Port governance in Europe

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AAPA – ESPO Trans-Atlantic Seminar on Ports and Logistics
Summary

1. Conceptual background
2. ESPO Fact Finding Report
3. Objectives and functions
4. Institutional framework
5. Financial capability
1. Conceptual background

- Ports are elements in value-driven logistics chain
- Port competitiveness depends largely on factors external to the port
- Bargaining power of market players shifted due to horizontal and vertical integration
- Post-modern society does no longer value the significance of ports
- Strong influence of public policy
- **Result: ports function in a highly uncertain and complex environment**
Role of the port authority under pressure

• Pressure of market players
• Pressure of government
• Pressure of societal stakeholders

• **Existential options** (Heaver et al. 2000):
  – Be full-fledged partners in the logistics chain
  – Play a supporting role
  – Disappear
A renaissance of port authorities?

Portrait of Jan Van Eyewerve
Pieter Pourbus (1523-1584)
## Hypothetical typology of port authorities

<table>
<thead>
<tr>
<th>Conservator</th>
<th>Facilitator</th>
<th>Entrepreneur</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Landlord</strong></td>
<td>Passive real estate “manager”</td>
<td>Active real estate “broker” Mediator in B2B relations Strategic partnerships beyond port perimeter</td>
</tr>
<tr>
<td><strong>Regulator</strong></td>
<td>Passive application and enforcement Rules set by others Financial revenue on “tariff” basis</td>
<td>Active application and enforcement Other + own rules Provide assistance in compliance Tariffs + differential charging options to promote sustainability</td>
</tr>
<tr>
<td><strong>Operator</strong></td>
<td>Mechanistic concession policy</td>
<td>Dynamic concession policy “Leader in dissatisfaction” Provide public services / specialised services</td>
</tr>
<tr>
<td><strong>Community manager</strong></td>
<td>Not actively developed</td>
<td>Solve economic bottlenecks Provide public goods Solve conflicting interests Promote positive externalities</td>
</tr>
<tr>
<td><strong>Local</strong></td>
<td><strong>Local + Regional</strong></td>
<td><strong>Local + Regional + Global</strong></td>
</tr>
</tbody>
</table>
Influential governance factors

- Balance of power with government
- Legal and statutory framework
- Financial capability
- Management culture
2. ESPO Fact Finding Report
• Aim: descriptive overview of institutional and administrative structure European seaports
• Four editions so far: 1977, 1986, 1996, 2005
• 2010 edition based on new concept
• Extensive survey April-July 2010
Rate of response

116 port authorities from 26 countries replied

Belgium
Bulgaria
Croatia
Cyprus
Denmark
Estonia
Finland
France
Germany
Greece
Iceland
Ireland
Israel
Italy
Latvia
Lithuania
Malta
Netherlands
Norway
Poland
Portugal
Romania
Slovenia
Spain
Sweden
United Kingdom
Ports managed per port authority

- 1 port: 62.1%
- 2 ports: 17.2%
- 3-5 ports: 15.5%
- 6-10 ports: 2.6%
- +10 ports: 2.6%
Differentiation to region

- Hanse: 38%
- New Hanse: 7%
- Anglo-Saxon: 14%
- Latin: 35%
- New Latin: 6%
Differentiation to size

- Small (0-10 million t) - 50%
- Medium (+10 - 50 million t) - 41%
- Large (+ 50 million t) - 9%
3. Objectives and functions

• Objectives and mission
• Landlord function
• Regulator function
• Operator function
• Community manager function
Economic objectives of port authorities

- 38% Maximisation of handled tonnage
- 24% Maximisation of added value
- 15% Maximisation of the profits of the companies active in the port
- 5% Maximisation of the profit of the port authority
- 18% Other
Landlord function

- Principal function of contemporary port authorities
- Competitive and financial pressure to invest in infrastructure
- Port land is a vital asset - competition for land use
- Concessions - bargaining power market players
- Co-operation with other ports
Governance of port land

- Land ownership
- Ability to sell land
- Ability to contract land to third parties

- Unrestricted
- Restricted
- Not / Not applicable
Types of contractual arrangements to award port land to third parties

- Unilateral under public law: 28%
- Multilateral under public law: 18%
- Unilateral under private law: 15%
- Multilateral under private law: 11%
- Other: 29%
Use of public selection procedures to contract out port land

- **Always**: 32%
- **Only for plots of land that are of strategic interest**: 21%
- **Subject to other conditions**: 28%
- **Never**: 19%
Clauses generally applied in major contractual arrangements

- Throughput guarantees
- Environmental performance clauses
- Extension clauses
- Renewal clauses
- Merger and acquisition clauses
- Renegotiation clauses
- Minimum investment clauses
- Clauses allowing unilateral ending
- Clauses in case of non-extension
- Modal split clauses
- Other

%
Strategic partnerships and direct investments with other ports

- Seaports
  - Strategic partnerships National
  - Strategic partnerships International
  - Direct investments National
  - Direct investments International
  - Not applicable

- Inland ports

- Dry ports
Regulator function

• Contained in the term ‘port authority’
• Increased focus on negative externalities reinforce regulator function (safety, security, environment)
• Function which seems least under pressure, but port authority is not only regulator
Harbour Master

57,3 %

Harbour Master is fully integrated in the port authority organisation
Port authorities issuing own regulations

- Own regulations transposed
- Own regulations beyond
- No own regulations

- Safety
- Security
- Environment
Export of regulatory expertise

71% No
11% Yes, on a non-cost recovery basis
12% Yes, on a cost recovery basis
6% Yes, on a profit-oriented basis
Operator function

• Cargo handling services:
  – Privatised in most of the larger EU ports
  – Port authority refocuses on landowner / regulator functions ("landlord" model)
  – Concession policy
• Technical-nautical services
• Ancillary services
Direct provision of operational services in ports

- Pilotage outside the port area
- Pilotage inside the port area
- Towage outside the port area
- Towage inside the port area
- Mooring
- Dredging outside the port area
- Dredging inside the port area
- Provision of water
- Provision of electricity (general)
- Provision of shore-side electricity
- Provision of waste reception facilities
- Cargo handling on board ship
- Cargo handling ship-shore
- Cargo handling shore-inland transport
- Warehousing services
- Passenger services
- Road haulage
- Rail operation
- Inland barging

Legend:
- Port authority
- Government
- Private Operator
- Other
- Not applicable
Indirect involvement of PA in provision of port services
PA providing services outside their own port(s)

- Pilotage outside the port area
- Pilotage inside the port area
- Towage outside the port area
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- Passenger services
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- Rail operation
- Inland bargeing
Community manager function

• Economic dimension: footloose operators and customers
• Societal dimension: conflicting interests with societal stakeholders
• Essentially a coordinating function, solving collective action problems, accommodating conflicts of interest
• Defending ‘licence to operate’ and ‘licence to grow’
Involvement of PA in actions / initiatives that benefit the entire port community

- Assist and facilitate port community with implementation of regulations
- Invest in hinterland networks outside port borders
- Operate port community IT system (where applicable)
- Lead overall promotion and marketing of the port
- Provide training and educational programmes for the port community
- Manage and promote cruise traffic (where applicable)
Operation of port community IT systems

- Port authority operates the port community IT system, on a profit-oriented basis (46%)
- Port authority operates the port community IT system, on a cost recovery basis (17%)
- Port authority operates the port community IT system, on a non-cost recovery basis (12%)
- There is no port community IT system in the port (5%)
PA involvement in provision of training and educational programmes

- For own staff
- For the local port community
- Beyond the local port community (international)
- Beyond the local port community (national)
- Other
- Not involved

Percentage distribution:
- Yes
- No

(Bar chart showing distribution of involvement across different categories)
PA involvement in societal integration initiatives

- Initiatives to attract young people to work in the port
- Initiatives to make the general public experience and understand the port
- Initiatives to establish good co-habitation with local communities in and around the port area
- Other societal integration initiatives

Legend:
- Leader
- Participant
- Not involved
Frequency of contacts with government

- **City**: 90% Weekly, 10% Monthly, 0% Yearly, 0% Quarterly, 0% Not applicable
- **Province**: 80% Weekly, 20% Monthly, 0% Yearly, 0% Quarterly, 0% Not applicable
- **Region**: 70% Weekly, 30% Monthly, 0% Yearly, 0% Quarterly, 0% Not applicable
- **State**: 60% Weekly, 40% Monthly, 0% Yearly, 0% Quarterly, 0% Not applicable
4. Institutional framework

- Ownership of the port authority
- (Legal) form and status
- Management
- Supervisory / governing body
Ownership of port authorities

- 40% State
- 16% Region
- 35% Province
- 2% Municipality
- 2% Private(industry)
- 3% Private(logistics)
- 1% Private(finance)
- 1% Other
The port authority is an administrative department of local, regional or national government.

The port authority forms a separate legal entity from local, regional or national government but has no share capital.

The port authority forms a separate legal entity from local, regional or national government and has share capital which is owned in part or in full by that government.

The port authority is a privately owned corporation.

Other
50,4 %

of port authorities acquired their present legal form between 1990-1999

28,3 % acquired it in the last decade
End responsibility for appointing top management executive of the PA

- Political body (e.g. Parliament, City Council, ...): 30%
- Senior politician (e.g. Minister, Mayor, ...): 19%
- Government administration: 17%
- Supervisory or governing board: 5%
- Private owner: 7%
- Other: 22%
Average number of staff employed by PA, in FTE
Average composition of supervisory / governing body, in n° of people

- Politicians
- Government administration
- Private companies active in port
- Private companies not active in port
- Private port community associations
- Port authority employees
- Other employee organisations
- Other
- Total

<table>
<thead>
<tr>
<th>Category</th>
<th>n° of People</th>
</tr>
</thead>
<tbody>
<tr>
<td>Politicians</td>
<td>4</td>
</tr>
<tr>
<td>Government administration</td>
<td>4</td>
</tr>
<tr>
<td>Private companies active in port</td>
<td>2</td>
</tr>
<tr>
<td>Private companies not active in port</td>
<td>2</td>
</tr>
<tr>
<td>Private port community associations</td>
<td>2</td>
</tr>
<tr>
<td>Port authority employees</td>
<td>1</td>
</tr>
<tr>
<td>Other employee organisations</td>
<td>1</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
</tr>
</tbody>
</table>
Background of the chairman of the supervisory/governing body of the PA

- **Elected politician**: 35%
- **Representative of government administration (civil servant)**: 40%
- **Representative of private company active in the port**: 14%
- **Representative of private company not active in the port**: 11%
- **Representative of private port community association**: 0%
- **Representative of port authority employees**: 0%
- **Representative of other employee organisation**: 1%
- **Other**: 0%
5. Financial capability

- Financial responsibilities for capital assets
- Income and costs
- Financial autonomy
- Accounting
- Taxation
Average income profile PA

- Income from general port dues: 49%
- Income from land lease or similar: 5%
- Income from services: 16%
- Public funding: 5%
- Other income: 25%
Average cost profile PA

- Purchases: 3%
- Services and other goods: 11%
- Personnel costs: 20%
- Depreciation: 22%
- New provision and write down: 34%
- Other costs: 10%
Legal nature of port charges (PA)
Calculation basis of general port dues

- General port dues
- Land lease or similar charges
- Technical-nautical service charges
- Cargo handling service charges
- Passenger service charges
- Ancillary / other service charges

[Bar chart showing the percentage of public tariff and negotiable charges for each category]
General port dues – rebates, penalties, exemptions and promotions

![Bar chart showing the percentages of rebates, penalties, exemptions, promotions, other, and none.]

- Rebates
- Penalties
- Exemptions
- Promotions
- Other
- None
Port charges – autonomy PA

- General port dues
- Land lease or similar charges
- Technical-nautical service charges
- Cargo handling service charges
- Passenger service charges
- Ancillary / other service charges

Port authority sets level
Port authority collects
Port authority benefits
General financial autonomy PA

- Port authority decides autonomously on new investments in capital assets
- Port authority sets wages, terms and conditions of service of its own staff
- Port authority decides autonomously how to allocate annual financial result
- Port authority does not have to meet certain financial targets
Port authority has to provide for depreciation

Port authority has internal analytical accounting process

Port authority publishes annual accounts

Port authority accounts are audited by an external auditor

Port authority accounts are kept to international accounting standards

Port authority maintains separate accounts
PA subject to taxation

- Income tax
- Value-added tax (VAT)
- Local taxes
- Other taxes
- No taxes at all

No taxes at all
Thank you for your attention

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