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Battle looms for Brazil's clogged ports

By Joe Leahy in São Paulo

Sitting with his friends in the Ecopátio truck park near Brazil's Santos port, Hélio Alves Fonseca cannot hide his frustration.

Long queues at Latin America's biggest port caused by the soya and sugar harvest season have turned Ecopátio into a refugee camp for truck drivers, who must wait there until they are called to the port about 15km away to unload.



“I’ve been here for five days, it’s a living hell,” grumbled Mr Fonseca, who is delivering soya beans from the inland state of Mato Grosso. The showers in the washrooms are out of water and it is rainy season. “When it rains here, the truckers have to get around by boat,” he jokes darkly.

Help is supposedly on the way. This month, Brazil's Congress is expected to release a R\$54bn reform package for the country's ports to boost their capacity and make them more efficient.

But, for once, getting the measure passed will be the easy part. The improvements, which have generally been welcomed by analysts, faces opposition from port operators and dockside unions, who staged a strike at Brazil's terminals last month against the plans.

“The trade unions are very well-positioned to paralyse operations at the ports,” said José Bento Amaral, associate director of markets at FGV Projetos, a consultancy.

Few would dispute, however, the need for reforms. Ten years of economic growth and an agricultural revolution that has sharply increased production of soya and other crops have left Brazil's ports on the verge of being overwhelmed each harvest season.

Added to the soya, Brazil is also the world's biggest exporter of sugar, as well as orange juice and coffee. The country's consumer boom in turn has boosted container traffic.

A 2010 World Bank report found that four of the five main ports were operating at capacity in 2007. In addition, it found that Santos was unloading only 39 containers an hour compared with 100 for Singapore and 60 for Rotterdam. Each container in Santos required 22 man hours, about 11 times that of Singapore and more than four times Rotterdam. Worse still, the average cost was about 3.5 times more than Singapore and 2.5 times Rotterdam.

Mr Amaral of FGV says among the challenges at Santos, Brazil's main port, is bureaucracy – it requires 100 forms to ship a container to Brazil with a total of 900 pieces of information.

Santos is also challenged by geography – a precipitous coastal mountain range and the chaotic sprawl of São Paulo separate it from its agricultural and industrial hinterlands.

Then there are the unions, which control labour in the ports through an organisation called OGMO, ensuring high wages and reducing the flexibility of working hours.

Under its reform package, the government aims to increase shipping capacity threefold from 258m tonnes in 2009 to 975m tonnes in 2030 for public ports. It will put to tender 53 out of 98 privately operated docks in public terminals whose leases have expired or are about to expire. Contracts will be awarded to those who can deliver the lowest costs to end users rather than pay the highest fees to the government.

Perhaps most controversially, however, privately operated terminals will be able to handle cargo from third parties. Now, they can only handle their own cargo. They will also be able to employ non-unionised labourers. This reform has angered private operators of wharves in public ports, which are concerned they will face more competition, and unions, which fear private operators will undercut them on wages.

After last month's strike, the unions agreed to hold talks with the government. But if these do not yield results by March 15, they are planning more action. "These reforms will weaken the public ports," said one union official.

Mr Amaral said there were other, simpler reforms that could produce increases in productivity quickly, such as operating Santos 24 hours a day and using electronic documentation.

The ports could be deepened too to provide access to the biggest ships being introduced to the oceans.

"It is important that there is better port access by road and rail, further dredging and significantly reduced bureaucracy," said Peter Gyde, chief executive of shipping company Maersk Line Brazil.

None of this will happen overnight. In the meantime, the drivers at Santos will have to carry on waiting in the interminable queues.

“I’ve been driving trucks for 12 years including six to the port but I’ve never seen anything as bad as this year,” said José Orácio da Silva, sitting bare-chested in the heat, waiting to deliver his load of sugar.

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