

18.4 Strategy and Its Background

The integrated gateway strategy is a measure for economic development of the Central Zone. There are two main issues: function sharing among the ports and the revitalization of Valparaíso.

Function Sharing

At the moment, the positioning and functions of the three port cities may be as follows:

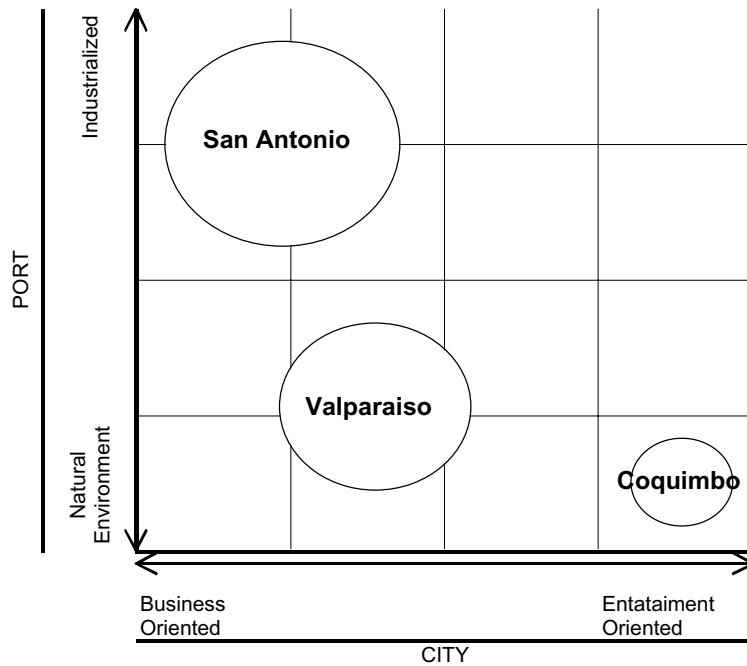


Figure 18.4.1 Positioning of Cities

San Antonio is a port city with modern equipment but limited entertainment and tourist attractions. Coquimbo (La Serena) is a small port in rich natural environment with beautiful beaches. Valparaíso is situated in the middle. One of the characteristics of Valparaíso City is the coexistence of a good port together with beaches. The city also has a concentration of port-related businesses.

The most important issue is to have a clear and consistent policy on the development of each port and port city. This is a role to be enforced by the public sector. Such a policy will act as a solid framework for all development activities executed by the public and private sectors. It is a measure to avoid unnecessary competition among the port cities of the zone, as well as the country as a whole. Thus, it is a way to maximize efficiency in economic development. This is also a prerequisite for decision-making of the priorities for development and the direction of industries.

In addition, the active participation of the people who work and live in the city will be the driving force of development activities. Therefore, it is recommended to discuss the future of the city between the public and private sectors, and possibly involve residents. Strategies and action plans are the measures to accelerate development based on close cooperation between the private and public sectors.

Revitalization of Valparaíso

It is very important to revitalize the economy of Valparaíso City, the main city of the Central Zone, as well as develop the economies of other cities such as San Antonio and La Serena (Coquimbo).

It seems that the direction for the development of San Antonio is clear, i.e., to become a modernized, efficient port city. Regarding La Serena, Region IV, it is necessary to develop certain industries first, especially those that are natural-resource-based industries and tourism. In contrast, the situation of Valparaíso as a port city is more complex. Valparaíso has historically been the most important city. It has been long affected by the change in the sea transport route after the Panama Canal was constructed and currently faces the new reality of regional integration between Chile and Argentina, especially the Cuyo region. The industries related to Valparaíso Port have declined significantly and other industries have been absorbed by Santiago.

Considering the importance of Valparaíso City in the Chilean economy and its potential as a gateway between South America and Asia and the Pacific, it is necessary to revitalize Valparaíso by transforming it from a port city to a gateway city. The transformation requires the fostering of new types of businesses and industries toward the development of a full-fledged international gateway. The reinforcement of existing economic activities of the city is also necessary. The accumulation of know-how in port and port-related sectors is the most important asset of the zone. This asset needs to be sustained and reinforced in these sectors as a basis for the economies. The strategies are formulated with focus on Valparaíso as a port and a city, but the applicability of these strategies to San Antonio and La Serena are also discussed in Section 18.6.

Taking into account the new reality of regional integration between Chile and Argentina, Valparaíso must be transformed from a traditional port city to a new gateway city. The differences between a port city and a gateway city are as summarized in Table 18.4.1.

Table 18.4.1 Differences between a Port City and a Gateway City

Port City	Gateway City
<ul style="list-style-type: none">• The main industry is port operations.• Each industry is independent.• Passive• Gateway for cargo• Passage port• Material oriented	<ul style="list-style-type: none">• The city has a port.• Industries are inter-related across different sectors.• Active• Gateway for cargo, money, human resources, and information• Hub• Service oriented

Source: Elaborated by the JICA Study Team

The structure of strategies to become the principal gateway of South America is shown in Figure 18.4.2.

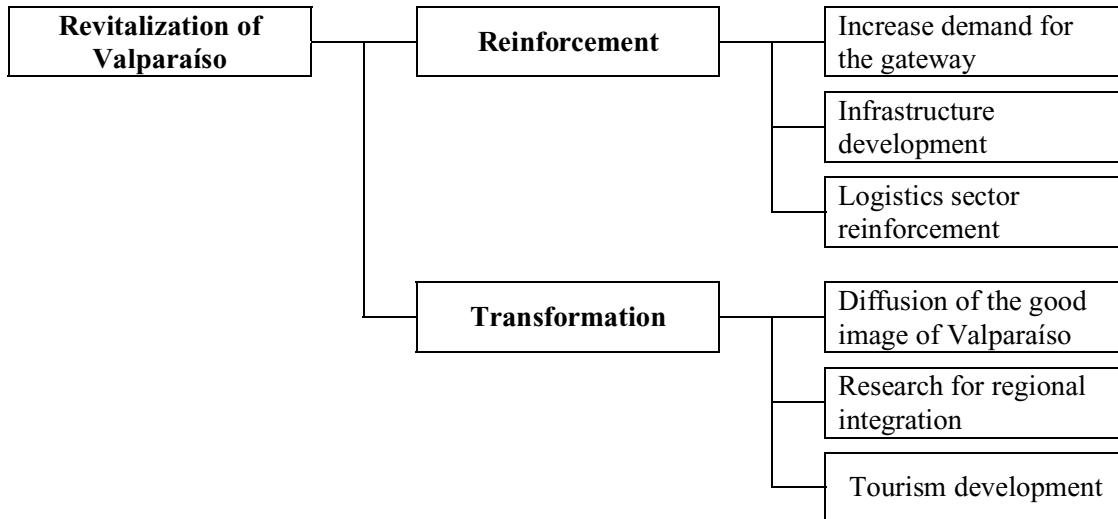


Figure 18.4.2 Structure of Strategies

18.4.1 Increase Demand for the Gateway

The flow of cargoes is a fundamental factor for a gateway. The increase in demand for cargo handling is a prerequisite for the development of infrastructure.

It is important to develop Chilean and Argentine export industries and to attract their export cargoes to Valparaíso in order to increase the demand for a gateway. Port sales are important but do not foster exporters themselves. Well-developed infrastructure will attract cargoes, money, people and information to a gateway but does not generate exports. Therefore, it is necessary to identify and develop potential exporters.

Companies that could identify foreign target markets, develop suitable export products for the market and approach the market with effective strategies have started to export. Large/International companies take such actions independently. However, this is difficult for SMEs.

In relation to the development of new exporters, new export products must be identified. As previously stated, Argentine companies are in need of knowledge and experience regarding the world market.

This situation in Chile and Argentina implies that there is the possibility of providing trade-related services to Argentine companies. ProChile has already succeeded in promoting export-related consulting services to Argentina. It is also possible to export such services to the Cuyo region and to Asian and Pacific countries. As part of the gateway function, Chile can provide trade agent services as Hong Kong and Singapore do.

Some Chilean companies may fear the development of new exporters in Argentina because Argentine companies would portray strong competition. However, it will prove more beneficial to first cooperate or complement each other rather than exhibit competitive tendencies. Chilean companies need to start establishing good complementary business relationships with Argentine companies before they will

become strong competitors. In addition, large Argentine companies can export their products by themselves anyway. Thus targeting Argentine SMEs will only benefit Chile if Chilean companies can identify a complementary way to do business.

18.4.2 Infrastructure Development

Infrastructure development is important to develop a competitive gateway. Priority projects for infrastructure development are explained in Section 18.5. It is important to consider financing and find new investment schemes to speed up this infrastructure development process. There are possibly two directions. One is the modification of concession schemes and another is the development of new investment schemes.

(1) Modification of Concession Scheme

One of the points for the modification of concession schemes is to allow concessionaires to invest directly in infrastructure in relation to their business. For example, port concessionaires cannot invest in port access roads, though the roads are indispensable to the ports. Parent companies of port concessionaires may invest in the port access roads, but port concessionaires are more serious about the investment in port access roads. Therefore, the modification of concession schemes is worth considering. If port concessionaires could invest in port access roads between inland dry ports and the seaports, it will become easier to coordinate the developments of these facilities and port operations.

At the moment, there are two concession schemes. One is the port concession and the other is a concession of other types of infrastructure such as roads. The port concession scheme is supervised by the Ministry of Transportation and Telecommunications (MTT). The scheme focuses on the efficiency improvement of port services.¹ The scheme requires the port concessionaires to invest in port infrastructure and dry ports and to improve the efficiency of port services. The port concessionaires may only invest in port areas and dry ports.

The concession scheme for other infrastructure, such as roads, is controlled by the Ministry of Public Works (MOP) and allows the concessionaires to charge fees during a determined period for the use of developed infrastructures. For example, a toll is charged for the use of an expressway. This scheme focuses on the development itself rather than service provisions.

A port access road, if a concession is granted, is categorized in the second scheme. Thus, coordination between the two schemes and two ministries will be required if the port concessionaire intends to invest in the port access road.

Another factor that is necessary to consider in the development of Valparaíso Port is shared responsibility in supervision. The port concession area (and dry port) is currently supervised by MTT, while the regional government controls the access road to the port (if it were under a concession, MOP would supervise it). The coastline of

¹ The Ministry of Transport and Telecommunication (MTT) has recently been merged with the Ministry of Public Works (MOP) and the two have become the Ministry of Public Works, Transport and Telecommunications (MOPTT).

Valparaíso is under the control of the National Commission of Using Waterfront (“*Comisión Nacional del Uso del Board*”) under the Ministry of Defense. The Intendencia of Region V sends a special secretariat to the commission. Therefore, good coordination among these organizations is necessary for the development of the port.²

(2) New Investment Scheme

An important point to consider for the infrastructure development is to develop innovative finance schemes based on intensive research on the matter. One of prevailing schemes in infrastructure development is to finance the projects with bond issuing. However, it will be difficult to do so unless the bond is issued or guaranteed by the government. If the government, whether national or regional, is not ready to guarantee the bond, financial engineering is necessary to place the bond in the market. An idea to solve the problem may be to issue a zero-coupon and tax exempt bond with a long-term maturity and place the bond in a private market, rather than a public and open market. Beneficiaries of such infrastructure development, such as construction and transportation industries, will be ready to underwrite the bond since they can get not only financial profits of interest bearing on the bond and tax merit but also intangible merit gained from the completion of the infrastructure.

This scheme possibly includes Argentine companies. A manager of the Argentine Industrial Union of San Juan agreed that there was a possibility of jointly investing in port-related infrastructure in Chile. Political and economic stability and transparency of Chile are expected to be a reliable basis for a new investment scheme.

18.4.3 Logistics Sector Reinforcement

The logistics sector is one of the principle industries of the Central Zone, and the most important function as a gateway. Logistics sector provides a platform for business exchanges in a gateway.

As is stated in Chapter 4, the transportation sector is large (17.3% of regional GDP, see Table 4.2.3) and growing (see Figure 4.2.3). However, this sector contains a large number of small companies and individual entrepreneurs such as individual truckers.

To strengthen this sector, it is necessary to coordinate these actors and increase competitiveness as one integrated sector. There are two important strategic directions.

(1) Port Sales Reinforcement

Port operators are making every effort to attract cargoes from Argentina (and Asian countries) by doing port sales activities in these countries and creating homepages on the Internet for their promotion. However, according to the JICA Study Team’s interviews in Argentina, there still is a lack of information on ports and port-related

² In the case of Coronel Port in Region VIII, the port (and vicinity area) is privately owned and the neighboring area is controlled by regional government. Thus, it was easy to develop a by-pass road around the city for the port approach by joint investment of the port and regional government. However, in the case of Valparaíso, it is necessary to coordinate related organizations.

services offered by Chilean ports.

Some companies are already working to promote their services. The Port Company of Valparaíso (EPV), for example, has been doing port sales activities in Argentine cities such as Mendoza, Cordoba, San Juan, San Luis, and Buenos Aires. Public institutions such as the National Customs Office and SAG have also participated in these port sales activities in Argentina. They explain their regulations and services to Argentine public institutions and companies. EPV has also visited these cities with different companies (for example, TPS, maritime companies, etc.) at different times. EPV has set up a promotion office in Mendoza. These companies agree that regular visits and contact with their potential customers are key factors for port sales, even though they may not be able to visit Argentina so often individually.

There are many actors (for example, port operators, customs agents, shipping agents, transportation companies) who work together and independently with respect to port-related works. However, from a customer's point of view, important information is about the whole picture of available services and total cost of using Chilean ports. Therefore, it is recommended to promote "what we can offer in total" to Argentina and Asian and Pacific countries by coordinating related actors in the private and public sector. It is important to include the truck transportation sector and railway companies in the group.

Effective function sharing between the public and private sectors is also necessary. The public sector can be in charge of "opening the door" to other countries (i.e., establish stable international political and economic relationships) and introducing Chilean laws and regulations to these countries through rather formal channels. These activities should not be so frequent. The private sector, on the other hand, needs regular customer contact in practical ways.

Competition among companies is a Chilean economic principle. However, cooperation is also necessary in some situations. Cooperation can generate common benefits for the participants. To promote "what we can offer in total" is an activity of common benefit and can be done only through cooperation and coordination among the actors (e.g., a port company, transporters, shipping agents, etc.). This increases the market size. Therefore, collective port sales activity is a possible choice for port-related companies.

(2) Incorporation of SMEs to the Total Logistics Information System

An important decision-making factor for cargo owners choosing the port for export is not only the total cost between cargo owners and final destinations (or customers), but also the reliability of the transportation system, i.e., on schedule, no accident, and the possibility of tracing cargo movements. Some Argentine companies claimed that one of the reasons for not using Chilean ports was the difficulty in tracing their cargo in Chile.

Total cost includes not only transportation tariffs but also time cost: waiting time for customs clearance, time for ship loading and unloading, transshipment time, and so forth. These costs can be partially reduced by using automatic equipment and IT (information technology) support systems. It is especially difficult to compete with

Buenos Aires due to the significantly lower cost of land transportation in Argentina.

Thus, it is necessary to accelerate the modernization of equipment and the introduction of IT systems so that the Chilean transportation sector can offer more reliable services at smaller costs. Information also becomes a selling point of the Chilean logistics sector by reducing the uncertainty (or risk) of cargo owners.

In Chile, port facilities and equipment have been modernized rapidly since the privatization (or concession) of ports and port-related services. They have introduced modernized equipment such as gantry cranes for loading and unloading containers and IT supported operation systems. This has also increased the efficiency of port operations and related services.

The Port Company of Valparaíso (EPV), for example, has developed a number of operation and information systems as outlined below.³

- Truck Booking System (SOLCAM): Web-based services allowing docking service companies to locate, book, and track related fleet operations
- Truck Locator System (UBICAM): Allows exporters, shippers, and truck fleet operators to track vehicles and their cargo from departure to arrival at the port. The service provides detailed information, including exact dates and time through checkpoints.
- Automated Import Shipment Manifest: This proposed new service will allow users to electronically submit important manifest data, thus limiting manual data entry errors.
- EDISAG: Allows fruits and produce shippers to electronically submit clearance forms to SAG's office at the port. The system was launched in September 2000 on a trial-run basis and will be fine-tuned in 2001.

In addition, EPV has developed the Valparaíso Logistic Trade (VLT) system in association with TPS, the Chilean Exporters Association, and the Santiago Chamber of Commerce. The VLT is a web-based information system aimed at providing real-time information on shipment location, loading time, and completed procedures to cargo owners.

The customs offices have started to introduce web-based documentation systems and are studying artificial intelligence cargo checking systems. Stevedoring service companies such as SAAM and Ultramar have also introduced their own computer systems to trace the movement of cargoes.

These movements clearly indicate the progress of modernization of port and port-related industries. Modernized equipment and IT support systems undoubtedly increase the competitiveness of Valparaíso Port by increasing efficiency, reducing time and costs.⁴ It is necessary to consider how to promote these new services to customers.

³ The Port Company of Valparaíso, *Annual Report 2000*.

⁴ The case of Singapore Port is explained as a reference in Appendix B.

It is also important to incorporate SMEs into this movement, as there are many self-employed people and small-sized enterprises such as individual truckers that work in this sector.⁵ Large (and international) companies can continue modernization by investing in modern equipment and IT-based operation systems. However, it is difficult for SMEs (and the self-employed) to catch up with technological innovation. The introduction of IT based operation systems may exclude these small actors from this sector and, consequently, unemployment may further increase.

An incorporation of these SMEs and self-employed people of the truck transportation sector is necessary to provide high quality service at lower costs as mentioned above. Thus, it is important to consider the way of modernizing the truck sector by using modern equipment as well as the way of coordinating them.

However, there is a gap in the IT revolution between larger companies and truckers. The large transportation or logistics companies, such as SITRANS, already have modernized their logistic control systems. They can control total cargo movements by using computers and (partially) GPS systems. However, regarding the truck companies, the introduction of modern equipment has just started. They do not have integrated logistic control systems yet. They prefer to use mobile phones instead of using modernized cargo locating systems such as GPS as the former is cheaper. Even for CNDC, which is an association of rather larger truck companies, the introduction of information systems has just started. The director of CNDC explained that they had developed a website for members. At the moment, this website can only provide some advice on legal matters to member truckers and information on tariff rates to cargo owners.

There are three possibilities to improve this situation: 1) strategic alliance between large and small companies; 2) cooperative of truckers; and 3) management companies (Figure 18.4.3).

The strategic alliance means that smaller companies and individuals will form an alliance with larger companies based on contract (or agreement). The larger companies will support the modernization of equipment for alliance member SMEs. A CORFO instrument called PDP (Suppliers Development Program) that is mainly for providing modern machinery in the manufacturing sector based on the strategic alliance would be applicable to this strategy with some modifications.

The formation of cooperatives among truckers creates a possibility of collective investments in modern IT equipment. The program PROFO, established by CORFO, would be useful for this formation.

The third possibility is to establish a management company that is equipped an IT

⁵ The number of truck registrations is 178,004 up as of June 2001. However, according to the director of the Confederation Nacional de Dueños de Camiones de Chile (CNDC), the exact number of trucks is not known. This is because the truck registration system often counts trucks that are no longer in operation. Moreover, CNDC estimates that around 16-18 thousand informal truckers work at the moment. Informal truckers and truck companies use the same license plate for many trucks so as to evade tax requirements. The national registration office is considering introducing IT-based registration-checking systems to solve this problem.

logistic management system. The SMEs and individual truckers would pay some operational fees to this company in exchange of getting benefit of information. This scheme is advantageous in two aspects as compared to others. First, there would be the possibility to receive investment to establish this company if there were a large enough number of participants for profit. Second, it might be easier to be accepted by those who want to keep working in individual manner as they do today.

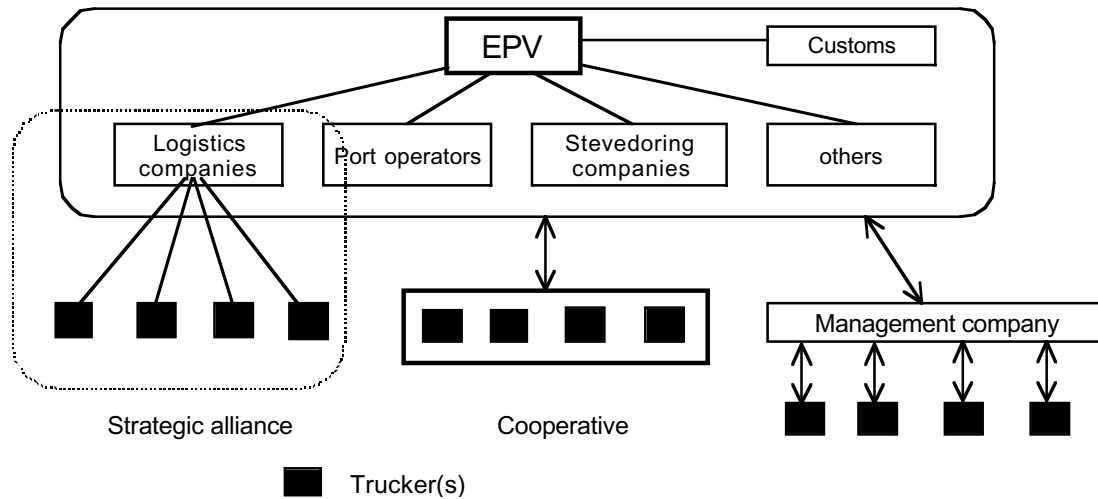


Figure 18.4.3 Image of Incorporation

It is recommendable to cooperation with CNDC in order to implement this strategy. It is easier to start with larger truck companies before incorporating small and individual trackers. In addition, truckers know best about other truckers. Therefore, the best way is to start the incorporation and restructuring of the truck industry by cooperating with CNDC and other logistics industries in the Valparaíso area. The experience may then be diffused to SMEs and individuals.

18.4.4 Diffusion of a Good Image of Valparaíso

According to the director of Fundación Valparaíso, only 5% of Chilean people love Valparaíso. The phrase, “dirty and ugly” is the general perception of Chilean people about the city. For many foreigners and some Chileans, especially those who live in foreign countries, however, Valparaíso is an attractive city with historical buildings and streets, distinctive geographical features such as hills, and rich ethnic and cultural heritages.

It is important to diffuse a good image of Valparaíso as a gateway city with positive characteristics to other areas of Chile and foreign countries, especially Asian countries because the city is not well known in Asia. Although a good image alone cannot attract businesses, it surely will be one of the positive factors in business decisions. This good image will help to attract not only tourists, but also investors and business people. In order to diffuse this image, however, it is indispensable to raise the awareness of the people who live and work in the city.

18.4.5 Research for Regional Integration

Valparaíso must be prepared for business and social environmental changes that will be brought about by regional integration with Argentina. It is difficult for everybody to have a clear and solid image of Valparaíso's future, but it is necessary for political and economic leaders to have a long-term perspective of the city, even though the situation is expected to change continuously along with the progress of regional integration. A mechanism to cope with unexpected changes and provide feedback to industries (and to the society) should be established so that everybody can catch up with the changes.

The Center of Study of the Region of Valparaíso (CER) has recently been established to create a cooperative research environment for researchers of the four traditional universities in Valparaíso and Viña del Mar. This effort is initiated to overcome the general tendency of competition between researchers, rather than complementary work.

The new research institute has a clear objective, i.e., to conduct research on the new reality of regional integration that is deemed to be common benefit for researchers and industries in Chile, as well as those in related countries. The goal is to transform traditional research and development (R&D) activity into one with a new character.

In addition, a research function can be located separately from the headquarters. The location of Valparaíso (together with Viña del Mar) may be attractive to some companies because of the short distance to Santiago and the better natural environment. Therefore, there is a possibility of attracting research industries into this area if research infrastructure such as the information network is well developed. As discussed in Chapter 21, the improvement of the IT environment will greatly contribute to attracting research industries.

One good starting point to develop research industries in this area is the establishment of a joint research institute aimed specially at regional integration. A research institute jointly established by Argentina (the Cuyo region), Chile, and Asian and Pacific countries would be a useful mechanism to develop Valparaíso into a gateway for information and human resources.

18.4.6 Tourism Development

Although tourism is one of the most important industries in Valparaíso (and in the Central Zone), it has not been fully developed yet.

The tourism industry has three important characteristics. First, it is a labor-intensive industry and is expected to contribute to the alleviation of Valparaíso's unemployment problem. Second, the tourism industry incorporates many service-related industries such as hotels, restaurants, transport, souvenir shops, etc. The transformation (or proper formulation) of the tourism industry can have a positive impact on many service industries. Third, tourism provides a good opportunity to promote the zone as a producer of exportable products and as a destination of foreign investment. Tourists will act as effective "personal" promoters of the zone if they leave with positive memories and impressions of the area.

The tourism industry is also of significant importance for the gateway strategy. Tourism is a comfort and form of entertainment for the people visiting the city for business, while it provides extra income to those who work in the industry. Quality tourism is considered a necessary condition for Valparaíso to become a first-class gateway city. In Singapore, for example, city tourism, together with many entertainments such as theaters and shopping centers, attracts business people and tourists. Many people attend conferences and conduct business in Singapore not only for its pure business functions but also for its entertaining environment. The business environment based on well-established services, including tourism, facilitates various kinds of productive activities, such as trade and manufacturing.

There are two important tourism developments: the development of tourism attractions and the development of services.

Regarding tourism attractions, initiatives are underway to develop tourist attractions other than beaches, including both facilities and activities, to extend the tourism season and create employment in the zone.

In 2000, the regional government adopted a proposal submitted by SERNATUR and CINDE for tourism development. According to CINDE, the tourism development project is divided into four stages: identification of strategic areas, formulation of strategies for each area, development of promotion instruments, and identification of investment projects. CINDE has completed the first stage and identified the following five strategic areas.

- Cultural tourism: development of attractions, neighborhood tourism, improvement of tourism related services, etc.
- Food and wine: winery and farm tourism combined with the provision of good products.
- Nature tourism: tourism in natural primeval areas.
- Business tourism: business centers for conventions, seminars, fairs, etc.
- Resort real estate: development of leisure real estate along the coastline.

CINDE is seeking finance for the second stage. In this stage, CINDE plans to do research on what it calls “micro economic information”, for example, the quality of services in tourism related industries such as hotels and restaurants, human resources, operations, average length of tourist visits, expenses, places of stay, and so forth. TO date, such detailed information has never been collected.

In addition to the tourism attraction developments, it is necessary to develop tourism services. The tourism industry in this area might be characterized as a “resort real estate industry”. In other words, entrepreneurs in this industry (e.g., hotel owners) are merely concerned with selling “the places” and not with providing good services.

This situation is partially derived from the historical development process of the industry in this area. In the past, investors, which were mostly companies (or individuals) making profits from the mining industries, invested in hotels and built seashore apartments for transforming their capital surplus into fixed assets. Large investment to improve services was unnecessary because they had many tourists during

summer season without much effort.

The local hotel industry now faces strong competition with hotels in other areas including Santiago. New beautiful resorts, such as Las Tacas, were developed. They attract people from Santiago and Argentina. This implies that the hotel industry (and the tourism industry as a whole) needs to change its strategy from pure reliance on the natural environment, to the creation of other attractions.

Considering the nature of tourism, it is an industry that is meant to offer enjoyable and comfortable time for tourists. It is therefore far more important to provide good services than beautiful facilities. For example, hotels with rather outdated facilities are still evaluated as the best hotels such as the Ritz in London. In other words, five-star hotels are not categorized as five-star due only to their facilities.

For improving services, it is crucial to know what customers really want. However, at the moment, sufficient and reliable information does not exist in this area. It is therefore necessary to gather more information or raw data on tourists.

A positive aspect is an increase in service awareness among owners of tourism-related businesses in Valparaíso (and La Serena). Some, particularly young, owners of hotels and restaurants are aware of the importance of such services and are developing unique service styles to attract new tourists.

In order to combine these findings into one strategy for further tourism development, the following four points are suggested.

- 1) Foster associations among owners and provide them with technical support to identify tourists' needs;
- 2) Gather basic information on tourism in cooperation with young owners;
- 3) Analyze the collected information with the help of tourism development specialists and formulate further strategy; and
- 4) Feed back the results of the analysis to the participants to improve their services.

The second stage of this strategy will be to share the success stories of the participants with other tourism related actors including elders and citizens. The diffusion of such examples (or success story) is always effective to convince people.

The new, integrated tourism industry will provide different services not individually but as one package as illustrated in Figure 18.4.4. Coordination and cooperation among industries and owners are indispensable for the development of the integrated tourism industry. The difference between the left figure (current industrial situation) and the right (future direction) is this: on the left side, tourism-related industries are operating individually and just waiting for customers; on the right side, actors cooperate and actively approach tourists by creating a comfortable, integrated environment for tourists. The transition can be easily initiated. For example, each hotel could prepare a map of tourist attractions and a list of restaurants, pubs, etc. This small change will provide comfortable services to customers. It is recommended to start what we can do now without huge investment.

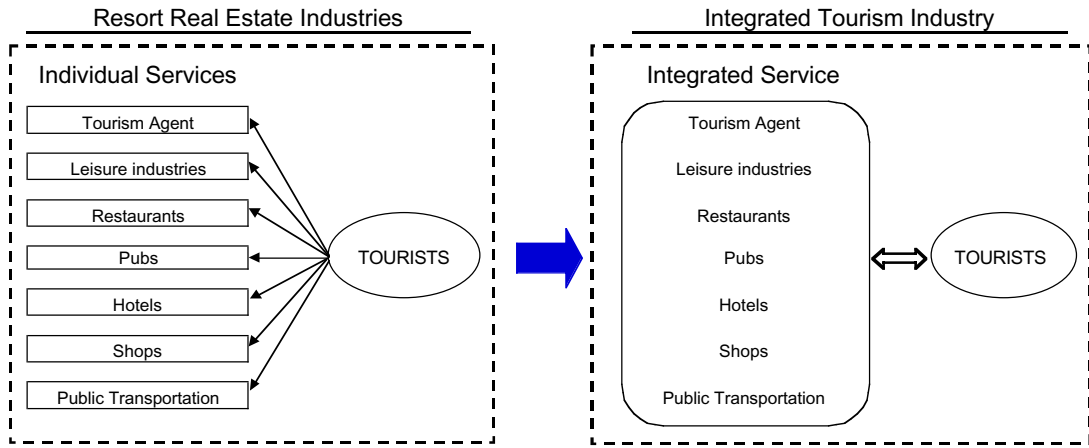


Figure 18.4.4 Transformation of the Tourism Industry

18.5 Action Plans

18.5.1 Increase Demand for the Gateway

(1) Export Promotion of Trade-related Services

Objectives	To promote trade-related services to Argentina, Asia-Pacific countries
Period	2002-
Background	<ul style="list-style-type: none">• Valparaíso has a long history as a gateway and has accumulated knowledge and experience in foreign trade-related industries.• Companies in the Cuyo region of Argentina want to diversify export destinations. However, they have little experience in international markets.• To increase the cargo and business flows is important for the gateway.
Contents	<ol style="list-style-type: none">1) Promotion of the Services Promote trade-related services to the Cuyo region. Chilean companies will work as agents for companies in the Cuyo region to import Asia-Pacific countries' products into Argentina and to export Argentine products to Asia-Pacific countries. Primary exporting services are:<ul style="list-style-type: none">• Trading companies• Customs agents2) Identification of New Exportable Trade-related Services Identify the potential needs of Argentine companies for developing new "exportable" trade-related services such as:<ul style="list-style-type: none">• Phytosanitary control technology• Market information• Training of trade business practices.
Implementation Body	ProChile
Finance	ProChile

18.5.2 Infrastructure Development

(1) Transport Infrastructure Development

1) Improvement of the north-south trunk Route 5

Objectives	<ol style="list-style-type: none">1) To widen Route 5 in Regions IV and V to meet the increasing traffic demand in order to secure integration of regional economy as well as traffic safety.2) To promote “function sharing” between ports by strengthening the north-south corridor along the coast.
Background and Contents	<p>The policy of the Ministry of Public Works (MOP) has set that this trunk road should be widened to a four-lane (dual carriageway) when AADT exceeds 5,000 vehicles a day. Most sections of Region IV have traffic of more than 5,000 vehicles already, but on a two-lane road. The section between La Serena and Coquimbo has an extremely high volume of traffic, AADT 30,000, which exceeds the capacity of a four-lane road (about 50,000 vehicles a day by 2005). Thus, this should be widened soon.</p> <p>MOP started the improvement, operation, and maintenance privatization of Route 5 in 1955 for the southern half section from La Serena to Puerto Montt. MOP intends to apply the privatization scheme to the northern half from Arica to La Serena.</p> <p>In Regions IV and V, the widening of the following sections is important for securing smooth and safe traffic and for regional integration.</p> <ol style="list-style-type: none">1) Widen Route 5 from Los Vilos to Coquimbo into a dual carriageway (four-lane) road with a center median.2) Widen the Coquimbo-La Serena section of Route 5 to a triple carriageway (six-lane) road.
Implementation Body	The widening or improvement of Route 5 will be done under a concession scheme through open bidding by MOP. The concessionaire is responsible for financing, implementation, and operation.
Finance	Financed by the private sector, coordinated by a concessionaire. Investment shall be covered by toll revenues, based on the “beneficiary to pay” principle. MOP will guarantee the minimum revenue.

2) Improvement of the international corridor between Chile and Argentina

Objectives	To make the existing Los Libertadores route (called <i>Sistema Cristo Redentor</i> in Argentina) passable all the year round.
Background and Contents	<ul style="list-style-type: none"> • The main problem of the existing route is occasional closure due to heavy snowfall. In 2000, the route was closed for 40 days. The longest continuous closure was 15 days that brought about an economic loss of US\$3 million. • The Frontier Committee of Chile and Argentina has planned the construction of a snow shelter for the critical spot of 8.5 km in the 1021 m high altitude section at a cost of US\$86 million (US\$41 million from Chile and US\$45 million from Argentina). The implementation of Stage 1 is scheduled between 2001 – 2002 (4.5 km) and that of stage 2 after 2003 (4.0km). • The plan includes route realignment, repaving, bridge rehabilitation and the acquisition of snow-ploughs at an estimated cost of US\$17 million for Stage 1 and US\$20 million for Stage 2. • The project is included in the next five-year plan for both countries and to be implemented as a concession project through international bidding, with the condition of only one operator and a unified toll. The pre-feasibility study has shown that full cost recovery would be possible within 20-23 years. • As the traffic volume is expected to exceed the capacity of this route in 2006, this project is a short-term measure. In the long run, the large-scale improvement or development of alternative routes will be needed as stated in Action Plan 18.5.2 (1) 6).
Implementation Body	Chile and Argentina Frontier Committee. The project is planned as a concession project.
Finance	Concessionaire.

3) Trunk road development to activate the regional economy

Objectives	<p>Longitudinal highway construction between La Serena and San Felipe in order to:</p> <ol style="list-style-type: none"> 1) Support regional development in the mountainous area (<i>Cordillera</i>) of Region IV by providing easy access to international ports and large markets. 2) Provide an alternative route for Route 5 between the Metropolitan Region and La Serena.
Background and Contents	<ul style="list-style-type: none"> • There is a provincial road in the Cordillera of Region IV, but its condition is poor. This area has a sizable population and the main economic activity is forestry, fruit production, and mining. • The government plans to start construction in 2010 as a concession project. However, earlier implementation is recommendable for the economic activation of the area with high potentiality. A feasibility study should be conducted as stated in Action Plan 18.5.2 (1) 6).
Implementation Body	Road Department of Ministry of Public Works.
Finance	Government budget or funds from international cooperation/aid agencies.

4) Improvement of ports and port access

Objectives	<p>1) To expand physical capacity of the international ports of Valparaíso, San Antonio, and Coquimbo.</p> <p>2) To improve accessibility of these ports.</p>
Background and Contents	<p>In accordance with the privatization policy, EMPORCHI successfully transferred management and operations of main national ports to the private sector during the late 1990s. As a result, the efficiency of port operations has improved and the volume of cargoes and cabotage has significantly increased.</p> <p>Valparaíso Port has played the most important role in Chile, as an international gateway in the macro-region of the Central Zone. However, the port will be saturated soon, possibly within ten years, as the space around the port is geographically limited for further development. From a long-term viewpoint, the relative importance of San Antonio and Coquimbo will increase. In these three international ports, the main issues to meet the demand increase are expansion of wharves, modernization of cargo handling machines, expansion of container yard/depot, and improvement of access roads.</p> <p>Besides these three ports, important issues in these regions are the development of Los Andes Dry Port and Quintero/Puchuncavi Ports.</p> <p>1) Valparaíso Port</p> <ul style="list-style-type: none"> • Remodeling of 2 container berths (2 & 3) with 4 gantry cranes. • Modernization of 2 multi-purpose berths (4 & 5) with seismic reinforcement. • Reinforcement of 2 multi-purpose berths (6 & 7) by gravitational walls and concrete beams for cranes. • Construction of 4 berths at the Costanera Baron area. • Construction of the new access road called Camino de la Polvora. <p>2) San Antonio Port</p> <ul style="list-style-type: none"> • Modernization of container handling machines in South Pacific Terminal (US\$36 million). • Introduction of 4 additional gantry cranes in 3 stages. • Development of new yards for containers and general cargo by demolishing old warehouses. • Multi-modal transport system by CODELCO (US\$150 million). • Construction of a new access toll road by a concession scheme. <p>3) Coquimbo Port</p> <ul style="list-style-type: none"> • Extension of the mooring place and platform improvement (US\$7.7 million). • Expansion of the fish processing site (US\$1.6 million).
Implementation Body	<ul style="list-style-type: none"> • Expansion is basically implemented by respective concessionaires according to the contracts. • Non profit facilities such as channels and breakwaters will be developed by the government. • Access roads are developed by the private sector under a concession scheme, except for Coquimbo Port, which will be implemented by the local governments.
Finance	<ul style="list-style-type: none"> • Financed by the private sector and coordinated by the concessionaire. • Investment shall be covered by a port charge based on the “beneficiary to pay” principle. • The access road of Coquimbo will be financed by the central and local governments.

5) Comprehensive study on physical distribution

Objectives	<ol style="list-style-type: none"> 1) To develop long-term policies and strategies to obtain the most rational and economical modal share in cargo and passenger transportation. 2) To set up a guideline for transport infrastructure development by a PFI scheme. 3) To prepare a database for transport planning.
Background and Contents	<p>A transportation database has been fairly well developed in Chile by the Road Department of the Ministry of Public Works (MOP). However, a comprehensive database of commodities and passengers is not available. A broad survey on cargo and passengers should be conducted, covering all modes of transport. The medium- and long-term transport policy and strategy should be developed based on the resulting database together with transport cost data and other relevant information. The study shall cover the following items:</p> <ol style="list-style-type: none"> 1) Survey and analysis of present conditions. 2) Database building on the transport demand and transport facilities. 3) Future transport demand analysis. 4) Establishment of basic policies and strategies on major transport issues. 5) Formulation of long- term development strategies. 6) Formulation of a short- term development plan and project. 7) Overall recommendation.
Implementation Body	<p>Implemented by SECTRA under steering by Ministry of Public Works (MOP), Ministry of Transport and Telecommunications (MTT), and other relevant agencies.</p>
Finance	<p>Government budget with cooperation of international agencies or bilateral technical cooperation.</p>

6) Feasibility study on strategic projects for transport corridor development

Objectives	To conduct feasibility studies on strategic projects for transport corridor development, especially to strengthen gateway functions of the macro-region of the Central Zone, with the purpose of establishing consensus among countries or agencies related to the projects.
Background and Contents	<p>There have been many ideas and studies on trans-Andes route projects. However, most of them emphasize technical and engineering aspects, paying less attention to social, economic, financial, and environmental aspects. Feasibility studies taking a comprehensive approach are needed for several projects, which may contribute to strengthening the gateway functions of the macro-region of the Central Zone.</p> <p>1) Comparative Study of Trans-Andes Route in the Macro-Region of the Central Zone</p> <p>In the macro-region, there are several routes to develop such as Los Libertadores route, Las Lenas route, and Aguas Negras route and each route has several alternative ideas for improvement or development. At the moment, most of the traffic between Chile and Argentina takes the Los Libertadores route. This route was closed for 40 days in 2000 due to heavy snowfall and reportedly traffic volume will increase to over its capacity by 2006. There is no official decision agreed upon by the two countries on how to secure a year-round route and how to increase the capacity. A comparative study on advantages and disadvantages of every possible alternative is urgently recommended.</p> <p>2) F/S on La Serena – San Felipe Road</p> <p>In Region IV, there is no longitudinal highway in the inner mountain area, which is densely inhabited and productive in fruits, vegetables, and wood. This route could be an alternative route to Route 5 from the Metropolitan Region to La Serena. The Ministry of Public Works (MOP) has a plan to develop this route. A feasibility study should be conducted urgently on this project. The effects on regional development should be focused on in the study.</p> <p>3) F/S on Reactivation of Los Andes – Mendoza Railway</p> <p>The international railway between Los Andes and Mendoza terminated train operations in 1980. According to a recent study, the railway could be reactivated at a low cost of US\$120 million, utilizing old bridges and tunnels with minor rehabilitation. As the study is still preliminary, the project will need and is worth a further in-depth study on its economic, financial, engineering and environmental feasibility.</p>
Implementation Body	<p>1) Chile and Argentina Frontier Committee, Ministries of Public Works, and Ministries of Transport of the two countries.</p> <p>2) Ministry of Public Works/SECTRA.</p>
Finance	<p>1) Development study fund from international organizations or bilateral aid agencies.</p> <p>2) Governmental budget or development study fund from international organizations or bilateral aid agencies.</p>

7) Impact study of IT revolution on port functions and related industries

Objectives	To study the impact of IT revolution on functions and activities of ports and port-related industries by investigating international ports in developed countries in order to incorporate such an impact into various plans in advance or to take countermeasures to minimize negative impacts.
Background and Contents	The advancement of information technology (IT) will broadly affect port functions and activities and port-related industries. Port cities such as Valparaíso, San Antonio, and Coquimbo will be forced to change drastically in many social and economic aspects. It is an urgent and important task to study and foresee such an impact and to take countermeasures to comply with the new situation. The study should include: 1) Case Study of impact by IT in selected port cities of the world. 2) Development of an impact checklist. 3) Analysis of causal relationship between IT and its impact. 4) Evaluation of the impact. 5) Possible countermeasures to minimize negative impacts.
Implementation Body	Ministry of Transport and Telecommunications (MTT) and SECTRA in cooperation with established research institutes and universities.
Finance	Governmental budget or development study fund from international organizations or bilateral aid agencies.

(2) Study of the Infrastructure Investment Scheme to Accelerate Infrastructure Development of Valparaíso Port

Objectives	To accelerate the development of the port access road to Valparaíso Port by modifying concession schemes and/or developing new investment schemes.
Background	1) It is indispensable to accelerate the development of the port access road, Camino de la Polvora, to maintain and enhance the competitiveness of the Valparaíso port. Due to the geographical features, however, the development of access road becomes costly. 2) Under the existing port concession scheme, the concessionaire cannot invest in port access roads while they feel it necessary to develop them to increase cargoes and improve their operations. 3) There are some sectors such as land transportation that can get direct benefit from the development of the port access road.
Contents	1) Study of the Modification of Concession Scheme Study the possibility of amendments of the current port concession scheme to make it possible for the port concessionaire to invest in the access road to Valparaíso Port. 2) Study of New Investment Schemes Study the possibilities of new investment schemes in which beneficiaries (in addition to the port concessionaires) can participate in the development of access roads, e.g., bond issuing.
Implementation Body	<ul style="list-style-type: none"> Ministry of Finance, Ministry of Transportation and Telecommunications, Ministry of Public Works, and the Business Management System (SAE) These organizations possibly hire transportation infrastructure development specialists, for example, from Transportation Engineering School, Engineering Department of University Católica de Valparaíso.
Finance	Governmental budget

18.5.3 Logistics Sector Reinforcement

(1) Integrated Port Sales

Objectives	<ol style="list-style-type: none"> 1) To promote all services of Valparaíso Port as high quality integrated service to cargo owners for increasing cargo volumes. 2) To share the costs of regular promotion activities among industries related to Valparaíso Port.
Background	<ol style="list-style-type: none"> 1) Cargo owners choose their export ports by considering total services received as well as the total cost. Until recently the industries related to Valparaíso Port tended to do port sales activities separately. 2) Argentine companies have little information on Chilean ports. 3) It may be difficult to win cost competition with Buenos Aires due to significantly lower cost of land transportations within Argentina. However, Argentine companies evaluate Chilean ports for the reliability of services and security. It is better to compete by emphasizing high quality services instead of lower costs only. 4) Regular contact with cargo owners for negotiation and to identify their needs is the key to successful port sales activities.
Contents	<p>Stage 1 (Short-term)</p> <ol style="list-style-type: none"> 1) Establishment of Port Sales Society Establish a “Port Sales Society (draft name)” consisting of public and private actors related to the Valparaíso port such as the Port Company of Valparaíso (EPV), Terminal Pacifico Sur (TPS), Chilean Truckers’ Association, SITRANS, SAAM, and customs agents. The society will work on: <ul style="list-style-type: none"> • Joint promotion tours to target countries. • Joint research on the demand and requirements of cargo owners. • Improvement of inter-relationships among members. 2) Sales Promotion Promote high quality integrated services of industries related to the Valparaíso Port by focusing on the qualities of services based on the long experiences and the stability of society such as: <ul style="list-style-type: none"> • Reliability • Security • Punctuality. 3) Promotion Tools Facilitate integrated sales activities by preparing, for example: <ul style="list-style-type: none"> • Master Homepages (lined to the homepages of society members). • Common logo marks for name cards and brochures of member companies. <p>Share the costs of promotion among the members of the Society.</p> <p>Stage 2 (Mid-term)</p> <ol style="list-style-type: none"> 4) Sales Office in Argentina Establish joint sales offices of Valparaíso Port in Argentine cities for regular contact with exporters and importers. Share the maintenance costs of the offices between the member of the Port Sales Society.
Implementation Body	<ul style="list-style-type: none"> • EPV will take a leading role in the Port Sales Society. • ProChile will help promotion activities in foreign countries.
Finance	<ul style="list-style-type: none"> • Participating companies and agencies will finance this activity in the form of membership fees and others.

(2) Incorporation of SMEs to the Total Logistics Information System

Objectives	To increase the competitiveness of Valparaíso as a gateway by facilitating coordination across logistics related sectors by incorporating SMEs, e.g., truckers into an IT based total logistic information system.
Background	<ol style="list-style-type: none"> 1) IT based operation and information systems are the key to increasing quality services as well as opportunities to decrease the total cost by streamlining logistics management. 2) In May 2001, the Port Company of Valparaíso (EPV) started an inter-sector integrated information system, the Valparaíso Logistic Trade (VLT), about cargo movements with Terminal Pacifico Sur (TPS), the Association of Exporters of Chile (Asoex), and the Chamber of Commerce of Santiago. Chile's customs office is implementing a web-based information and documentation system called "Isidora" for import/export companies. Large logistics companies such as SITRANS have individual systems for cargo locating that are connected to the VLT. These new IT based operation/information systems are expected to improve the efficiency of total logistics management related to Valparaíso Port. 3) However, there are many SMEs and self-employed actors in the land transportation sector such as individual truckers that cannot afford individual information systems. The incorporation of these SMEs into the total logistics management is a key to increasing the competitiveness of Valparaíso as an international gateway.
Contents	<ol style="list-style-type: none"> 1) Incorporation of SMEs Encourage the use of cargo information systems by small and medium sized land transportation companies by advocating the importance of information in the logistics sector. Facilitate the incorporation of the SMEs into IT based operation and information systems through the following organizational patterns (Also see Figure 18.4.3): Pattern A: Strategic alliance between large and small companies Formulate strategic alliance between large transportation companies and small truck companies. Pattern B: Cooperative Establish a cooperative among SMEs to introduce information systems for the members. Pattern C: Management company Establish a company that is in charge of managing cargo movements for small and medium land transportation companies as a business. 2) Technical Targets Short-term: All truckers have mobile phone/ wireless contacts with IT equipped control centers connected to other information systems. Mid- to long-term: Majority of trucks will have a GPS (Global Positioning System) tracing system.
Implementation Body	<ul style="list-style-type: none"> • The Port Company of Valparaíso (EPV) and Chilean Truckers Association will take leading roles.
Finance	<ul style="list-style-type: none"> • Basically financed by each private company. • CORFO's PDP (with some modifications) to Pattern A. • CORFO's PROFO (with some modification) to Pattern B. • Pattern C will be developed as an investment project.

18.5.4 Disseminate the Image of Valparaíso as an Open and Dynamic International Gateway City in Asia and the Pacific

Objectives	To disseminate and establish the image of Valparaíso as an international gateway city in Asia and the Pacific to attract investors and tourists.
Period	2002-2006
Background	<ol style="list-style-type: none"> 1) Even though it is the main gateway of Chile, Valparaíso is badly positioned in the consciousness of Chilean people including many residents of the city, e.g., a “dirty” and unattractive city. 2) Due to such a bad image, the city can hardly attract high quality investors and tourists even from other regions of the country and, needless to say, from Asian and Pacific countries. 3) However, Valparaíso is an open and dynamic gateway city with a number of strengths.
Contents	<ol style="list-style-type: none"> 1) Consolidation of Valparaíso’s Good Image Consolidate the good image of Valparaíso as a gateway city by highlighting such strengths as: <ul style="list-style-type: none"> • Rich ethnic heritage and international business tradition • Beautiful landscape and historical architecture • Accumulated know-how and experience in port-related services • Close to Santiago, the economic center of Chile • Highly qualified human resources • Good climate and beautiful coastal lines • Political stability and transparency 2) Public Awareness Enhancement Improve the consciousness of the people living and working in Valparaíso about the city through: <ul style="list-style-type: none"> • City planning competition with their participation • Training for residents to become volunteer tour guides • Questionnaire surveys, open forums, group discussions, etc. 3) Image Dissemination in Asia and the Pacific Disseminate Valparaíso’s image as an open, dynamic, and culturally rich international gateway city through: <ul style="list-style-type: none"> • Chilean Ambassadors to Asian countries • ProChile Offices in Asian countries • Public and private missions that visit Asian countries • Inclusion into the World Heritage List (the government must accelerate the process for nomination by UNESCO) • Web-site in English-language (Japanese website better for Japan) Dissemination materials include investment promotion information, guidebooks, CDs, videos, posters, TV, radio, etc.
Implementation Body	<ul style="list-style-type: none"> • The regional or provincial government or municipality coordinates all activities. ProChile is in charge of image dissemination in Asian countries.
Supporting Organization	<ul style="list-style-type: none"> • The implementation body should seek technical assistance from Valparaíso Foundation, whose activities include cultural tourism promotion, the restoration of historical architecture, film festivals, raising national and international consciousness about the city, etc.
Finance	<ul style="list-style-type: none"> • The regional and provincial governments, the municipality, the Port Company of Valparaíso (EPV), CORFO, ProChile, SERNATUR, the Regional Chamber of Commerce, Production and Tourism (CRCPT), and regional universities.

18.5.5 Establishment of the Joint Research Institute for Regional Integration

Objectives	To establish a business-oriented research institute as a core function of the integrated gateway, which studies practical subjects concerning regional integration between Argentina – Chile – Asia-Pacific countries.
Period	2002-2006
Background	<ol style="list-style-type: none"> 1) Valparaíso City has a long history as a gateway between South American countries and Asia-Pacific countries. The city is a candidate to establish a joint research institute for regional integration between Argentina-Chile and Asia-Pacific countries. 2) Historically, Argentina and Chile had some conflicts. However, two countries especially Cuyo region and Region V have similar natural environment and cultural inter-exchanges. Under the new reality of regional integration, there are many common benefits in business developments. 3) There are many academics studying regional integration in Chile. Until recently, they tended to work individually. Regarding the complexity of regional integration process, interdisciplinary study environment will be preferable. 4) There are universities with good reputations in Valparaíso. These universities will be precious resources for research activities. 5) Valparaíso locates only 1.5-hour distance from Santiago. In addition, the city has historical sites and beautiful beaches. The characteristics indicate the potential of Valparaíso city as a comfortable environment for researchers within Chile and from other countries.
Contents	<ol style="list-style-type: none"> 1) Establishment of a Joint Research Institute Establish a joint research institute between Chile and Argentina that provides interdisciplinary research environments for researchers. The institute specializes in aspects related to regional integration especially focusing on the measures of deepening international relationship between Argentina (specially the Cuyo region) – Chile – Asia-Pacific countries in the areas of: <ul style="list-style-type: none"> • Possibility in business complementation • Consumer Market researches in Asia-Pacific countries • Asian production trend such as of China • International division of labor • Trade conflict between Chile/Argentina and Asia-Pacific countries • International logistics development • Phytosanitary issues in Asia-Pacific countries • Social and cultural changes. To invite researchers from Argentina and also Asia-Pacific countries such as Japan for research projects
Implementation Body	<ul style="list-style-type: none"> • Chilean government with cooperation of Argentine governments. • Center of Studies of the Region of Valparaíso (CER) will support the establishment by coordinating 4 traditional universities in Valparaíso.
Finance	<ul style="list-style-type: none"> • Chilean government, Argentine government, and possibly international donor agencies for the initial cost of the establishment. • Aim at the self-supporting organization by providing consulting service for governments and private industries based on contracts in operational stages.

18.5.6 Transformation of Tourism into Integrated Service Industries through Organizing Young Entrepreneurs

Objectives	To transform each tourism-related industry into the integrated service-oriented industry to improve the attractiveness of Valparaíso as a gateway city.
Background	<ol style="list-style-type: none"> 1) The tourism industry of Valparaíso started as resort real estate industries for vacationers. Industries related tourism such as hotels, restaurants, pubs, and transportation services work individually. However, some young owners of tourism-related establishments are aware of “tourism as an integrated service industry.” 2) The tourism industry as a whole has not make the most of the advantages of Valparaíso and Viña del Mar; a 2-hour distance from Santiago, rich cultural and historical heritages, good natural environment, and so forth. To utilize these resources is a key to the development of year-round tourism. 3) It is important to make Valparaíso more attractive to tourists coming to Valparaíso Port by cruiser ships, who usually pass the city and directly go to Santiago. 4) There is a lack of objective or numerical data about tourists of Valparaíso, which is indispensable to formulate specific and effective tourism development strategies. 5) Tourism is related to many service industries and labor-intensive (thus can contribute employment creation). The development of tourism-related industries is expected to contribute to developing other service industries and alleviating the unemployment problem.
Period	Trial Stage 2002-2003; Diffusion Stage: 2003-
Contents	<p>Trial Stage (Short-term):</p> <p>A: Customer Identification</p> <ol style="list-style-type: none"> 1) Organization of Entrepreneurs Organize young entrepreneurs of tourism-related industries such as hotels, restaurants, and transportation. The members should be those who are aware of the importance of services and enthusiastic about integrated tourism in Valparaíso and Viña del Mar. 2) Customer Analyses through Daily Operations Provide technical support and give them knowledge on tourism services development Collect tourism information through their daily activities about: <ul style="list-style-type: none"> • Sex and age • Place of residence • Purpose of visit • Favorite attraction • Spending money • Length of visit • Service needs, etc. <p>B: Identification of Potential Tourist Attractions</p> <ol style="list-style-type: none"> 3) Research for Potential Attractions Identify and evaluate the tourist attractions supported by specialists from different areas such as; <ul style="list-style-type: none"> • Architects and town planners • Foreign tourism agencies • Airlines • Foreign hotel companies <p>C: Feedback</p>

	<p>4) Feedback and Service Improvement Gather information on customers from the members and share the information with them to improve service quality. Feedback the results of the potential tourist attractions identification to the members.</p> <p>Diffusion Stage (Mid to Long-term)</p> <p>5) Sharing Experience Share success stories of the members with other tourism related industries so that they can be aware of the importance and selling points of tourism development.</p> <p>6) Application Apply the same procedure to other geographic areas.</p>
Implementation Body	<ul style="list-style-type: none"> • SERNATUR Region V will act as a coordinator of the activities. • Fundacion Valparaíso will support the activities based on its projects and strong relationships with foreign organizations. • CPYME of University Federico Santa Maria will support the activities based on the relationship with the Italian Touring Club.
Finance	<ul style="list-style-type: none"> • Regional Tourism Council. • SERNATUR and the Regional Chamber of Commerce, Production and Tourism (CRCPT) will support the activities.

18.6 Applicability of Action Plans

18.6.1 Applicability of Action Plans to Other Cities

Other main ports (and port cities) of the Central Zone, San Antonio and Coquimbo, have characteristics similar to those of Valparaíso in some aspects. Therefore, some strategies may also be applicable to these cities. The strategies proposed for Valparaíso are applicable to other cities but with different priorities due to the distinct conditions of each city (Table 18.6.1).

Table 18.6.1 Strategies and Applicability to Other Areas

	San Antonio	Coquimbo
1. Increase demand for the gateway	A	A
2. Infrastructure Development	A	A
3. Logistics Sector Reinforcement	(A)	(A)
4. Diffusion of the Good Image of Valparaíso	L	(A)
5. Research for Regional Integration		
6. Tourism Development	L	A

Notes: A = applicable P = partially applicable L = low priority.

- The “Increase demand for the gateway” strategy is applicable to both cities. However, the target provinces in Argentina will be different. The target province for Region IV will be San Juan, while for Valparaíso and San Antonio it will mainly be Mendoza.
- Infrastructure development is necessary in all areas. Priority projects for each area are shown in the action plan in Section 18.5.
- Logistics sector reinforcement is important for Chile. The idea of the first action plan, integrated port sales, is also useful to other two areas. The second action plan, incorporation of SMEs to the total logistics information system, is recommended to start in the Valparaíso area, where modernization of transport operations and the introduction of IT systems are in progress. The experience gained from this incorporation process will be diffused to other areas. In Coquimbo, it may have low priority due to the low cargo volume. It is necessary to increase cargo volume and develop related industries.
- The diffusion of a good image is also important to La Serena. It is suggested that the city should identify its strengths and diffuse them to other countries, as well as other regions in Chile. It will be a basis of tourism development.
- Tourism development is given high priority in Region IV. Region IV has a rich natural environment such as beautiful beaches and clear skies, which makes La Serena one of the key places for astronomy. However, the tourism sector has not been fully developed. San Antonio City is on the way to develop the port as a core industry. Therefore, this strategy has low priority for San Antonio.

18.6.2 Application of Action Plan

This section applies the action plan for tourism development that was formulated based on the study in Valparaíso to La Serena. This is because the tourism industry is one of the most important industries in Region IV. Taking the existing conditions and advantages of La Serena into consideration, an action plan for tourism development in La Serena is proposed as shown in the next page.

(1) Transformation of Tourism into a Service-oriented Industry Targeting at Specific Customers in La Serena

Objectives	To transform each tourism-related industry into a service-oriented one.
Background	<ol style="list-style-type: none"> 1) The tourism industry in La Serena started as resort real estate industries for vacationers. Tourism-related industries, such as hotels, restaurants, pubs, and transportation services, work individually. There is little awareness about “tourism as an integrated service industry.” 2) There are many competitive (or potentially competitive) tourist attractions in Region IV, such as beautiful beaches and clear skies, which makes La Serena one of the key places for astronomy. To utilize these resources is a key for year-round tourism. 3) At the moment, people coming to Coquimbo Port by cruiser ships tend to pass through the city and go to the valleys. It is important to make La Serena attractive for these tourists to get more revenues. 4) Tourism is related to many service industries and labor-intensive (thus can contribute employment creation). The development of tourism-related industries is expected to contribute to developing other service industries and alleviating the unemployment problem.
Period	Trial Stage 2002-2003; and Diffusion Stage 2003-
Contents	<p>Trial Stage (Short-term):</p> <ol style="list-style-type: none"> 1) Customer analyses through daily operations Provide technical support and give them knowledge on tourism services development Collect tourism information through their daily activities about: <ul style="list-style-type: none"> • Sex and age • Place of residence • Purpose of visit • Favorite attraction • Spending money • Length of visit • Service needs, etc. 2) Specific marketing for target customers Identify target customers for existing attractions such as: <ul style="list-style-type: none"> • Clear skies for astronomy • Cultural tourism 3) Feedback and service improvement Gather information on customers from members and share the information to members to improve service quality. Feedback the results of the potential tourist attractions identification to the members. <p>Diffusion Stage (Mid to Long-term):</p> <ol style="list-style-type: none"> 4) Sharing experience Share success stories of the members with other tourism related industries so that they can be aware of the importance and selling points for tourism development. 5) Application Apply the same procedure to other geographic areas.
Implementation Body	<ul style="list-style-type: none"> • SERNATUR Region IV • Existing tourism PROFO would be first trial group of the strategy
Finance	SERNATUR