

ENTER INFORMATION ONLY IF NOT INCLUDED ON COVER OR TITLE PAGE OF DOCUMENT

1. Project/Subproject Number

596-0108-3-60011

2. Contract/Gran. Number

596-0108-C-00-6060-00

3. Publication Date

JUNE 1990

4. Document Title/Translated Title

TRAINING OF TRAINERS SEMINAR SERIES: FUSADES/EL SALVADOR UNDERSTANDING AND USING OCEAN TRANSPORTATION RATES IN THE EXPORT SECTOR.

5. Author(s)

1. PAMELA D. MICHEL

2.

3.

6. Contributing Organization(s)

7. Pagination

9

8. Report Number

NONE

9. Sponsoring A.I.D. Office

ROCAP

10. Abstract (optional - 250 word limit)

11. Subject Keywords (optional)

1. OCEAN TRANSPORTATION
2. RATES / HOW TO USE THESE
3. EXPORT SECTOR

4. EL SALVADOR
5. ROCAP
6.

12. Supplementary Notes

13. Submitting Official

DIANE BEJARANO

14. Telephone Number

202/466-5340

15. Today's Date

DEC 11, 1990

16. DOCID

17. Document Disposition

DO NOT write below this line
DOCRD [] INV [] DUPLICATE []

**PROEXAG
NON-TRADITIONAL AGRICULTURAL EXPORT SUPPORT PROJECT**

**TRAINING OF TRAINERS SEMINAR SERIES: FUSADES/EL SALVADOR
UNDERSTANDING AND USING OCEAN TRANSPORTATION RATES
IN THE EXPORT SECTOR**

PREPARED BY:

Pamela D. Michel

THROUGH

**Chemonics International Consulting Division
2000 M Street, Northwest
Suite 200
Washington, D. C. 20036
(Contract AID No. 596-0108-C-00-6060-00)**

UNDER THE AUSPICES OF:

**The Non-Traditional Agricultural Export Support Project
(Project No. 596-0108-3-60011)
United States Agency for International Development (USAID)
Regional Office for Central American Programs (ROCAP)
Guatemala City, Guatemala**

June, 1990

BACKGROUND:

Over the past year, Central American exporters, exporter organizations, grower associations, and transportation users' councils throughout the region have been making a concerted effort to improve existing and new carrier services, to make improvements in infrastructure supporting the transportation industry, and to bring about competitive rate structures. Transportation and distribution generally are critical factors in the successful export of non-traditional as well as traditional products, since they represent in the range of 20 to 55 per cent of landed costs. Perishable commodities, characteristic of many non-traditional agricultural exports from Central America, tend to fall in the upper ranges of ocean tariff rates. This is attributed to operational costs and the competitive environment associated with refrigerated equipment. Transportation is equally important to the growing free zone industries in that they often require two-way movements of cargo, namely the importation of raw materials or materials for further finishing, such as clothing cut-outs, which are to be assembled and exported as finished goods.

In response to requests for assistance from its counterpart export federations in Central America, the PROEXAG project has provided a series of ocean transportation rate seminars directed to exporters. These programs have focused on calculating tariff rates of conference and independent ocean carriers, comparing and monitoring rates, and understanding elements central to establishing and negotiating rates. The first of these programs took place in Guatemala in November 1989 and in El Salvador in February 1990. The Salvadoran program drew some 60 participants, an indicator of increasing interest in the export sector.

During the program evaluation between the presenter, Pamela Michel, and the host-country organization, FUSADES, several possible "next steps" were considered. One option was periodic repetition of the same seminar for another group of exporters -- a feasible, but more costly approach. Instead, FUSADES staff suggested that a followup "training of trainers" program would be more appropriate. Under this approach, FUSADES would identify individuals in targetted export sectors who could be trained to take a leadership role in their respective sectors; these leaders in turn would proliferate their knowledge of the ocean transport sector, and rates in particular, for the broader benefit of their fellow Salvadoran exporters.

The terms of reference as drafted by FUSADES' transport executive, in consultation with the PRIDEX and DIVAGRO departments, began with a one-day general program, nearly identical in content to the February program. This was to be followed by separate intensive one-day sessions for each of the identified targetted export sectors: clothing (807 free zone variety, importation of cut-outs for further finishing and re-export); shoes and leather articles; furniture and wood products, frozen vegetables, melons and fresh produce; and shrimp. The

Ana Albanez, USAID/El Salvador, Private Sector Office
Ken Ellis, USAID/El Salvador, Agricultural Development Officer
Antonio Gonzalez, USAID/El Salvador, RDO

(see also attached participants' lists for seminars)

SUMMARY:

A. Preparation

Presentation materials which were originally used for the February rate seminars in El Salvador could be used in their present form, updated, or adapted for the first day general session in May. A template of some 60 rate quotations was updated, specific commodities were added for use in the export sector breakout sessions, relevant tariff pages were photocopied and transparencies were made. Excerpts from the tariff books were photocopied in advance for participants' training packets.

The presenter worked with FUSADES' staff in El Salvador on finalizing preparations the day preceding the general seminar. Separate meetings were held with PRIDEX and DIVAGRO directors, Carlos Palacios and Mario Molina, respectively. In addition, the presenter worked with PRIDEX and DIVAGRO staff to review participants' lists (in some cases additional individuals were contacted), arrangements were made for computer rentals and audiovisual equipment, and seminar packets were prepared.

B. General Session

The general session drew exporters from the furniture industry, frozen food sector, shoe industry, clothing/garment industry, and staff from FUSADES, COEXPORT, and AUSTRAMA, the Salvadoran Transport Users' Council. FUSADES' original concept was to have 3-6 exporter representatives from each sector. (see attached list of participants).

In terms of actual representation, the furniture sector was well-represented with seven representatives from five companies, each with different types of products; the frozen food industry had three representatives from two companies; the shrimp exporters were not represented nor were the melon exporters export through FUSADES' staff; the shoe and leather products industry had three representatives from two companies; the garment exporters were represented by two substantial companies; and the remaining participants were key institutional representatives from AUSTRAMA, COEXPORT, and FUSADES (staff and transport committee who will play an on-going role with each of the sector groups).

While greater sector representation was certainly anticipated -- especially in the agricultural sector since melons and shrimp have been the subject of recent rate negotiations and often intense debates -- those that did attend the general session provided very positive feedback regarding the content.

Participants seemed to grasp issues of pricing and rate-making, rate calculations, and basics in rate negotiations. Interest was keen and participants seemed motivated.

The material was presented using a combination of lectures with audiovisuals and handouts as well as some smaller problem-solving sessions. Participants were called upon to provide examples, answer questions, and pose strategies. The informal atmosphere encouraged audience participation among themselves and with the presenter.

Areas covered in the first day general session included:

- o factors which influence ocean transportation rate levels and pricing (market, operational costs, regulatory environment)
- o conference and independent carriers (motivations, operational services, local and U.S. representatives)
- o how to use an ocean transportation tariff book
- o how to read a tariff page
- o how to calculate a rate (commodities, additional charges)
- o how to make rate comparisons
- o how to monitor rates
- o how to establish a new rate
- o suggestions for negotiation strategies

FUSADES' transport committee coordinator, Ing. Heriberto Reyes, made an interesting personal observation regarding ocean rates and rate negotiations generally, which set the tone for the remaining sessions, "the more you know about rates, the more you can effect controls over your landed export costs. And, if you don't ask for it (reduction in rate, or establishment of new rate), you won't get it."

Some of the concepts highlighted in the book which is part of the Harvard Negotiation project, Getting to Yes, was used during the session on negotiation strategies. A checklist of "dos" and "don'ts" was also presented.

Most of those present in the sessions had no prior experience in calculating their rates (even though they were exporting and did pay the freight bills), and very few had previous direct contact with the carrier representatives, local or U.S., much less negotiating a rate. Three of the participants, had worked formerly with ocean carriers which service El Salvador.

The general session provided for participants with a general overview and examples of specific rate calculations, and an agenda whereby each exporter to begin to develop a dialogue with carrier representatives, a first step in negotiating strategies.

Some of the sectors were combined in the subsequent working sessions, primarily due to the composition of the general session. Additional promotion was conducted by FUSADES targetting agricultural exporters.

C. Sectoral Working Sessions

1. Clothing and Shoes Industry

Participants were present from a number of different companies, ranging in size from an exporter who was just getting started in childrens' clothing to one which currently employs several hundred individuals. The products for export included mens' pants, shirts, ties, and uniforms; womens' dresses, pants, blouses, and skirts; and childrens' clothing.

A short quiz was given which proved to be a useful tool to review the previous days' session with both new and old participants, and helped to set the pace for the working session. The group was surveyed regarding individual priorities and objectives so that these could be incorporated into the prepared agenda.

Examples used during the working session were either the products currently being exported by the participants, similar to their products, or in cases of rate comparisons, those currently being exported by another Central American country. Participants calculated rates in smaller groups or individually using the tariff books and pages. Examples of how exporters might monitor their rates were discussed. Rate comparisons were made by product, by origin, between countries, and between various modes of transport. Strategies were discussed on methods for establishing new rates and for negotiating current rates. Calculations were done using calculators and the computer models for those who were interested in the latter.

2. Agriculture

This session included melon exporters, representatives from the frozen food industry, intermediaries, such as freight forwarders, and staff from FUSADES' agricultural division, DIVAGRO.

Only two participants in the larger group had participated in the general session on rates. The quiz in this case was still given, but served more to identify levels of knowledge regarding rates among the participants. Since the group was almost entirely new, some of the material which had been covered in the general session was repeated for their benefit. At the same time, specific examples were used in canteloupes, honeydew

melons, frozen okra, black-eyed peas, frozen vegetables, and other products which are currently being exported from El Salvador. Some of the negotiating strategies suggested in Roger Fisher's book, Getting to Yes were adapted for the workshop to situations to those experienced by agricultural exporters.

3. Furniture

Participants in this sectoral session ranged from first-time exporters of wooden doors, to current exporters of ornate patio furniture, to wicker furniture. Over the years, a wide variety of furniture and wood product items have been established in the ocean rate tariffs. Because of the varying characteristics of each product in terms of density, measurement, weight, loadability, and value, rates have been established which are calculated on a weight basis, measurement (cubic foot) basis, and per trailer.

The nature of the tariff rates, and potentials for the industry generally in terms of current and future exports, made it worthwhile to examine a number of different types of rates, so that participants might be more cognizant of the factors important to establishing and negotiating the rates themselves. Of the various sector groups, the furniture session perhaps stands out for having served the purpose of bringing together the sector of more seasoned exporters and novices in a session of mutual interest.

The quiz was used in this session as well, this time serving the purpose of reviewing material with participants that had been presented the previous week in the general session, and as well to gauge the levels of experience of the participants for working session.

We were pleased to have two representatives from an American trading company, De Curtis, participate in the morning session. It turned out, the gentlemen were on a visit to El Salvador, coordinated by FUSADES, to meet with furniture manufacturers, including some of those present in the session. Their combined experience in sourcing product both domestically and internationally was especially relevant. Key contributions were made in the areas of terms of sale (furniture generally is purchased FOB plant, meaning that the responsibility and control rests with the consignee); intermodal movements, packing and loading, and establishing rates for a product which is not currently listed in the tariff.

In each working session, participants were provided the opportunity to give feedback on the session. It is interesting to note that even the most seasoned of exporters, indicated that they had come away from the session having learned something new.

D. Rate Negotiation Session

The original terms of reference called for a half-day

negotiation session simulated by role-play. The presenter prepared a number of prescribed roles, from the exporters to the carriers. Unfortunately, there were not enough participants to carry out the role-play; however, instead the material was treated as a case study by the group. The case involved an exporter of ornamental plants, which although not the product being exported by any one of the participants, was the type of situation to which all of the participants could relate.

We were also able to incorporate into the session the recent experience of a beer exporter, who related his successful efforts in establishing competitive rates for his product. His account brought home the issues which had been discussed in previous sessions and helped to provide closure to the session.

CONCLUSIONS:

- o Very few of the participants attended the series of workshops had previous experience in calculating rates. All of the participants left the sessions with this knowledge and capability.
- o Participants, both experienced and novice exporters, and staff representatives, provided positive feedback on the various sessions.
- o The training seminars had in addition to the planned objectives of training exporters in ocean transportation rates, served as well as a mechanism to bring sectoral representatives together in a common forum. This spirit and enthusiasm should be encouraged to further efforts of organizing the various Salvadoran export sectors. Through greater economies of scale, the sectors can realize many more objectives, in rates as well as other areas of shared knowledge and purchasing, that otherwise could not be as feasible on an individual basis.
- o All participants were trained to calculate rates using a common calculator. Those who were interested in learning as well how to use the computer to facilitate their company's work, were shown how to set up templates using the LOTUS 1-2-3 spreadsheets.
- o The interest generated by the general session as well as the sector working sessions would indicate that similar programs would be of interest elsewhere in Central America.

NEXT STEPS:

A number of the exporters, both those commanding sufficient to warrant exporting on their own, as well as the newer exporters, demonstrated interest in learning more about cargo consolidation. Using this program and others which have been organized by FUSADES, the various export sectors could begin to

organize themselves in a number of ways--company profiles, maps showing production locations, statistics--all conducive to describing the present sectors as they exist today, but as well could be used for investment promotion purposes, to capitalize on economies of scale (containers, pallets, and other inputs), and to improve the regulatory environment where applicable to one or more sectors.

As this organization begins to take place, the respective roles of FUSADES, COEXPORT, and AUSTRAMA should begin to take shape. Wherever possible, these roles should be complimentary rather than duplicitous. Indeed, many of the ideas put forth in the ocean rate session are applicable to air cargo and the overland route to the U.S. which is important to future transportation options for El Salvador.

attachments: participants' lists
sample rate quotation sheets