



Port Governance & Port Reform: What are the Lessons We Should Learn?

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Agenda

- Objective: To explore models and results of port reform and governance over 30 years
- The past: Goss' principles on port governance
- Examine past port governance models in Canada and the U.S. and introduce the World Bank Port Reform Tool Kit
- What does the current port governance world look like?
- What does the future hold?
 - For governments?
 - For ports?
- What critical questions remain?

2



Defining Governance

“... free-market economists use the term to capture the adoption and enforcement of rules governing **conduct** and **property rights**. Governance is often confused with government. It may be imposed by governments or adopted voluntarily by groups or associations. The **systems, structures and processes** that organize groups of individuals to a common purpose is the governance of the group, society or voluntary organization. At the other end of the continuum, **the legislation and regulations imposed** on a business or non-for-profit entity by government are also forms of governance. The structures and processes put in place by national laws, such as requirements of open procurement processes, form part of the governance of government.

Brooks, Mary R. (2011). 'Governance' in *Dictionary of Transport Analysis*, K. Button, H. Vega & P. Nijkamp (eds.), Edward Elgar, pp. 176-177

3

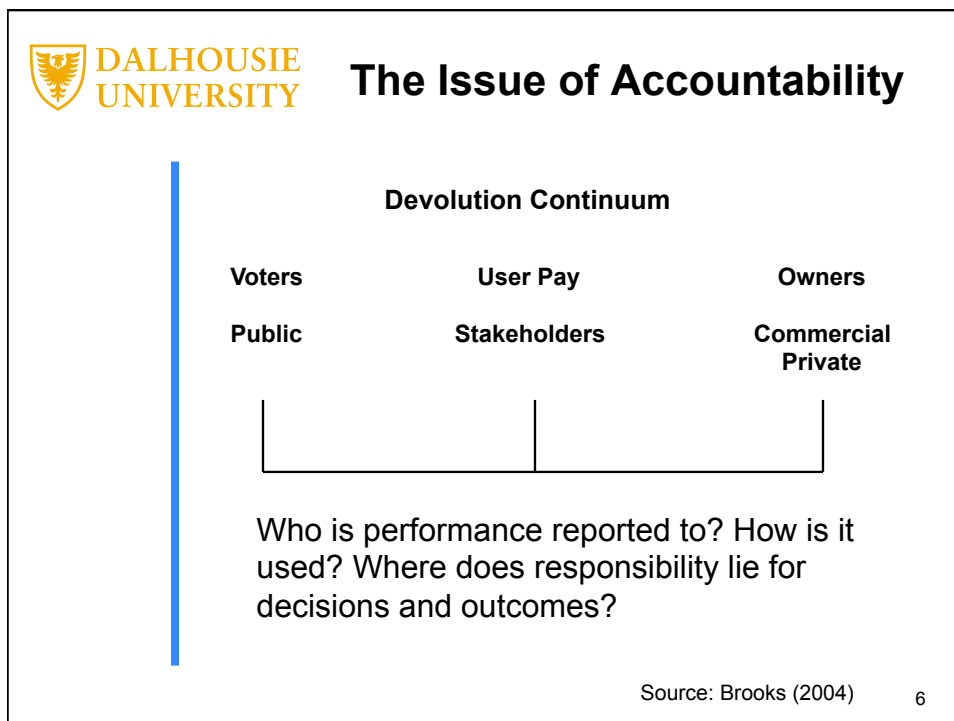
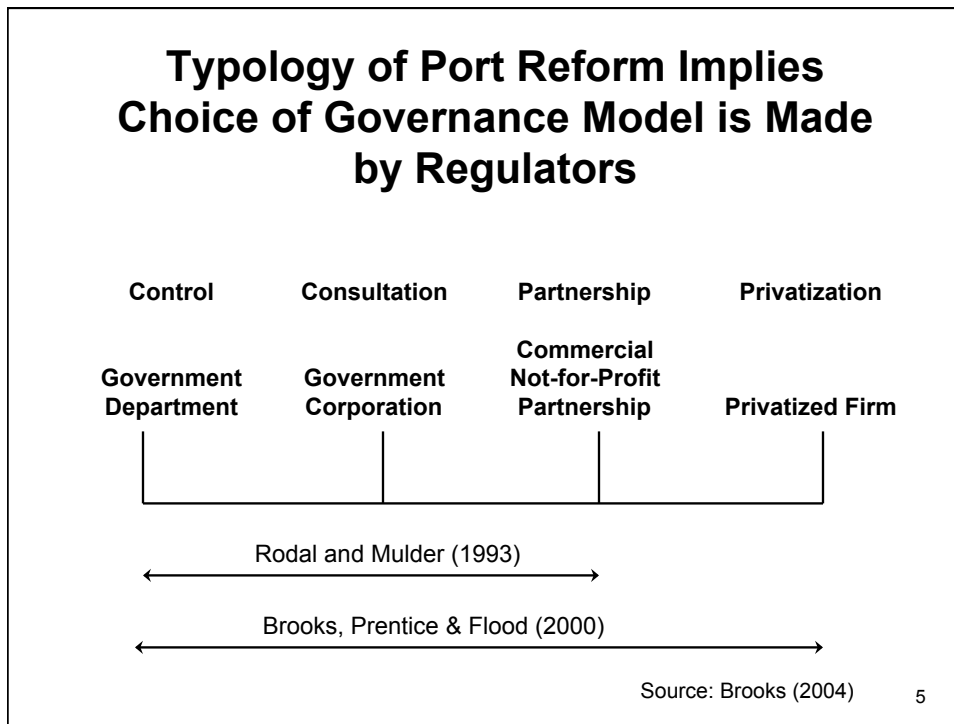


Goss' Principles for Port Management (1990)

- Primary purpose is to serve trade interests (with the knock-on effects on per capita wealth creation for citizens)
- Creating a competitive environment ensures efficiency gains are passed on, and serves a country better than tight regulation.
- Port reform needs to reflect differences in history and geography; there is no one right model for port governance. (His examples: Hong Kong & Singapore)
- Therefore, some countries are better served by landlord models while others will find that public service strategies or private sector approaches work best.

Today, many countries follow the landlord model, but there are successful examples of other approaches. (Think Savannah.)

4





Ownership and Management (Do you need to own the assets?)

9	1 Central government-owned with central government management and control
11	2 Government-owned but management and control are decentralized to a local government body
13	3 Government owned (federal, regional or municipal) but managed and controlled by a corporatized entity
4	4 Government owned but managed by a private sector entity via a concession or lease arrangement, or owned and managed via a public-private partnership agreement
7	5 Fully privately owned, managed and controlled
N=44	Regulation is by government (rules set in law, regulations or by-laws applicable) but through alternative compliance programming, government can 'privatize' enforcement.

Source: Data from Brooks & Pallis (2011). Table 25.2.

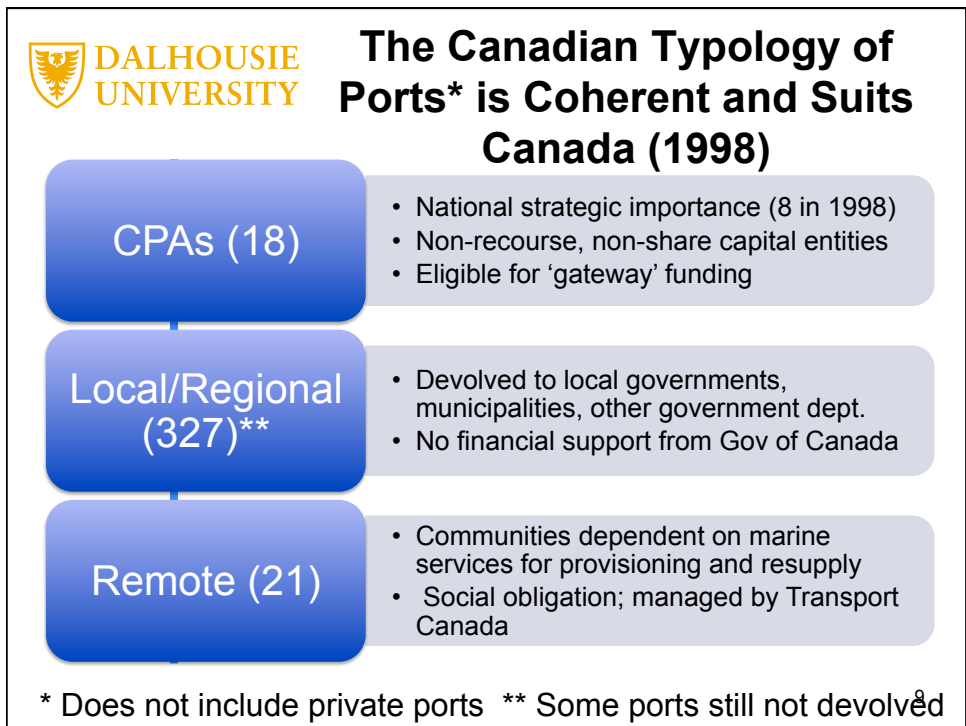
7



The U.S. Approach

- The only federal role for ports in the U.S. is channel and navaid maintenance and security rule-setting.
- The framework of port governance is “complex and fragmented” with a web of public and private organizations involved in management at national, regional and local levels, each with differing priorities, requirements and procedures (Newman and Walder, 2003).
- 10 jurisdictional forms (Olson, 1988: 313). This has led to intense competition among ports and within ports in the U.S.
- Heavily dependent on government (loans, grants and taxes) and tax-exempt revenue bonds for their revenue.
- “Because [US] ports are publicly subsidized, competition does not ensure efficiency.” (Helling and Poister, 2000: 307)

8



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World Bank Port Reform Toolkit (2003)

Responsibilities	Public Service	Tool Port	Landlord	Private
Infrastructure	Public	Public	Public	Private
Superstructure	Public	Public	Private	Private
Port Labour	Public	Private	Private	Private
Other Functions	Majority Public	Mixed	Mixed	Majority Private

Source: <http://documents.worldbank.org/curated/en/120991468762301637/Port-reform-toolkit>

The Port Devolution Matrix Applied to Canada's CPAs (2004)

Governance	Regulator Functions	Port Functions	
		Landlord	Operator (Leased facility)
Public	Licensing, permitting Vessel traffic safety Customs and immigration Port monitoring	Waterside maintenance (dredging) Marketing of location development strategies planning Maintenance of port access	Cargo handling
			Passenger handling
Mixed Public/ Private	Emergency services Protection of public interest on behalf of the community Determining port policy and environmental policies applicable	Port security Land acquisition, disposal	Pilotage
			Towage
Private			Line handling
			Facilities security, maintenance, and repair
			Marketing of operations Waste disposal Landside and berth capital investment

Public includes government owned corporations.

Source: Brooks (2004)

11

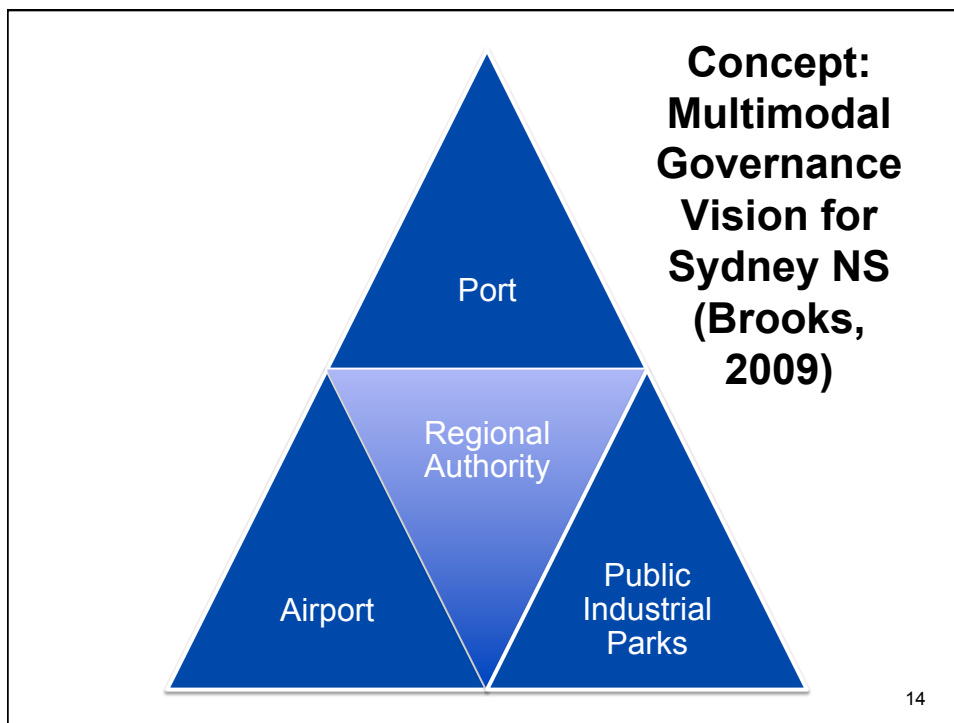
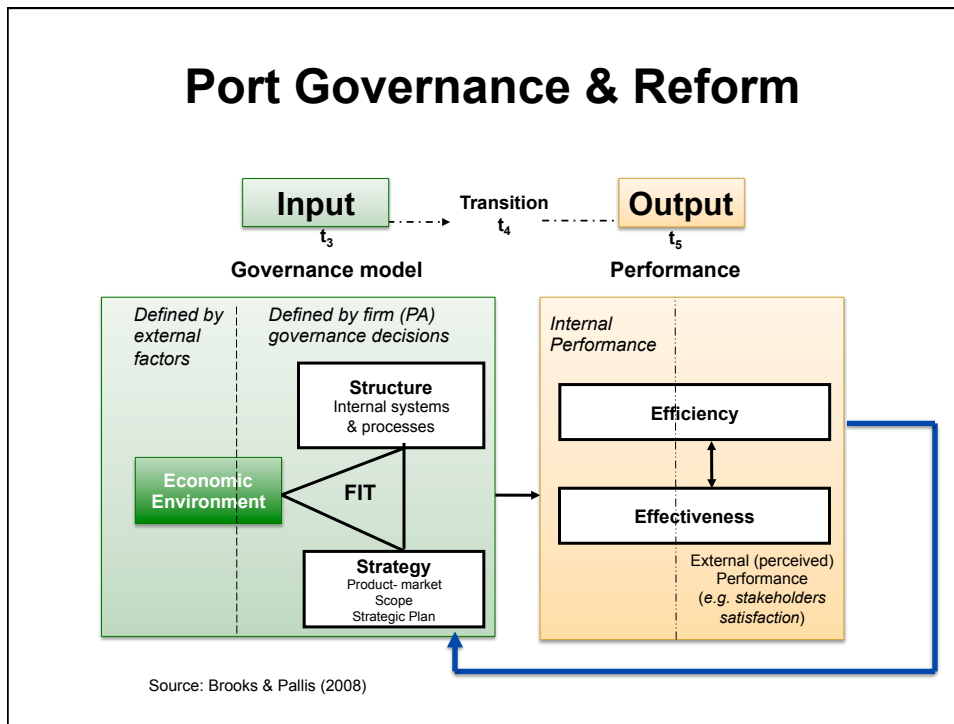


What Drives Port Reform?

- 1990s – Global supply chain servicing, new public management
- 2000s – Late for the second wave or early for the current one; transshipment opportunities and logistics clusters (ex: Panama)
- 2010s
 - Global Economic Crisis
 - Source of government revenue or imposed under bailout conditions (ex: Portugal, Greece, Cyprus)
 - Shift in thinking from port to serve trade to port as cluster engine (growth looks attractive in a low-growth environment)
 - Reorientation of governments from ports as the unit of planning to supply chains

Brooks, Cullinane & Pallis (2017).

12





Changes in Port Authority Functions 1990s → Now

Function	Trend
Switch from port ops to landlord port	Widespread change, largely but not wholly completed
Conservancy/technical regulation	Global increase in port authority responsibilities
Economic regulation	New responsibilities arising from concessioning (not always appropriate)
Trade documentation/logistics support	Use of IT to promote port-centric distribution systems, but progress limited by data confidentiality and conflicts of interest
Cluster leadership	More hype than reality, but with opportunities for further development
Entrepreneur	Conservative response from most ports, but high success rates in a small number of cases

Source: Brooks & Farrell (IJSTL, forthcoming), Table 1.

15



General Conclusions on Governance Models to Date

- There is not one right governance model applicable to all situations.
- The Canadian port governance models have some problems but make philosophical sense; as a country, we assume we are better off than U.S. ports.
- Some models are a product of 19th century colonialism, while others are privatizations with accountability and responsibility improperly aligned.
- Collaboration will likely achieve more than competition in this current environment.
- Brooks, Cullinane & Pallis (2017) note that only a few countries have followed the full privatization model (like UK) but the landlord model dominates. Some countries are beginning to move towards greater private equity involvement. Canada is considering doing so at this time.

16



What Will Make For a Successful Port Reform Program by Government?

- What are the goals for a government's reform of port governance?
- What are the key benefits of port reform from your perspective (business, government, citizen)?
- What are the key challenges/concerns that should be addressed by port reform?
- How will you measure success?
 - Efficiency?
 - Effectiveness?
 - Achievement of social or environmental goals?

17



Areas Where Port Governance Still Needs Work

- Good governance has moved way beyond the traditional strategic leadership in financial management, risk and security responsibilities facing boards of traded companies—Environmental and social issues are pressing but may not match the framework/model.
- Port performance measurement remains poorly done for the most part.
- Governments have not always stepped up to the plate on monitoring, enforcement, compliance issues.
- Ports are part of a network not isolated nodes of activity; silo thinking no longer acceptable.
- Political interference is still common and widespread.
- Many governments see cash flow to be harvested for other infrastructure (asset recycling) without contemplating national interest holistically.

18



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19



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20



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