



Port Governance & Port Reform: Concepts and Rationales

23 September 2019

© Mary R. Brooks, 2019



Purpose Today

- Define governance and explore key issues in governance decisions
- Introduce some history on port reform and what leads governments to initiate reform
- Examine the Canadian and U.S. governance models and discuss what works and what does not.
- Explore appropriate goals for various port stakeholders and impacts on port reform proposals
- Open discussion on port governance and port reform (and, again, where the existing models fail). Conclusions: What is next?

Port Governance



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



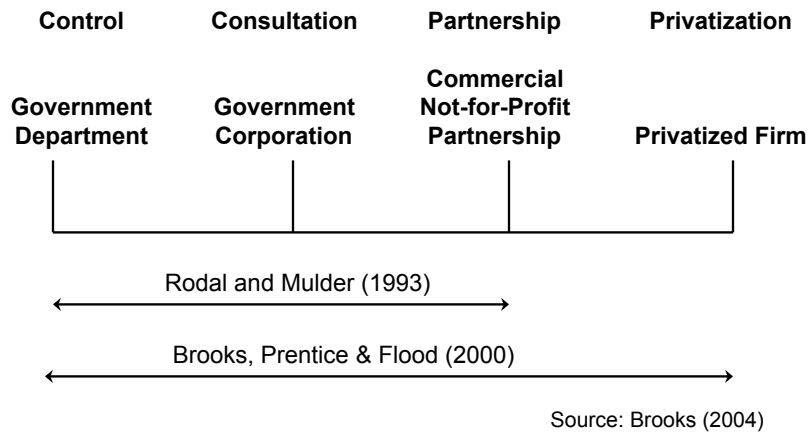
Goss' Principles for Port Management (1990)

- 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, therefore there is no one right model for port governance.
- Therefore, some countries are better served by landlord models while others will find that public service strategies work best.

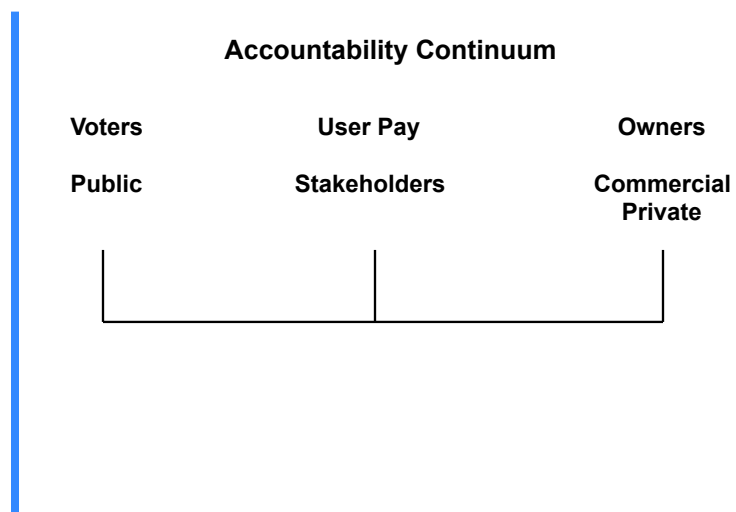
Today, many countries follow the landlord model, but there are successful examples of other approaches.

Port Governance

Typology of Port Devolution Implies Choice of Governance Model by Regulators



The Issue of Accountability





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

- 1 Central government-owned with central government management and control
- 2 Government-owned but management and control are decentralized to a local government body
- 3 Government owned (federal, regional or municipal) but managed and controlled by a corporatized entity
- 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
- 5 Fully privately owned, managed and controlled

Regulation is by government (rules set in law, regulations or by-laws applicable) but through alternative compliance programming, government can 'privatize' enforcement.



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).



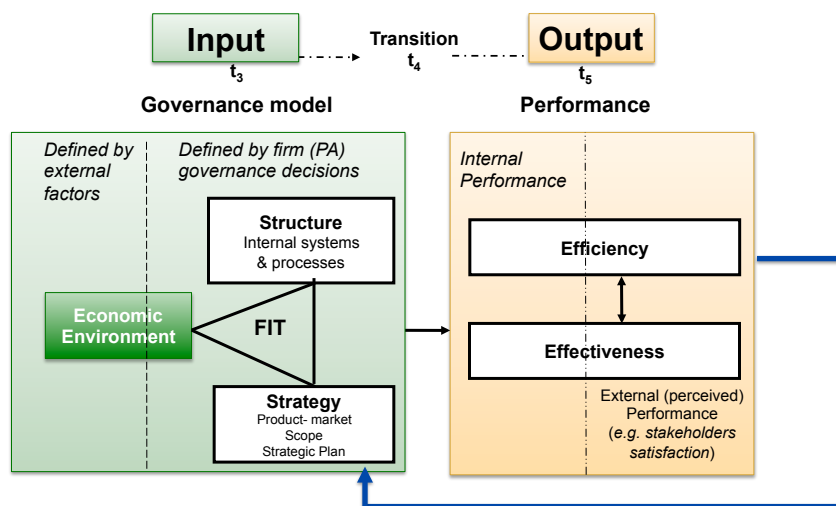
Why Port Reform in Canada?

- Debt had reached 75% of GDP by 1994
- Canada was in financial difficulty.
- New public management principles (steering not rowing) was the new norm in governance.
- The port reform program of 1982 had created a bloated (and corrupt) governance structure.
- Late 1980s airport governance reform not viewed as best approach

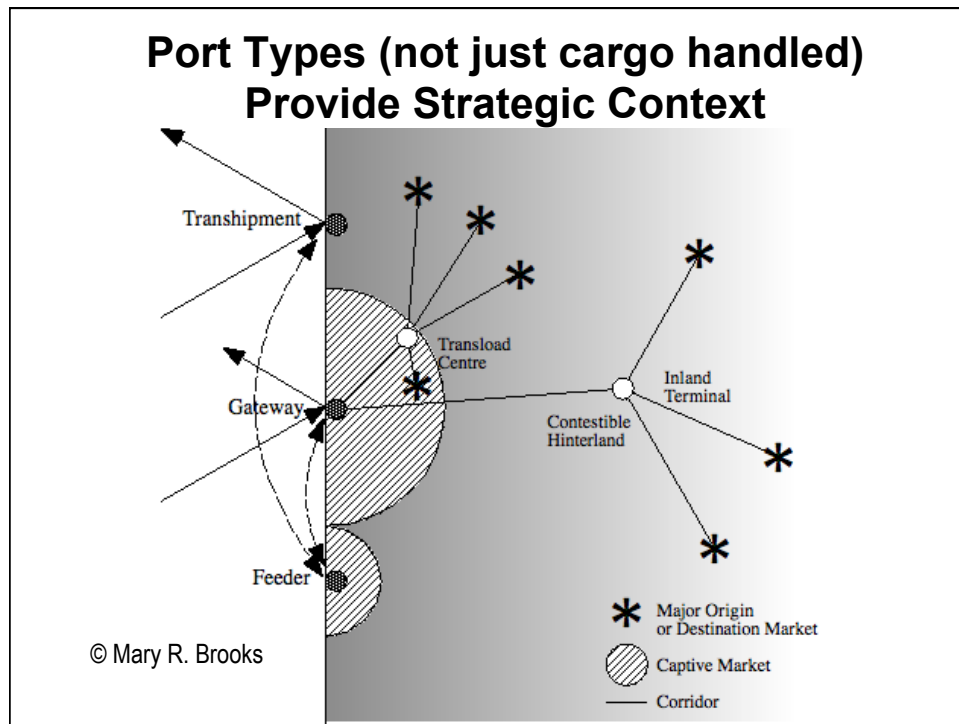
Process:

A National Marine Policy 1994 released by the government
 Canada Marine Act 1998 implemented this policy
 Revisited in 2004 and minor adjustments made
 2018-2019 Port Modernization Review launched (no runway left before October election)

Port Governance & Reform



Port Governance



**The Port Devolution Matrix
Applied to Canada's CPAs in 1990s**

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
			Pilotage Towage Line 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	Facilities security, maintenance, and repair Marketing of operations Waste disposal Landside and berth capital investment
Private			

Public includes government owned corporations.

Source: Brooks (2004)

Port Governance

The Port Devolution Matrix Applied to Devolved Local/Regional Ports

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

 = may not be provided
 = location dependent mixed
 Source: Brooks (2004)

The Port Devolution Matrix Applied to Remote Ports

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

 = may not be provided
 = location dependent mixed
 Source: Brooks (2004)

Port Governance



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)



Some U.S. Illustrations

Source: Brooks and Pallis (2011)

Port	Category	Planning Activities				Type
		Strategic Planning	Marketing	Finance	Development	
Baltimore	Op	X	X	X	X	State
Virginia	Ltd Op	X	X	X	X	State
Alabama	Ltd Op	X			X	State
Greater Baton Rouge	Non-Op	X	X			State
Houston	Ltd Op	X	X	X	X	Special Purpose
New Orleans	Non-Op			X		State
Long Beach	Non-Op	X	X	X	X	Municipal
Los Angeles	Non-Op					Municipal

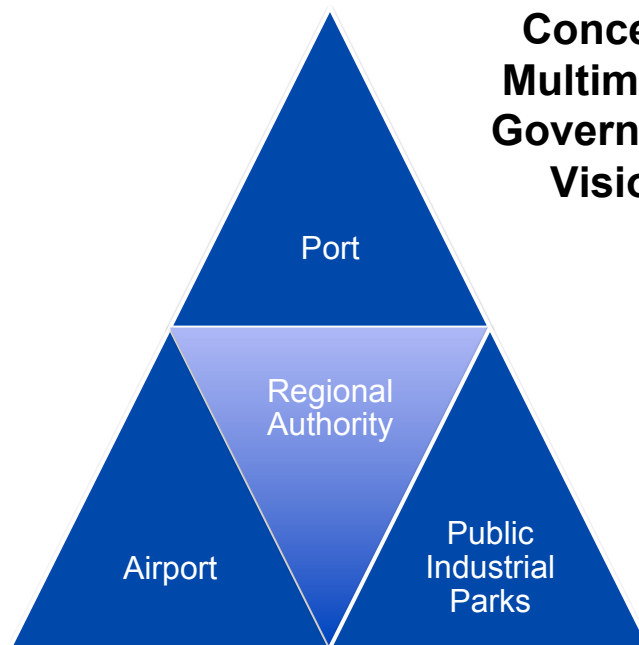
Port Governance

Governance Models in Africa

Source: Dooms, M. & S. Farrell (2017).

Language	Autonomous	National PAs	Mixed/Other
Anglophone		Gambia	
		Ghana	
		Kenya	
		Liberia	
		Namibia	
		Nigeria	
		Sierra Leone	
		S. Africa	
		Sudan	
		Tanzania	
Francophone	Congo Republic	Cameroon	Madagascar
	Cote d'Ivoire	DR Congo	
	Guinea	Gabon	
	Mauritania		
	Togo		
	Benin		
	Djibouti		
	Senegal		
Lusophone	Angola	Cape Verde	Mozambique
		Guinea Bissau	Equatorial Guinea

Concept: Multimodal Governance Vision



Tale of Two Ports (Savannah [US] and Halifax [Canada])



GPA Plans Savannah Port Capacity Expansion



Tom Mulligan, Contributor

Tom Mulligan was born in London in 1958 and grew up in Manchester, England....

September 17, 2019



The Georgia Ports Authority (GPA) has plans for a new container port on Hutchinson Island to increase the capacity of the Port of Savannah, Georgia, USA. The planned expansion will double the port's annual capacity from 5.5 million TEUs to 11 million TEUs and the facility will be able to handle 2.5 million TEUs of cargo annually. The new container port occupies a 200-acre area directly opposite Ocean Terminal in Savannah.

Savannah—Econ. Dev.,
government managed

Halifax—Trade support,
not-for-profit managed



General Conclusions on Governance Models

- The Canadian port governance models have some problems but make philosophical sense as not all ports serve the same role.
- There is not one right governance model applicable to all situations and cultures and values vary.
- Collaboration will likely achieve more than competition in this environment.
- Brooks, Cullinane & Pallis (2017) note that only a few countries have followed the full privatization model (UK only) but the landlord model in various forms now dominates. However, some countries are beginning to move towards greater private equity involvement, and do not always understand what that means for citizens, taxpayers, government coffers and control of the trade agenda.



Key Governance Issues (for a Port Policy)

- Centralized or decentralized? What will be regulated and how? What activities are public versus private? Why?
- Does privatization require a strong ports policy? A ports policy needs a port inventory (what elements are needed in that inventory?)
- What type of model and why? Goals in the context of strategic intent?
- What governance principles are appropriate?
- Board size? Representation? How to involve stakeholders? Type of private sector involvement?
- What hinterland strategy to follow?
- What is the strategic intent of port tariffs?
- How will the potential for corruption be addressed?



What are the Government's Port Strategic Objectives?

Strategic objectives (as seen by surveyed port managers):

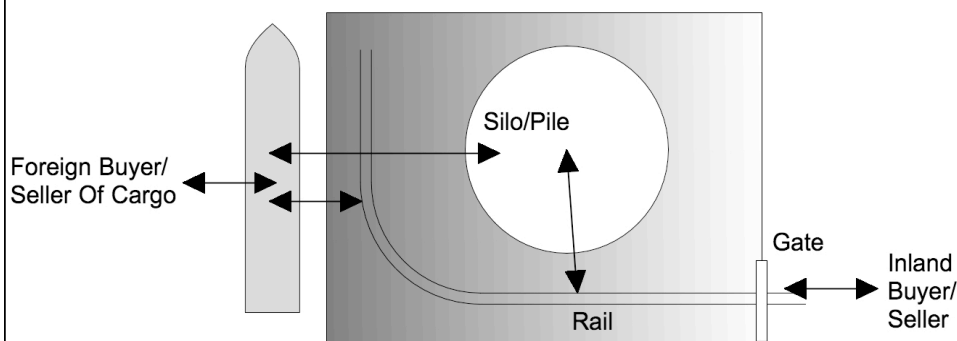
- Maximize profits for shareholders
- Maximize return on investment for government
- Maximize traffic throughput
- Maximize traffic throughput subject to a zero profit
- Maximize traffic throughput subject to a maximum allowable operating deficit
- Optimize economic development prospects (local or national)

Strategic Objectives set the context for port policy.

Perspective is Important: Who Do Ports Deliver Services To?

- **Cargo interests**, defined as those responsible for the purchase of some of the transportation services for (a) goods they sell/buy or (b) on behalf of some importer and/or exporters.
- **Shipping lines**, defined as companies supplying container ship services that call ports with container-handling facilities.
- **Supply chain partners**, defined as (a) warehouse operators that service port(s) with container handling facilities, (b) asset-based logistics service suppliers that use port(s) as part of the services provided and/or (c) trucking or rail companies that service port(s) with container-handling facilities.
- Europeans also include **port services suppliers** (pilots, towage, bunkering, etc) but these are not currently validated in SEAPort instrument (Schellinck & Brooks, 2016).

Flows and Nodes (Dwell Points) to Measure Fluidity



Source: MRBTC (2015)



Discussion Questions

- What is the proper role for a port authority? (Operator, landlord, regional economic development, regulator of private operators? Others?)
- How do ports compete? How should ports be allowed to compete?
- Should ports be allowed to invest beyond the port boundaries?
- Should governments allow ports to merge? Have marketing agreements?
- If a government corporatizes or privatizes its ports, is it appropriate for government to retain a controlling interest?
- Who should be responsible for the 'greening' of ports? (Government through policy and regulation? Ports by mandate? Port customers? ...)



What Makes For Successful Port Reform?

- 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 metrics? Effectiveness metrics (and effectiveness for whom)? Achievement of social or environmental goals?) A topic for another day.

Port Governance



References & Additional Reading (1)

- Brooks, M.R. and A.A. Pallis (2008). Assessing Port Governance Models: Process and Performance Components, *Maritime Policy and Management*, 35 (4), 411-432.
- Brooks, M. R. (2004). The governance structure of ports. *Review of Network Economics*, 3 (2), 169-184.
- Brooks, Mary R. (2007). Issues in Measuring Port Devolution Program Performance: A Managerial Perspective (Chapter 25) in Brooks, Mary R. and Kevin Cullinane (eds), *Devolution, Port Performance and Port Governance, Research in Transport Economics*, 599-630.
- Brooks, Mary R. (2011). Seaports, *Intermodal Transportation: Moving Freight in a Global Economy*, Chapter 9 in L. Hoel, G. Giuliano, and M. Meyer (eds), Washington: Eno Transportation Foundation, Inc, 270-301.
- Brooks, Mary R. and A. A. Pallis (2011). Port Governance. In: Wayne T. Talley (ed.) *Maritime Economics – A Blackwell Companion*, Blackwell Publishing Ltd., 491-516.



References & Additional Readings (2)

- Brooks, Mary R., K. P.B. Cullinane & A.A. Pallis (2017). Revisiting port governance and port reform: A multi-country examination, *Research in Transportation Business & Management*, 22, 1-10.
- Council of Canadian Academies (2017) *The Value of Commercial Marine Shipping to Canada*, May.
<http://www.scienceadvice.ca/en/assessments/completed/value-marine-shipping.aspx>
- Dooms, M. & S. Farrell (2017). Lions or gazelles? The past, present and future of African port authorities: The case of East Africa, *Research in Transportation Business & Management*, 22, 135-152.
- Goss, R.O. (1990). Economic Policies and Seaports, in 4 parts in volume 17, issues 3 and 4 of *Maritime Policy and Management*.



Questions?
You can reach me at
m.brooks@dal.ca



Two key Web sites
<http://www.porteconomics.eu>
<https://www.pprn.network>

© Mary R. Brooks, 2019