INSTITUTIONAL BARRIERS TO EFFICIENT POLICY INTERVENTION IN THE EUROPEAN PORT SECTOR*

Barry UBBELS
Researcher, Department of Spatial Economics
Vrije Universiteit
Amsterdam, The Netherlands

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Despite the growing role of private involvement in recent port developments, most maritime trade is still largely handled in ports where investments, pricing and other managerial decisions are, to a varying extent, dependent, or at least influenced by public bodies. This paper shows that the extent and type of public intervention differs considerably between ports in the Hamburg-Le Havre range. The wide variety in ownership, financing and management of ports throughout Europe indicates that there is no level playing field at present. Because ports operate in an increasingly competitive environment (intensified by globalisation trends and the completion of the internal market), this may lead to situations of unfair competition. The European Union emphasises the importance of a more harmonised approach of port regulation by national governments (in terms of financing and pricing of infrastructure). Given the differences in (national) port management styles and the low levels of transparency, the creation of a level playing field in the European port industry seems far away. This suggests the presence of a major institutional difference in European transport policy that hampers efficient policy intervention.

Key Words: European port industry, Port management, Competition, Policy intervention, Port pricing

1. INTRODUCTION

Transport has some characteristics that make it different from other goods. Possibly the most important characteristic of transport is that it is often not really demanded in its own right[1]. People wish, in general, to travel so that some benefit can be obtained at the final destination. Similarly, users of freight transport perceive transport as a cost in their overall production function and seek to minimise it wherever possible. While the demand for transport has particular, if not unique, features, also certain aspects of supply are entirely peculiar to transport. More specifically part of the plant is mobile - almost by definition and is entirely different in its characteristics to fixed plant (e.g. roads, airports etc.). The fixed component is usually extremely long-lived and expensive to replace. Further, few pieces of transport infrastructure have alternative uses.

These market characteristics make it that governments are very often involved in the transport market. This also applies to the port sector where different levels of government are involved in daily operation. We have witnessed many political initiatives in relation to ports (e.g. port safety and security), port authorities, port expansion and pricing by ports and operators within ports. The ways public bodies are involved is nowadays part of a political debate due to the distortive consequences intervention may have. Since most European ports operate in an increasingly competitive market, financing and pricing decisions can have marked effects on other ports, nationally and internationally. The European Commission shows great interest in the port industry to improve the market mechanism. It aims for fair competition and a more harmonised approach among the different countries. Given the institutional diversity (management, financing) in the European port sector, it may be evident that the objectives of the European Commission may not necessarily correspond with national and/or local interests.

This paper analyses differences in policy intervention in the port sector and the consequences this may have when different organisational institutions (different levels of government) have different objectives. The focus is on pricing and financing arrangements and the division of responsibilities between private and public parties within ports in the highly competitive (and hence relevant) Hamburg-Le Havre range. Conflicting interests may be a barrier to the efficient implementation of transport policy.

Section 2 provides some general background important in the context of port competition and policy intervention. Furthermore, it outlines the European Union policy in this sector to create more efficient port competition. Section 3 focuses on the empirical practice con-

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cerning port management, port financing and policy intervention in four ports situated in the Hamburg-Le Havre range. Section 4 concludes.

2. THE EUROPEAN PORT INDUSTRY: MARKET, MANAGEMENT AND EU POLICY

A seaport may generally be regarded as a gateway through which goods and passengers are transferred between ships and the shore[2]. Different activities take place in a port such as approaching and mooring, loading on docks and transit warehousing. In addition, not necessarily water-related functions can be identified (including customs and cargo preparation). Therefore, the port product may be regarded as a chain of consecutive links, while the port as a whole may be seen as a link in a global logistics chain[3].

Demand for port services (calls, transhipment and supplementary) is derived from demand for the goods involved and thus depends on economic growth, industrial production and international trade. With regard to the choice of ports of shipping companies, the generalised cost is an important indicator. This cost is defined as the sum of out-of-pocket costs (i.e. the price to be paid for the various services including port dues), time costs, and the risks of loss, damage and delay[4]. One should realise, though, that total port costs account for only a fraction of the total costs associated with the logistics chain.

The prototypical port does not exist, no two ports are alike. Ports differ in services offered depending on the type of cargo. Some focus on dry bulk, others are well-equipped to serve containers or oil traffic. More importantly (in the context of this paper), ports differ also in terms of ownership, organisation and administration leading to a great diversity in the port sector. Ports have therefore inevitably a heterogeneous quality, compared with the large number of possible market players involved (such as different levels of government, goods handlers, unions, shipowners etc.), each of which has specific objectives[4]. The respective roles of these actors have changed profoundly in recent years. Governments and port authorities have become less influential (but still a prominent presence), while private parties (especially goods handlers and shipowners) have gained in importance. In order to understand the aims and reasons for intervention in the port market by policy makers, it is essential to know the market situation and the level of governmental involvement at present.

2.1 Market situation

Ports were in the past fairly insulated from competitive forces, each serving its own, more or less captive, hinterland[5]. Trade barriers, national borders and inadequate hinterland infrastructure were mainly responsible for this situation. However, recent developments have considerably changed this. Globalisation has led to a shift in manufacturing activities towards countries with a comparative advantage. This, together with trade liberalisation (liberalisation of the internal EU market) and technological changes (application of information technology in communication, standardisation of load units), has had a considerable impact on trade flows and hence the port industry. But also developments in the (maritime) transport sector have contributed to a different situation. Increased levels of containerisation and multimodal transport have had a profound impact on port structures. Moreover, European ports are facing major external challenges including the grouping of container shipping lines into powerful consortia (resulting in downward pressure on prices), increased efficiency levels in maritime transport and the importance of logistical chains[6].

These developments have contributed to a competitive market situation in which port hinterlands have ceased to be captive and have extended beyond national boundaries. The mobility of the transhipment container, together with intertwined land transport networks and extended hinterlands have intensified competition among ports immensely[5]. Today, it makes little difference if a container from Asia destined for Paris will pass through the port of Le Havre, Rotterdam, or Antwerp. There is competition between ports, but even more so between complete logistics chains[4]. It is important to ports to belong to a successful logistics chain of a particular goods flow. Ports clearly have incentives to continuously improve efficiency and their products or service. But it is not only the performance of a port itself that is important in a situation of competing transport chains. Port productivity also depends on the improvement of the total transport chain, consequently the competitiveness of a port and of port planning relate to the relevant characteristics of the other parts of the transport network[7]. Hinterland connections, for instance, have become equally important.

2.2 Port management in Europe

European ports differ significantly, not only in terms of ability to handle all or specific types of goods or the level of technical specification, but also with regard to their organisation and administration. These latter more institutional differences depend on the historical, geographical, and political factors and on the diverse economic and social environments of ports[7].

Ports are often managed by administrative bodies (port authorities) which generally occupy a relatively independent position between state and market and whose administrative structures can vary greatly[8]. Furthermore, they maintain relations with central and local government and with private firms operating within the port area. The organisational arrangements found in European ports can be classified in three different types[6]. Ports in North-western Europe are characterised by a decentralized municipal port administration, the so-called Hanseatic model. Countries in southern Europe, such as France, Italy and Spain, have a state-controlled port administration (the Latin model). Finally, the British port sector is characterised by a more independent and privatised organisation (the Anglo-Saxon model).

In recent years the private sector has become increasingly involved in various activities taking place in a port. The port industry has moved from one in which predominantly public funds were used to provide common user facilities, to one where private and public capital is being used to provide terminals which are designed to serve the logistical requirements of a more narrowly defined group of users. Ports have made considerable progress towards the development of public-private partnerships. This has accelerated since the mid-1980's in response to organisational restructuring and labour reforms, so that the concept of landlord port, acting as the umbrella for a host of private concessions is now well established in most European countries[6]. Overall, we see the growing separation between port infrastructure and services, the delegation of authority to autonomous port managements, alternative forms of private sector involvement in ports, and industrial concentration. Despite this growing role of private involvement in port developments, public intervention remains large. It is estimated that 90% of maritime trade in the EU is handled in ports where investments and other policy and managerial decisions (e.g. charging) are, to a varying extent, dependent, or at least influenced by public bodies[9]. And given the recent attention and importance of safety and security, it is to be expected that the role of governments remains large in ports.

2.3 Port policy of the EU

One of the major objectives of EU transport policy is to increase the efficiency of the transport system by ensuring the principle of free and fair competition[10]. The port industry has always been considered as one where government intervention was justified and market principles played only a minor role. But this situation has changed. Nowadays the port industry is a highly competitive market where distortion (by governments) should be avoided according to the EU. Given the existing differences in organisational frameworks and policy intervention in ports, the issue of financing and pricing of port infrastructure has recently acquired renewed interest. The EU acknowledges that financing of ports and maritime infrastructure in Europe and policies on charging their users vary considerably between Member States[10]. It has identified the lack of transparency of port accounts, transparency being an essential condition for the effective and fair application of State aid provisions. While accepting that it should be left to the Member States to decide upon the ownership and organisation, a key issue for the Commission is the financial flows between public authorities, the port operator and the users of port facilities and services[9]. The EU raises voices for a more harmonised approach of port financing and regulation by governments (the creation of 'a level playing field').

The wide variety in ownership, organisation (and financing) and administration of ports between and within European countries indicates that there is no level playing field at present in the port sector (see also section 3, and CEC[9]). Different ways of financing port investment, maintenance of port access facilities, social and fiscal costs relevant to port workers and port facilities are principal distortive factors among European seaports. An investigation of the EU showed that public bodies are often responsible for substantial financial flows into ports, but the level of transparency of these flows is unsatisfactory[9]. The Commission confirms that the financial flows between the State (in a broader sense) and commercial undertakings, whether public or private, in the port sector form a key issue from a competition point of view. However, state aid remains an issue of the countries, the powers of the Commission are limited in this. Recent discussions have focused on the status of investments in port infrastructure by national governments: should it be considered as state aid and should the Commission be notified in accordance with article 92? It is then for the Commission to investigate whether this type of public financial support is allowed. Despite the ongoing discussions, Farrell[6] concludes that the use of public funds for developing port infrastructure is not to be considered as state aid.

The Commission now gives priority to the development of a framework on infrastructure charging to achieve a level playing field in the port sector rather than to deal with the differences in financial flows between governments and ports. This framework would require port charges to be linked to costs and contain guidelines on the extent to which port charges should reflect the cost of infrastructure investments. It aims at creating a level playing field by identifying basic elements that a port charging scheme should contain (e.g. description of the services covered by each charge, calculation methods etc.). The Commission argues that this would ensure demand-driven investments and fair competition in the port sector in the long run. However, practical implementation is far from easy, infrastructure pricing is a controversial and complex issue mainly due to low levels of transparency and difficulties in determining marginal costs of a port call. But there seems to be some level of consensus on the importance of cost recovery in the port industry[11].

3. PORT MANAGEMENT IN PRACTICE: THE HAMBURG-LE HARVE RANGE

The fundamental rationale underlying commercial ports is that of international trade. The port sector handles more than 90% of the EU's trade with third countries and approximately 30% of intra-EU traffic[10]. It shows great diversity between regions in terms of goods handled (e.g. dry bulk, ro-ro, containers), structure, management and legal framework. The approximately 2000 ports in Europe vary greatly as to character and institutional structure. In this section the focus is on port management and the responsibilities of public and private parties within ports. Port organisation differs considerably within Europe as we have seen in section 2. This section analyses the institutional organisation of one particular, but important, (port) region of Europe, namely the Hamburg-Le Havre range. The word 'range' refers to a geographically defined area encompassing a number of ports with a largely overlapping hinterland thus serving much the same customers[12]. Competition among ports is large, hence government intervention may have marked effects. Port management (and public or private responsibilities) of four European ports located within the Hamburg-Le Havre range will be discussed. We will not provide a comprehensive overview of all existing arrangements between government and port, the aim is more to gain insight in the differences in port management and financing that are important in the European policy context of creating a level playing field.

3.1 Empirical case studies: North-western Europe

3.1.1 Rotterdam

The port of Rotterdam, as well as the port of Amsterdam, is administered by a municipal enterprise (so-called Gemeentelijk Havenbedrijf (GHB)) with their own budgets, although these have to be approved by the city councils. This GHB is responsible for nautical management and the socio-economic development of the port. It functions as a spider in the web between various local, regional and national tiers of government and the national and international port business community. Its main tasks include the promotion of the public interest in an accessible, safe and clean port and the recovery of the costs of port investments[8]. It is unclear to what extent investment costs are passed on into port tariffs, however costs made by the GHB for quays are included.

The city of Rotterdam has always been heavily involved in port management and planning. The GHB was a municipal department whose chief officer is appointed by the city council. Each year the GHB handed over a certain percentage of its revenues (consisting mainly of seaport dues, leaseholds and land rents) to the city of Rotterdam.

However, recent developments in the port industry have initiated a discussion to create a more independent position of the GHB. As a municipal branch of service, the GHB considers itself inadequately equipped for its task in a rapidly changing world such as the port industry. It does not see itself as a provider of infrastructure and collector of rents. Its aim is to become a promoter of business activity, maximising Rotterdam's share of European economic growth. Its regulatory function has changed from preserving fair competition between its tenants to creating a business climate which allows them to compete effectively with companies in other ports[6].

Although the national government may not be directly involved in the management of the port of Rotterdam, it has an impact on ports by other means. Historically, the national government in the Netherlands provides access channels to the port and covers the costs of maintenance dredging[6]. It is responsible (in terms of financing and construction) for the nation's main transport infrastructure links such as waterways, roads and railways and hence for the hinterland connections of a port. A well-known example is the financing and construction of the Betuwe freight railway from Rotterdam to Emmerich (Germany). It is exactly this kind of state aid that influences the competitive position of ports. A

Table 1 Financing of infrastructure and maintenance expenses in ports
(G=government (national, regional or local), PA=port authority, PF=private firms)

	Netherlands	Belgium	Germany	France	UK
Basic infrastructure:					
Waterways	G	G	G	G (80%)**	PA
Roads	G	G	G	G	G
Railways	G	G	G	G	PF
Port infrastructure:					
Port basins	PA	G*	G	PA	PA
Docks/ moorings	PA	20%G 80%PA	PA***	60% G 40% PA	PA
Infrastructure plus (e.g. cranes, railways to terminals etc)	PF	PF	PF	PF	PF
Superstructure (infrastructure and equipment in terminals)	PF	PF	Mixed (both PF and PA)	PA	PF

* Flanders region is responsible for port investment in Belgium, maintenance by port authority.
** 20% is funded by the port authority, maintenance is done by the central government.
*** There is no separate port authority in Germany, it is the city that regulates ports.
Source: Nationale Havenraad[13]

study by the Dutch National Port Commission (Nationale Havenraad) shows the differences in infrastructure investments by public or private parties for various Northwestern European countries (see Table 1). The port of Rotterdam finances port infrastructure (e.g. docks) whereas private companies take care of investments in infrastructure to operate terminals (such as cranes, railways and other equipment). The situation differs between countries and type of infrastructure. Especially infrastructure in ports is financed differently in the various countries.

3.1.2 Antwerp

As in the Netherlands, the management of ports is one of municipal concern in Belgium. The municipality needs no specific statutory authorisation or order to construct and operate a port. The port administration has always been considered as a local issue, ports were important to the local economy and not so much for the nation as a whole. Domestic port competition has always been found to be highly productive, thus avoiding the need for a regional or national port policy. The national Belgian government has only been active in the financing of infrastructure and leaves almost all public functions in the hands of the municipal government. As a result of the reforms in the Belgian political system, the port of Antwerp has come under the Flanders Region since 1988[8]. Antwerp has a representative in the Flemish Port commission (just as other Flemish ports and representatives of employer organisations), which advises the Flemish government (a provincial public actor) on larger investment projects and on questions concerning port management. This commission has only an advisory role, it has no powers of decision.

The daily operations and tariffs are managed by the Antwerp port authority (APA) which is a municipal department under the leadership of the local authority. It appeals to the Region for a financial or diplomatic contribution to port planning activities. The Flanders Region has always had a (small) fixed budget for investment in ports, this resulted in fierce competition for funds between Antwerp and Zeebrugge. This has made the ports increasingly dependent on their own resources and private finance. Finally, the Flemish government has special powers in a number of port administrative matters aimed at nautical management.

This shows that the involvement of local and regional public governments have been large over years in the management of the port of Antwerp. However, more recently (since 1996), also the APA moved towards greater autonomy. The port of Antwerp became a limited liability company in 1997, although it is still owned by the city of Antwerp and most of its board members are city councillors[6]. The aim is to make the port more profit orientated, and allow it to take stakes in private companies. The APA has become a private monopoly (autonomous government company) whose daily activities will no longer be under direct political control. But ownership and final control still lies with the Antwerp municipal council, so APA may be categorised as a government monopoly.

Until 1988 the national government took care of the costs for major infrastructural works without this being reflected in the port dues. National changes in the eighties made that the responsibilities for port planning and port investment were accorded to the Flanders Region. A more recent policy decision (the so-called Havendecreet from 1999) resulted in a change in financing responsibilities between government and Belgian port authorities. It increases the financial responsibilities of port authorities for local port infrastructure (only small national contribution), whereas maritime access (e.g. sea locks and dredging costs) remains in national hands (see also Table 1). Private involvement is still limited compared with the situation in Rotterdam. Private actors have control over their own assets (e.g. cargo handling equipment, line handling vessels) and superstructures (such as paving, parking areas etc.), but they are not so much involved in other infrastructure categories. Private companies in the port of Antwerp have extensive rights to their property, but the scale of property that they are involved in is limited.

3.1.3 Hamburg

The port of Hamburg has the status of 'Bundesland' or city-state which means that the city is responsible for the port's administrative and economic policy (just as other German ports). The port is not managed by an independent, quasi-autonomous port authority with its own book keeping as is the case in Rotterdam and Antwerp. Port management is carried out by the various departments of the city-state of Hamburg (traffic, economic affairs etc.). The department of Economic Affairs is responsible for port development, the construction and maintenance of infrastructure, environmental regulation and port dues. Infrastructure and land within the port is in public hands and is maintained by the city of Hamburg. Land is leased to port businesses for a limited period of time. The Bundesland invests yearly about €94 million annually in port development[14].

Another important institutional player is the Federal government, which is responsible for the transport connections to and from the port (road, rail and water). The Federal government is responsible for the nautical management and port planning outside the port area. This means that the federal government covers investment and maintenance costs for port approach channels and road and rail access. Although this seems as a strict division of responsibilities, circumstances are conceivable which would induce the two authorities to co-operate. This happened for instance with the deepening of the river Elbe. Access to the port of Hamburg is limited due to channel depth constraints. Formally this was the responsibility of the federal government but due to the local impacts and budget deficits it was the city-state that participated.

An interesting institutional issue in the port of Hamburg is the public involvement in cargo handling. Where in most other ports cargo handling is left to the private sector, in Hamburg the largest cargo-handling company (Hamburger Hafen- und Lagerhaus- Aktiengesellschaft) is 100% owned by the city. The division of responsibilities between the public sector (the city) and the private sector is regulated by the Port By-law. The actual port activities, such as storage, processing and distribution of goods, are the responsibility of the port industry. These private firms are organised in the Hamburg Port Operators Association and own and maintain the superstructure (buildings, cranes and portals). The financial responsibility for port infrastructure has been assigned to the city. Infrastructure covers the accessibility of port territories, waterways and the harbour, including dock walls, roads and railways up to the boundaries of the leased port areas. It is obvious that public involvement is extensive, private actors have no role in any of the infrastructure above the scale of superstructure or company assets.

3.1.4 Le Havre

The institutional organisation of the most important French port is different from the ports already discussed in the sense that the national government is heavily involved. These main ports (among which is Le Havre) are state owned, but have a two-tier management structure. These are operated on behalf of the state by autonomous port authorities. This authority is only responsible to and is wholly sponsored by the French State. Smaller ports of national interest are operated under concession, usually by the local Chamber of Commerce and Industry. In most cases this means that infrastructure and also superstructure is in public hands (see also Table 1). Superstructure (including rail infrastructure within the port areas) has traditionally been provided by the port authority and operated on its own account or hired to private operators.

Financial support from the national government has been a particularly important factor in the development of French ports. At the six autonomous ports, which account for four-fifths of all traffic, the State funds about 80% of the operating and maintenance costs of maritime access channels, and about 60% of the costs of docks, locks and basins[14]. The port authority funds the remaining part as well as rail infrastructure within the port area. Either the national government or the port authority also covers most maintenance costs. Port dues are not expected to recover this state contribution to infrastructure costs[6].

The port of Le Havre is managed by L' Autorite Portuaire du Havre, a public organisation supervised by a board of directors. This organisation owns land and infrastructure, as well as most superstructure. The transfer of goods is done by private parties, this explains why some specific handling infrastructure (cranes) and equipment are in private hands. This makes that there is very little private involvement in port functions in the port of Le Havre. This is partly caused by the function of the port: it is regarded as a transition point for French internal businesses. There was no need for any other services, such as warehousing, provided by market investors.

More recently, attempts have been made to make the French ports more competitive and include the private sector in the development. In 1996 the National Council of Port Communities took the lead in suggesting a more radical programme of port reforms (see Farrell[6]). It called among others for freedom to determine the organisational structure of each port (to allow for instance for public private partnerships) and port authorities were allowed to take shares in private companies engaged in port-related activities. However, the proposal on the commercialisation of port management met strong opposition from the unions, and it was eventually dropped in favour of more modest reforms.

3.2 Comparison and overview

In the market situation of competing logistic chains, government involvement may have considerable consequences for the competitive position of major ports and hinder the market to operate more efficiently. It is exactly for this reason that the EU aims for more harmonisation in government support in order to create a level playing field. The previous description of the case studies revealed considerable differences in ownership and financing structures in the Hamburg-Le Havre range, this suggests that a level playing field is not the case at present. National and local governments are most often involved for various reasons of which safety, environmental, and economic grounds (employment) are most important.

Table 2 shows the differences in institutional organisation of port management and port financing in the Hamburg-Le Havre range. Port management is clearly a (local) governmental task, despite increasing private involvement. Investments in infrastructure are done by various institutions. Access to ports is the responsibility of national governments, whereas port authorities, local governments, or private organisations may pay more local infrastructure.

Hence, the national government is very often responsible for investments in port infrastructure, especially when it comes to (maritime) access infrastructure. The Dutch government for instance, financed the new Betuwe freight railway from Rotterdam to the German hinterland. This type of financial support is important because it may have a considerable impact on inter port competition. The division of responsibilities between port authority and national government on the one hand and public versus private investors on the other hand is more mixed concerning superstructure. But still, governmental support remains considerable.

Given these differences in the organisation of ownership and financing of port infrastructure, it may be expected that the amount of financial support from the various public bodies is different between countries. Research towards the amount of subsidies from public governments has not provided a clear insight in the financial flows. An inventory of the EU concluded that the current levels of transparency in the port sector are inadequate to ensure information on aggregated public money flow going into the ports[9]. It is difficult to compare the financial performance of different ports. Many European ports do not publish their accounts, while others record

Table 2 Overview of institutional responsibilities for several activities in ports in Hamburg-Le Havre range

Activity	Rotterdam	Antwerp	Hamburg	Le Havre
Port management	Port authority under local governmental control	Port authority under local governmental control	Local governmental control	Port authority under national public control
Access infrastructure	National gov.	National gov.	National gov.	National gov.
Port Infrastructure	Port authority	Port authority	City	National gov./port auth.
Superstructure	Private	Private	Port authority and private	Port authority

certain transactions outside their formal accounting systems. There are also many different financial relationships with governments and concessionaires. State aid to ports comes into various forms (e.g. tax exemptions, preferential land tariffs) of which some may be difficult to assess. But it is obvious that financial support has been and still is considerable. Haralambides[5] argues for instance that massive amounts of public monies have been funnelled into port development, enabling many ports to consolidate their market position.

Finally, port pricing is an important issue in this context. The way ports are financed and its ownership status are important to the pricing strategy of a port. Heavily subsidised ports are able to charge lower port dues than competing, privatised ports that try to recover its investments. As a consequence mutual accusations of unfair competition are rife, often resulting in interventions of the regulatory authorities[4]. This situation has led the EU to consider current pricing practices and the possibilities to achieve more efficient, cost based pricing. Relatively little empirical research has been conducted on actual pricing strategies by and within ports. A recent study (ATENCO) indicates that there are substantial differences between the respective funding and pricing practices applied in ports across Europe (results of ATENCO are presented in Haralambides[5]). This diversity is deeply rooted in different legal and cultural traditions, together with the differences in terms of port management style and the related issues of competencies and degree of autonomy. The level of subsidies is only a small factor when it comes to setting prices. The issue of infrastructure pricing in ports remains highly complex, and uniform pricing seems meaningless and politically unfeasible.

Current European policy focuses on cost recovery (see section 2.2). It is difficult to estimate the extent to which infrastructure costs are being recovered from port users. Published port charges are rarely based on explicit accounting principles, and are substantially modified by rebates and negotiated service contracts for large customers[6]. But results from the ATENCO survey among port authorities suggest that the majority supported the adoption of ‘user pays’ principles in ports. Surprisingly, most ports expect that this would have little impact on current pricing levels. It was acknowledged by the port management teams interviewed that implementation of cost recovery requires better port statistics, accounting systems and transparency of port accounts. Moreover, they were generally aware of the distortive effect that public support schemes in European ports may have.

4. CONCLUDING REMARKS

Globalisation and the changing operational environment of ports as well as the completion of the internal market have brought about increased competition between ports. The choice for a port is not so straightforward anymore, its proximity to a certain destination is of lesser importance nowadays. Port dues, quality of the offered services (e.g. in terms of safety) and the quality of hinterland connections have become even more important. In such a competitive setting it is obvious that financing and pricing decisions may have marked effects on its neighbours, nationally and internationally. This has led the European commission to aim for a more harmonised approach concerning port financing and pricing in order to support a level playing field and create a more efficient market.

This is a complex and formidable task. The empirical overview of port management shows the considerable differences in ownership and financing structures between competing ports. National and local governments are usually involved in port operation. Given these differences, it may be expected that also the amount of financial support from the various governments may differ among ports. However, an accurate estimation of the aggregated public money flows is not possible due to unsatisfactory levels of transparency. The fact is that massive amounts of money have been funnelled into ports, enabling many of them to consolidate their market position. Obviously, the objectives of national governments are in conflict with that of the EU. The EU aims for fair competition on the European market, whereas national and local governments are only interested in the economic functioning of its own ports without considering the international consequences of intervention. It is difficult for the EU to intervene since ports are considered in most countries as part of the country’s infrastructure and thus State investment in ports is considered as public investment outside the mandate of the Commission. The attention now moves to port pricing. Prices should be based on actual costs in order to create a level playing field. This also includes complexities such as differences in accounting systems and the limited transparency of port accounts, making cost recovery a difficult objective. Hence, the EU objective of a level playing field does not coincide with national interests resulting in conflicting policy objectives making harmonisation of pricing and financing within the port sector rather unfeasible. The situation in the port industry shows that differences between two levels of government can form an important institutional barrier that prevents efficient implementation of a transport policy.

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