

Current Trends in Port Governance

**By
Geraldine Knatz
Professor of Practice
USC**

What is Governance?

- Exercise of authority to allocate and manage resources in society and economy
- Transport infrastructure must be governed so it is systematically and reliability available to users
- Two components- ownership and operations

Effective Governance Hard to Assess

- Consistent and Reliable Service
- Capital effectively used for development/expansion
- Competitive
- Stable

Why is Port Governance important?

- Competitive advantage
- Understanding the dynamics of decision making

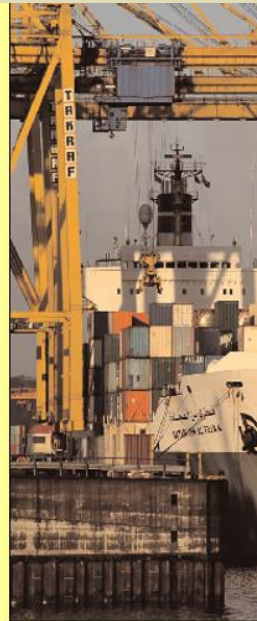
Trends In Governance

- Growing Tendency toward Privitization
- Shifting Boundaries between what is public and private
- Private Provision of Public Services
- Globalization of Port Service Providers

What Drove The Trend toward Privatization?

- Margaret Thatcher
- World Bank Port Reform Tool Kit

Module 4 Legal Tools for Port Reform



Terminal Operations changes in:

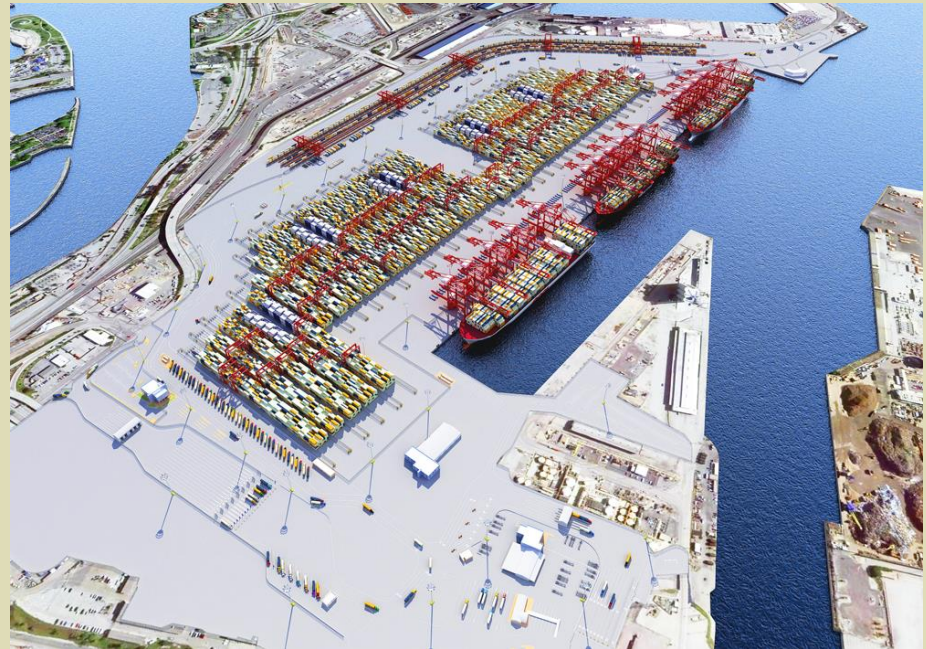
- Horizontal integration
- Vertical Integration

What's Driving Change Today?

Competition!

- Shifting Trade Patterns
- Global Ocean Carrier Alliances

Terminals are the focus of competitive strategy. Decisions on where to call are global.



Traditional Motivations for Port Cooperation among Competing Ports

- Hinterland Infrastructure funding
- Cost-Sharing Technical Studies
- Security/ Environmental Funding

- New models of Port Cooperation- why?

Ports are now also motivated by

- Increased competition
- Optimize financial investments
- Survival
- Reputational Risk

Strategies to Respond to Market Risk

- Development of strategic hubs
- Cooperative agreements facilitated by FMC approved discussion agreement
- Mergers

Japanese Ports Strategic Hubs



- Keihin Ports on Tokyo Bay
- Osaka Bay

Recent Port mergers:

- **Copenhagen –Malmo, 2001**
- **Ningbo and Zhoushan, China, 2006**
- **Port Metro Vancouver (Vancouver BC, Fraser River, North Fraser River, 2008**
- **Caen-Ouistreham and Cherbourg, France, 2008**
- **Seattle/ Tacoma cargo ops. 2014**

Merger recommendations/ studies/or attempts:

- **Los Angeles/Long Beach,
various proposals over
past century**
- **Amsterdam/Rotterdam,
2013 OECD**
- **Houston/Galveston, 2001**

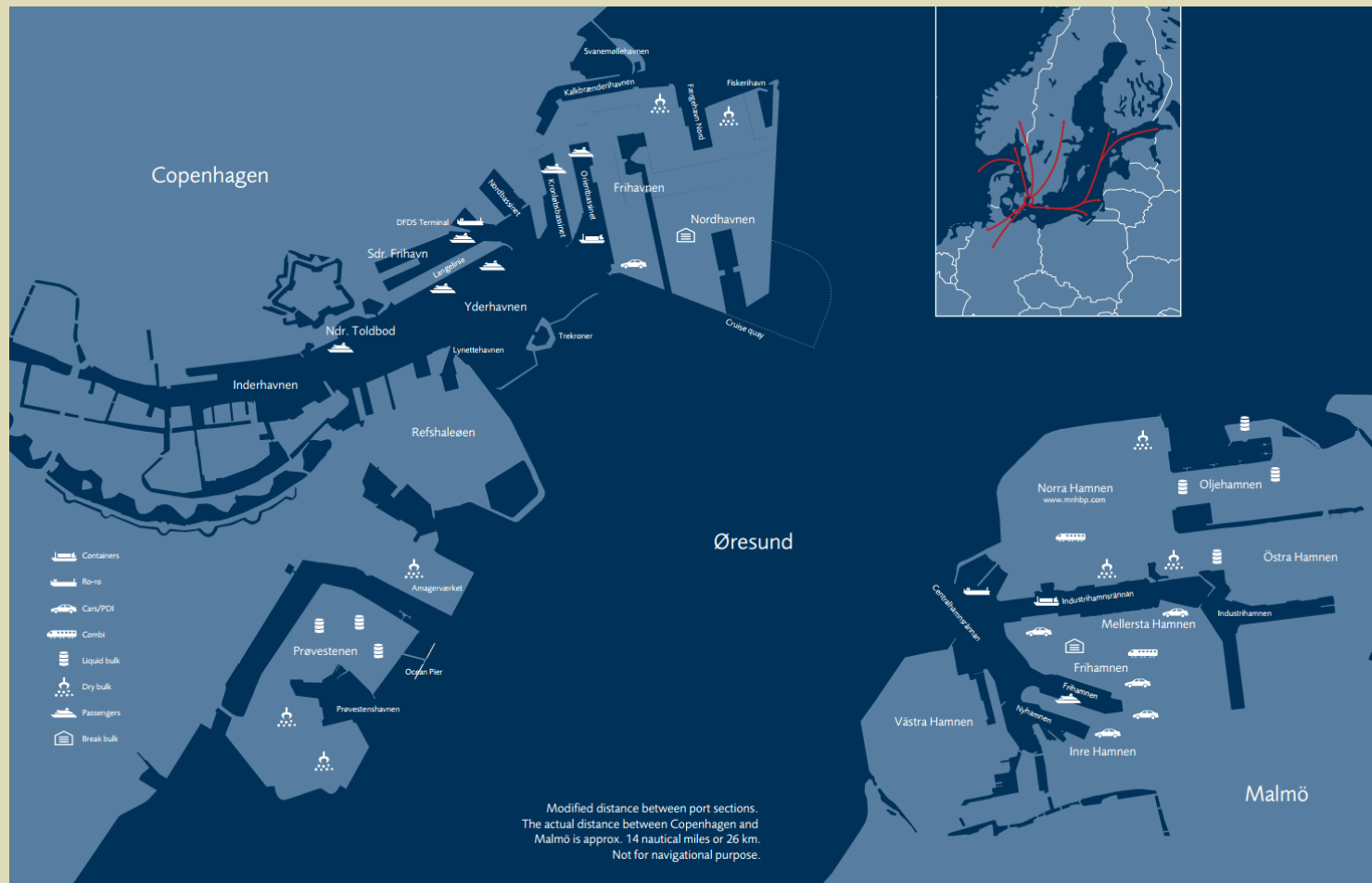
PORT METRO VANCOUVER



Motivations For Creation of Metro Vancouver:

- **Merger of Vancouver, Fraser River and North Fraser River Ports in Jan 2008.**
- **Pushed by Vancouver at a time national government wanted to minimize investment in dredging Fraser River**
- **Better land use planning & utilization**
- **Extended union workforce jurisdiction**

Copenhagen Malmo- a Merger of Denmark and Sweden Ports

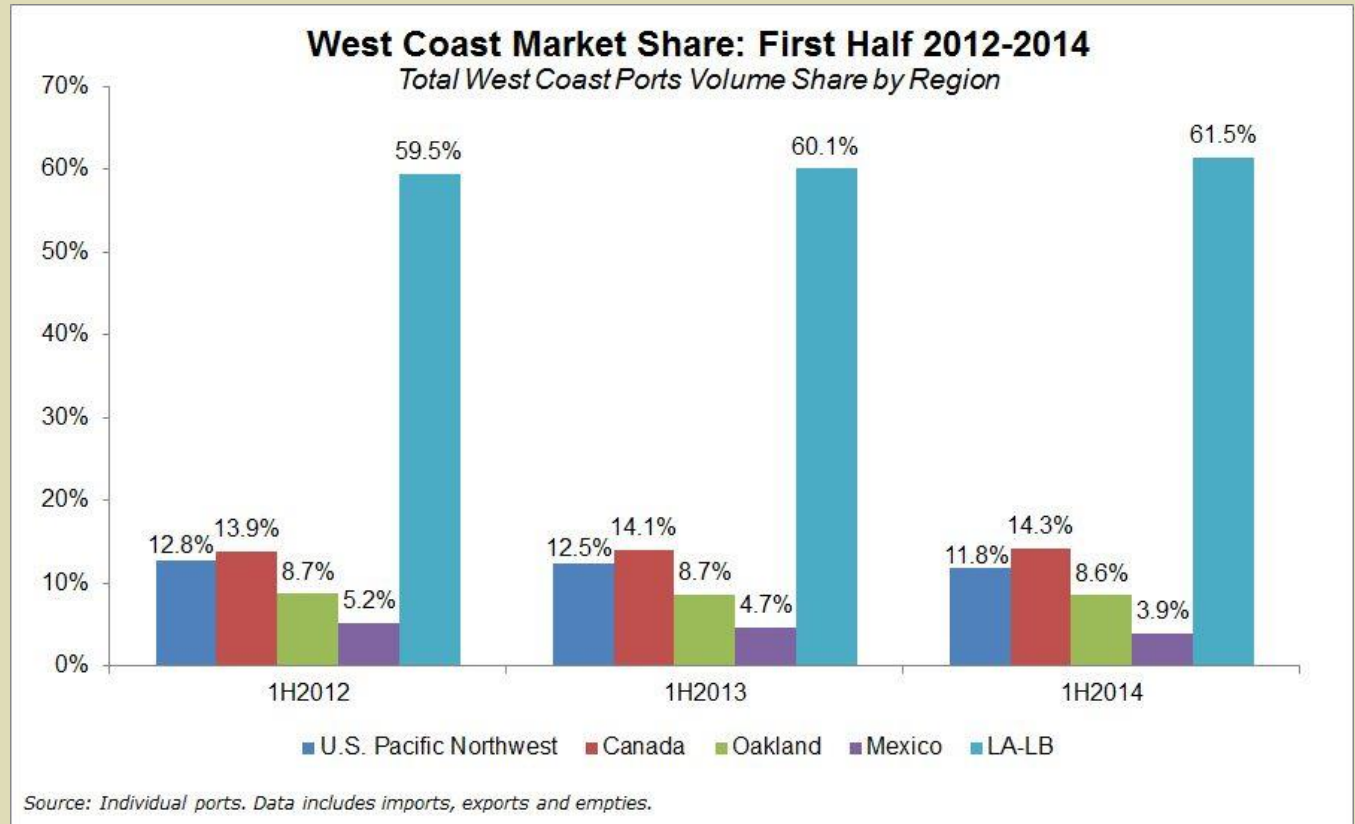


Seattle/Tacoma Cargo Operations



**October 2014-
Port Boards
agree to merge
cargo
operations, split
expenses and
revenues equally.**

The Northwest Seaport Alliance of Tacoma/Seattle



KEY STRATEGIC FINDINGS FOR THE PNW GATEWAY



Inadequate capability to handle multiple ultra-large container ships

- Too many small terminals that do not fit the strategic requirements for handling big ships.



Formation of mega-alliances

- Consolidation of ports and terminals
- Shipping lines divesting of terminals



Excess terminal capacity

- Too many acres dedicated to containers

PRESENTATION OVERVIEW



Recent industry changes drive actions to stay competitive



Optimized infrastructure investment strategy



Customer focused solutions to become the gateway of choice

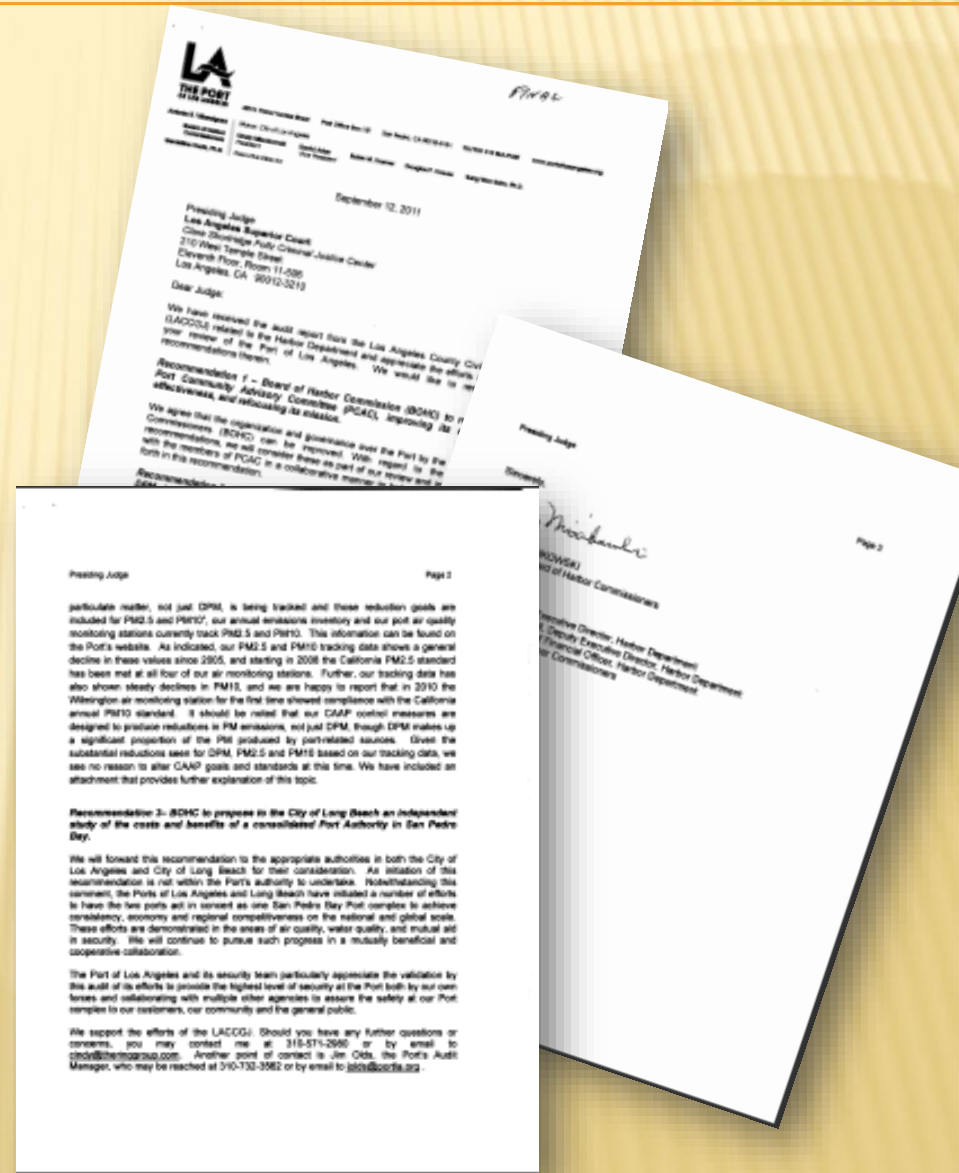
Recent Recommendations regarding LA/LB Governance

- Mergers have been proposed numerous times over the past century
- 2010-2011 LA County Grand Jury recommendation
- Los Angeles 2020 Commission recommendation, April 2014

LOS ANGELES CIVIL GRAND JURY REPORT 2011

“Board of Harbor Commissioners to propose to City of Long Beach the commissioning of an independent study of the costs and benefits of a consolidated Port Authority”.

PRESIDENT OF THE BOARD
OF HARBOR
COMMISSIONERS IN A
SEPTEMBER 12, 2011
LETTER TO GRAND JURY
RESPECTFULLY DECLINED.



2020 LA COMMISSION REPORT, April 2014

- **Joint Powers Agreement (JPA) to manage future strategy and direction as well as capital planning and rate setting**
- **should be a true 50-50 collaboration**
- **governing board comprised of equal representation appointed by the Cities of LA and Long Beach.**

COMMON FACTORS AMONG MERGED PORTS

- **Merger suggested from within**
- **Supported by Port Directors and Board indicative of being advantages for each port**
- **Generally complementary not competitive operations (Copenhagen Malmo, Metro Vancouver, Houston Galveston)**
- **Study done of benefits**

San Pedro bay supply chain efficiency committee

- FMC discussion agreement
- Began in March 2015
- 7 working groups

Port of New York/ New Jersey Governance Challenges

- Post Bridge-gate governance reforms
- Legislation
- Focus on Core Mission-moving people and goods.
- Sell real estate (WTC)

KEEPING THE REGION MOVING

A report prepared by

**The Special Panel on the Future of the
Port Authority**

for

The Governors of New York and New Jersey

December 26, 2014

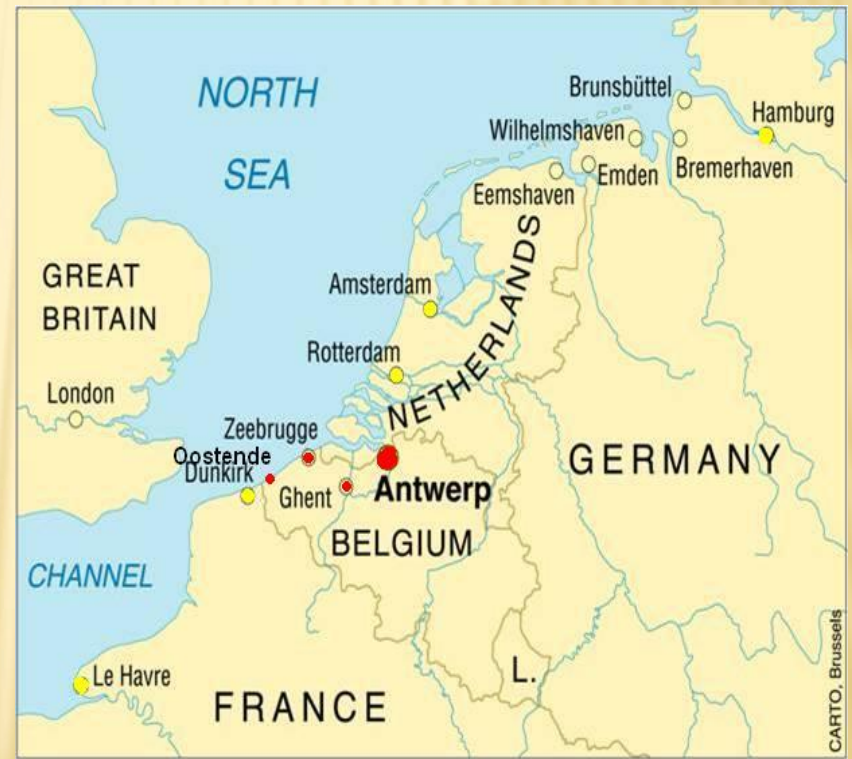


*The Port
Authority of
New York and
New Jersey*



Flanders Area Ports

- Launched in 2007
- Failed and Relunched in 2012



When the market power of its customers is perceived as stronger than the ports market power, an environment to consider greater collaboration with ones competitors is created.



How do you define success?

- **Achieve efficiencies (land use, productivity, staffing, reduced overhead, eliminate duplication of services & facilities, reduction in need for government services or funding, etc.)**
- **Become more competitive (negotiating strength, prevent customers from playing one port off another, increased cargo volumes, more jobs, etc.)**

WHAT DOES THE FUTURE HOLD?

- **Merger of Cosco and China Shipping?**
- **Merged Terminals?**
- **More Port Governance Changes?**