled with the low populations of many PICTs, overall economies are therefore generally very small, resulting in low domestic demand
- Variation and uncertainty in growth rates may be a deterrent to investment in services by the private sector

Table 1: Summary economic data on PICTS



## Export and import *(by value)*

	Net exports USD000				
Country	2005	2006	2007	2008	2009
American Samoa	-146,900	-140,700	0	0	0
Cook Islands	-52,100	-61,300	-123,700	-145,300	-178,800
Fed States of Micronesia	-104,300	-107,300	-107,600	-115,500	0
Fiji	-898,600	-1,107,700	-1,026,900	-1,338,100	-805,390
Kiribati	-72,000	-59,600	-60,400	0	0
Republic of the Marshall Islands	-68,200	-69,500	-70,800	0	0
Nauru	-21,900	0	0	0	0
New Caledonia	-683,390	-827,664	-840,573	-1,868,869	-1,589,200
Niue	-8,101	-2,447	-3,977	-7,781	0
Palau	-143,600	-151,000	14,800	0	0
Papua New Guinea	1,584,400	1,914,400	1,750,300	5,697,300	0
Samoa	-152,000	-154,900	-136,200	-211,100	-178,100
Solomon Islands	-81,500	-88,900	-81,900	185,600	-76,200
Tonga	-110,300	-121,000	-134,900	-147,582	-96,876
Tuvalu	-12,839	-2,890	-15,400	-6,400	0
Vanuatu	-122,600	-126,900	-180,000	-258,900	-2,766,200

- All PICTS, with the exception of Papua New Guinea, are net importers of goods.
- Shows the reliance of isolated island nations on cargo flows to provide food security, fuel and other vital goods to sustain livelihoods.
- However, in absolute terms import values are small, and individually smaller nations may not reach the threshold to make shipping services viable.

Table 2 PICT net exports (2005–2009)

[https://www.yunbaogao.cn/report/index/report?reportId=5\\_7235](https://www.yunbaogao.cn/report/index/report?reportId=5_7235)

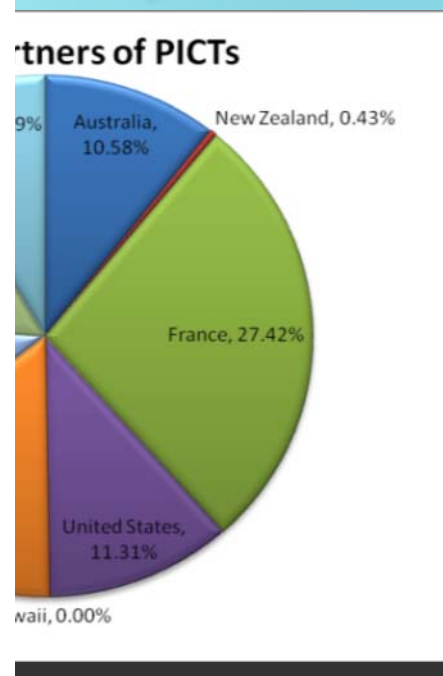
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## Direction of trade

transit the region, some stopping in ports such as Port Moresby, Honiara, and Port Vila in the South Pacific, and some putting into Suva, Apia and Nuku'alofa bound for the Pacific Islands and New Zealand.

### Partners of PICTs



- Chart 1 shows the direction of trade flows out of PICTs
- Dominance of France is almost entirely accounted for by trade with New Caledonia
- Main regional trading partner is East Asia; Japan, Taiwan, and China account for approximately 42% of outward trade flows, reflecting the growing importance of this region for PICT economies
- Australia and the USA are the other significant export markets, making up just over 10% of export trade each.