Port Governance in the Western Hemisphere; Issues and Trends

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Major Themes

1. Privatization
2. Federalization
3. Regionalization
4. Redefining the public enterprise
5. Partnerships
   - Public/private
   - Public/public
Institutional Setting—US Ports

1. Weak federal role, based on constitutional limitations
2. US public port as a public enterprise established in early 20th century
3. Over 300 commercial ports--126 subject to public port governance
4. Public ports part of state, bi-state, county or city government, or special district
5. Public ports governed by elected (30%) or appointed boards (70%) which hire executive director and direct corporate policy
   - Role of port board and definition of “policy” challenges effective board/management relations
6. Most US ports (41) lease facilities “landlord ports;” 30 are operating ports; and a smaller number (6) both lease and operate.
Public Ports as Public Enterprise
Charged with doing the public’s business on a dynamic accountability/autonomy balance

Self-sustaining
- Strong Competitive Position
- Coherent Strategic and Business Plans

Subsidized
- Env’t and Quality of Life Concerns
- “Big Fish in Small Pond”
- Governance/Mgmt Controversy

Autonomy
Enterprise
Public
Accountability
Institutional Setting—Canadian Ports

1. Strong historical role of federal government in port development

2. 1998 Canada Marine Act—limited federally defined powers granted to Canadian Port Authorities
   - A CPA is an agent of the Crown for port activities related to shipping, navigation, the transportation of passengers and goods and the storage of goods
   - CPAs may engage in other activities related solely to maritime functions but only with the prior approval of the federal government

3. CPAs are required to be financially self sufficient with no recourse to the federal government except in emergency.
   - Each CPA must pay an annual charge to the Crown.
   - Surpluses at each port will not be distributed but may be re-invested in the ports.
   - CPAs must also pay payments in lieu of taxes to municipalities
Canadian Port Governance

1. CPA governing boards consist of 7 to 11 directors who "shall have generally acknowledged and accepted stature within the transportation industry or the business community and relevant knowledge and extensive experience related to the management of a business, to the operation of a port or to maritime trade."

2. User groups, carrier groups, municipalities, provinces and the Government of Canada nominate each member of the board, with appointments made by each level of government.

3. Structure may in fact facilitate nature of trade today—regional, multimodal gateways.
Canada’s Gateway Ports and Intermodal System: Seizing Opportunities
An Evolving Institutional Setting in Latin American and the Caribbean;
Over past two decades increasing private sector involvement, along with greater local or regional autonomy, and a decreasing federal role

1. Argentina
2. Costa Rica
3. Ecuador
4. El Salvador
5. Peru
The Public Port Management Conundrum

1. Waterborne commerce today increasingly requires resilience, redundancy, velocity, transparency, reliability, not to mention low cost and maximum efficiency.

2. Port management is typically faced with uncertain cargo volumes and carrier service reliability, even viability; a lack of information; inadequate communication; with marginal revenues too often covering variable but not fixed costs.

3. Nonetheless, public ports today are expected to:
   - Provide modern, efficient, safe and secure terminal operations,
   - Assure sufficient capacity on connecting transportation infrastructure
   - Enhance environmental value and local quality of life
   - Create jobs and economic opportunity
   - Generate strong balance sheets and positive cash flow
   - And, provide whatever other public amenities governing bodies decree

4. How?
Federal Ownership?

1. Remote and distracted
2. Inefficient
3. Political and subject to elections cycles
4. Budget challenges
5. Decreased role throughout hemisphere
Privatize?

1. Ports and freight transportation are currently largely privatized
2. **Attraction to Private Investor**: historically positive and stable even if modest ROI’s, high barriers to entry,
3. **Public sector likes**: expedited port development, more efficient operations, risk transfer
Recent or Prospective US Port PPPs

1. T-6, Port of Portland, Oregon
2. Outer Harbor, Port of Oakland
3. Seagirt, Port of Baltimore
4. Tunnel, Port of Miami
5. JaxPort (MOL)
6. Port of Mobile (CMA)
7. Southport, Philadelphia Regional Port Authority
8. Georgia Ports Authority (highway connectors)
9. Port of Corpus Christi
10. Port of New Orleans
11. North Carolina State Ports Authority
12. Port of Coos Bay
Privatize? Not so fast...

1. Private sector concerns (Risk factors are still being identified, understood and valued by private investors—buyer’s remorse!):
   - Market cycles and volatility
   - Connecting land and water side transportation infrastructure
   - Market imperfections—role of public subsidy
   - Politics and public interference
   - Environmental, labor, security risks

2. Public sector’s concerns:
   - Risk factor identification and valuation
   - Loss of control
   - Flip potential
   - Existing customer and community relations
Regional partnerships—Critical for the Port

1. Ports are not self-reliant—they are but a node in the chain.
2. Freight transportation moves to and from major urban centers—the emerging megopolis.
3. Regional (trans-city, trans-state) understanding, coordination and support of freight transportation are vital and create win/win scenarios.
4. Relevant areas of regional cooperation include:
   - Transportation and land use planning
   - Infrastructure development and finance
   - Environmental planning and compliance
   - Security
Public Port /Public Port Collaboration—Has the time come?

1. Capital is scarce and growing scarcer
2. Port subsidization, which has led to terminal overcapacity (with recent exception), is drying up
3. Demand is rebuilding
4. Port cooperation is strong in every area except customers
5. Public ports have limited antitrust immunity
6. However, public ports compete fiercely and protect constituent parochial economic interests
Conclusion

1. Governance matters---it is dynamic and AAPA can play a role in that debate
2. Will and should the public enterprise basis for our ports endure?