



EUROPEAN PORT GOVERNANCE

REPORT OF AN ENQUIRY INTO THE CURRENT
GOVERNANCE OF EUROPEAN SEAPORTS



‘THE ESPO FACT-FINDING REPORT’
REVISED AND ENLARGED IN 2010
PREPARED BY PATRICK VERHOEVEN



Cover illustration: iconic European port authority buildings

Above: Barcelona, Antwerp (future offices), Hamburg

Below: Genoa, Rotterdam, London (former offices)

EUROPEAN PORT GOVERNANCE

REPORT OF AN ENQUIRY INTO THE CURRENT
GOVERNANCE OF EUROPEAN SEAPORTS



‘THE ESPO FACT-FINDING REPORT’
REVISED AND ENLARGED IN 2010
PREPARED BY PATRICK VERHOEVEN

© 2011 – European Sea Ports Organisation vzw/asbl and Patrick Verhoeven

This report was prepared by Patrick Verhoeven for the European Sea Ports Organisation.

The opinions expressed in this document are the sole responsibility of the author and do not necessarily represent the official position of the European Sea Ports Organisation.

Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Sea Ports Organisation is given prior notice and sent a copy.

Contact:

European Sea Ports Organisation (ESPO)

Treurenberg 6 – B-1000 Brussel / Bruxelles

Tel : + 32 2 736 34 63 – Email : mail@espo.be – Web : www.espo.be

TABLE OF CONTENTS

TABLE OF CONTENTS.....	5
EXECUTIVE SUMMARY.....	7
FOREWORD.....	13
1. CONCEPTUAL BACKGROUND.....	15
1.1. Evolution of the port concept and the role of port authorities.....	15
1.1.1. <i>Evolution of the port concept</i>	15
1.1.2. <i>Evolution of the role of port authorities</i>	15
1.2. Hypothetical typology of port authorities.....	16
1.3. Influential governance factors.....	18
1.3.1. <i>Balance of power with government</i>	18
1.3.2. <i>Legal and statutory framework</i>	19
1.3.3. <i>Financial capability</i>	19
1.3.4. <i>Management culture</i>	20
1.4. Summary chapter 1.....	20
2. THE 2010 ‘FACT-FINDING’ REPORT.....	21
2.1. History of the fact-finding reports.....	21
2.2. About the 2010 edition.....	21
2.3. Response rate to the 2010 survey.....	22
2.4. Presentation of results.....	23
2.4.1. <i>Regional differentiation</i>	23
2.4.2. <i>Size differentiation</i>	24
2.4.3. <i>Comparison of regional and size differentiation</i>	25
2.5. Feedback from European port authorities.....	26
2.6. Summary chapter 2.....	26
3. OBJECTIVES AND FUNCTIONS.....	27
3.1. Objectives and mission.....	27
3.2. Landlord function.....	29
3.2.1. <i>Land ownership and ability to sell and contract land</i>	29
3.2.2. <i>Contracting out of port land</i>	30
3.2.3. <i>Landlord beyond the traditional landlord</i>	34
3.3. Regulator function.....	36
3.3.1. <i>Organisational aspects</i>	36
3.3.2. <i>Regulatory activities</i>	37
3.4. Operator function.....	39
3.4.1. <i>Direct provision of services</i>	40
3.4.2. <i>Indirect involvement in provision of services</i>	43
3.4.3. <i>Service provision outside own port area(S)</i>	44
3.5. Community manager function.....	45
3.5.1. <i>Corporate policy</i>	45
3.5.2. <i>Facilitation of port community</i>	46
3.5.3. <i>Societal integration and interaction with government</i>	50
3.6. Summary chapter 3.....	52

4.	INSTITUTIONAL FRAMEWORK.....	54
4.1.	Number of ports and entities with statutory responsibilities.....	54
4.1.1.	<i>Number of ports for which the port authority is responsible.....</i>	<i>54</i>
4.1.2.	<i>Other entities with statutory responsibilities.....</i>	<i>55</i>
4.2.	Ownership.....	55
4.3.	Legal status and form.....	57
4.4.	Organisational structure.....	62
4.4.1.	<i>Management.....</i>	<i>62</i>
4.4.2.	<i>Staff.....</i>	<i>65</i>
4.4.3.	<i>Supervisory / governing body.....</i>	<i>67</i>
4.4.4.	<i>Other governance-related bodies.....</i>	<i>71</i>
4.5.	Summary chapter 4.....	71
5.	FINANCIAL CAPABILITY.....	73
5.1.	Financial responsibilities.....	73
5.1.1.	<i>General results.....</i>	<i>73</i>
5.1.2.	<i>Results differentiated per region.....</i>	<i>77</i>
5.1.3.	<i>Results differentiated to size of ports.....</i>	<i>77</i>
5.2.	Accounting.....	84
5.3.	Operating income and costs.....	85
5.4.	Port charges.....	87
5.4.1.	<i>Legal nature.....</i>	<i>87</i>
5.4.2.	<i>Calculation basis.....</i>	<i>89</i>
5.4.3.	<i>Autonomy.....</i>	<i>92</i>
5.5.	Taxation.....	94
5.6.	General financial autonomy.....	95
5.7.	Summary chapter 5.....	96
6.	CONCLUSIONS.....	98
6.1.	Devolution.....	98
6.2.	Corporate governance.....	99
6.3.	Operational profile.....	100
6.4.	Functional autonomy.....	100
6.5.	Functional pro-activeness.....	100
6.6.	Investment responsibility.....	101
6.7.	Financial autonomy.....	101
6.8.	Concluding observations.....	102
	REFERENCES.....	103
	OVERVIEW OF FIGURES.....	105
	OVERVIEW OF TABLES.....	107

EXECUTIVE SUMMARY

INTRODUCTION

1. The 2010 edition of the ESPO 'Fact-Finding Report' on port governance builds on the tradition of the original reports, which find their origin in the 1970s. This edition is based on a new conceptual background which takes into account the evolution of the port concept and new perspectives on the role of port authorities. It puts the port authority much more centre-stage than before and enquires to what extent its possible 'renaissance' is effectively happening today. The conceptual background identifies existential options in a hypothetical typology of port authorities. This typology consists of three basic types: the 'conservator', the 'facilitator' and the 'entrepreneur'. The conceptual basis also identifies four governance factors which will influence the renaissance of port authorities: the power balance with government, the legal and statutory framework, financial capability and management culture

2. Contrary to previous reports, this edition is the first to be based on a web-based survey that was addressed directly to individual port authorities. 116 port authorities from the 26 countries represented in ESPO responded. Together, these port authorities reported to manage a total of 216 different ports. In 2008, these ports handled in total 66,2% of the overall volume of cargo handled by the total population of ports represented in ESPO, covering the 22 maritime Member States of the EU and 4 neighbouring countries.

3. The survey results are presented both generally and differentiated, according to region and size. The regional differentiation is based on a geo-governance typology that classifies port authorities in five groups: 'Hanse' (Iceland, Norway, Finland, Sweden, Denmark, Germany, Netherlands and Belgium), 'New Hanse' (Estonia, Latvia, Lithuania and Poland), 'Anglo-Saxon' (UK and Ireland), 'Latin' (France, Portugal, Spain, Malta, Italy, Greece, Cyprus and Israel) and 'New Latin' (Slovenia, Croatia, Romania and Bulgaria). The size differentiation is based on the total annual volume of goods handled by the ports represented through the port authorities participating in the survey. When interpreting the size differentiation, it should be noted that the regional differentiation influences especially the small and medium-sized category.

4. The results of the survey are grouped in three main sections: (1) objectives and functions of the port authority, (2) institutional framework of the port authority and (3) financial capability of the port authority.

OBJECTIVES AND FUNCTIONS OF THE PORT AUTHORITY

5. Most port authorities have formalised objectives, but these show a great diversity of economic and non-economic ones, which are often even mixed. The pure economic objectives are varied as well. Maximisation of handled tonnage, maximisation of added value and maximisation of the profit of the port authority stand out as the most important ones. The first is more common for port authorities from the New Hanse and New Latin regions, whereas added value occurs more often in the Hanse and Latin regions. Profit maximisation is more common for port authorities from the Anglo-Saxon region.

6. The objectives of the port authority influence the functional profile. Looking at the three traditional functions, i.e. the landlord, regulator and operator functions, it can be concluded that, as operators, port authorities gradually moved away from providing cargo-handling services. These have in most cases been privatised or liberalised. Operational activities of port authorities focus mainly on the provision of those ancillary services which are to the benefit of the entire port community, such as provision of public utilities and dredging. Some important regional differences however exist, with notably Anglo-Saxon port authorities being more involved in the provision of cargo-handling and technical-nautical services. Also smaller port authorities are more frequently providing these types of services.

7. The landlord function can be considered as the principal function of contemporary port authorities. It is subject to different forms of pressure, i.e. competitive pressure to invest in infrastructure, financial pressure to make these investments possible and competition for land-use. Land is indeed a crucial element in this respect, but only about half of the responding port authorities actually own the port land they manage. Port authorities are generally not able to sell port land, unless with restrictions. The landlord function therefore translates itself essentially in the ability to contract land to third parties, which most port authorities are able to do and which forms the most important governance tool they have at their disposal. Most port authorities use public selection procedures to select service providers although this is often conditional, e.g. only for plots of land that are of strategic interest. Public selection procedures usually take the form of public tenders whereby all relevant contractual details are specified in advance. In this way port authorities are able to give shape to their objectives. Throughput guarantees and environmental performance clauses rank as the two most frequently occurring contract clauses. Port authorities are generally free to set durations and determine contract clauses, although restrictions do exist more in some regions than others. Generally speaking, Hanseatic and Anglo-Saxon port authorities relatively enjoy more autonomy when it comes to land ownership and the contracting out of port land than their colleagues in other regions. Apart from the regular commercial exploitation and administration of port land, almost half of the responding port authorities also engage in urban real estate management and environmental land management. The former is especially typical for port authorities in the Latin region.

8. The increased focus on negative externalities of port operations has reinforced the regulator role of port authorities in the fields of environment, safety and security. The harbour master's office plays an important role in this although, especially in Latin and New Latin regions, it does not always form part of the port authority's organisational structure. Many port authorities do have their own safety, security and environmental departments. Most port authorities also issue their own regulations in these three fields, but there are not many that go beyond mere transposition of legal requirements. This somehow contrasts with the finding that half of the responding port authorities do claim to go beyond legal requirements in implementing and developing actions to enhance sustainability.

9. The traditional functions of port authorities have gone through substantial change. The operator function has made way to landlord and regulatory functions which have gained a strong community focus and complement the actual community manager function, which is essentially pro-active in nature. The latter appears to be well-rooted in the functional profile of port authorities. Both the economic dimension, which focuses on facilitation of the port community and the solving of various kinds of bottlenecks,

and the societal dimension, which focuses on external stakeholders, is very much present and many port authorities assume a leadership role in both. Latin port authorities are most pro-active in this field. It is significant that most port authorities that participated in the survey confirm that, regardless of their ownership or dominant level of control, they maintain the most intense contacts with local government.

10. Few port authorities transpose their functions beyond their own borders, whether this concerns investment in hinterland networks, direct investment in other ports, providing certain services in other ports, export of regulatory and other expertise etc. So far, mainly larger port authorities seem to be developing initiatives beyond their own perimeter. Some are even setting up specific development companies for this purpose.

11. Looking at the port authority typology presented in the introduction, it can be concluded that most port authorities participating in the survey converge towards the 'facilitator' type, with only few venturing into 'entrepreneurial' activities.

INSTITUTIONAL FRAMEWORK OF THE PORT AUTHORITY

12. The number of port authorities managing more than one port is significant but covers quite different arrangements, ranging from national port authorities that manage all ports in a given country to regional authorities managing a cluster of smaller, neighbouring ports and private or public holdings managing several ports in a country. The sample includes only one example of a port authority that manages ports in different countries. Looking at on-going port reforms and reorganisations, one notices however that intensified co-operation between (neighbouring) ports is an issue in several countries. This is either driven bottom-up by port authorities themselves or stimulated by national or regional government. The latter seems more characteristic for the Hanse region where some governments are also discussing the selection of 'ports of national interest'.

13. In approximately two thirds of the cases the port authority is the principal entity with statutory responsibilities for the port(s) it administers. In the other cases, statutory responsibilities are mostly split with the harbour master's office or a similar entity responsible for nautical safety and security. This phenomenon is especially visible in Latin and New Latin countries.

14. The vast majority of port authorities participating in the survey are publicly owned. The ownership pattern confirms the Hanseatic and Latin traditions of respectively strong municipal and central government influence. Port authorities in Anglo-Saxon countries are either owned by the State (Ireland), municipalities, private equity or independent trusts (UK). State ownership dominates for port authorities in the new regions. Looking at ongoing reforms, the ownership situation of port authorities looks fairly stable with minor changes to be expected in some countries. In the Anglo-Saxon region, full privatisation of port authorities is still at stake however. Privatisation or liberalisation of operational services is mainly on-going (or has just been completed) in ports in the Latin, New Latin and New Hanse regions.

15. Most port authorities participating in the survey have their own legal personality which generally takes what is called a 'commercialised' or 'corporatised' form. Corporatised port authorities have share capital that is owned in part or in full by government. Regional comparison highlights that corporatised port authorities occur

least frequent in the Latin and Hanse regions. Corporatisation has been a trend for a few years however and it looks as if more port authorities may take this form in the near future. The European Union could have an indirect influence in this process..

16. An important distinction needs to be made between being corporatised in form and actually following principles of corporate governance that are customary in private undertakings. The analysis of the organisational structure of port authorities shows that political influence varies between the regions, but is substantial everywhere, except in the Anglo-Saxon region (mainly UK). Political influence is especially visible through the appointment of top management executives and the composition of supervisory bodies. Although the role of the supervisor body seems mostly to correspond with the usual role of a board of directors, a more in-depth comparison with general principles of corporate governance would be useful. The question remains whether, given the strong degree of public ownership of European port authorities, political influence can or should be absent at all. Complete absence of political control may even be counterproductive

17. The analysis of staff composition of port authorities shows that, on average, port authority staff are in first place administrative employees, followed by nautical and engineering staff. Operational staff, such as crane and other equipment drivers and dockworkers form only a limited category, which confirms that many port authorities in the sample are essentially landlord ports. This picture however differs regionally. Anglo-Saxon port authorities are more involved in operational services, but also a significant share of Latin port authorities employ operational staff. The analysis further demonstrates that in some port authorities administrative staff dominates, whereas in others nautical staff or engineering staff form the main category. Although going beyond the scope of this report, it would be interesting to link this to the management culture of port authorities.

FINANCIAL CAPABILITY OF THE PORT AUTHORITY

18. The financial capability of a port authority is one of the key governance factors that determine the extent to which the port authority can achieve its objectives and optimally perform its functions.

19. The results of the survey show that, in most cases, the port authority bears a very important, if not the most important, financial responsibility for the capital investment, administration, operation and maintenance of the capital assets that constitute a port. To confirm this picture in full the monetary value of the different types of capital assets would need to be assessed. Taking into account regional and size-related differences, most port authorities bear financial responsibility for maritime access (at least partly), terminal-related infrastructure and transport infrastructure within the port area. The private sector mainly assumes financial responsibility for superstructure, which is again an indicator that most European ports converge towards the landlord model. Government bears in most cases the principal financial responsibility for transport infrastructure outside the port area. Port authorities from Anglo-Saxon and, to a lesser extent, New Latin regions bear relatively more financial responsibility than their colleagues in other regions.

20. The average operating cost profile of port authorities shows that personnel costs rank highest, followed by purchase of services and goods and depreciation of

investments. The cost profile of port authorities from the new regions is different, with a stronger proportion of services and other goods and, in the case of New Hanse, a higher percentage of depreciation. Anglo-Saxon port authorities have a considerably higher percentage of personnel costs and significantly lower percentage of depreciation.

21. General port dues form the most important source of operating income for port authorities, next to income from land lease and income from services. If present at all, public funding forms only a very limited part of the operating income. The revenue from land lease is relatively lowest in the Anglo-Saxon and New Latin region. The income charges that port authorities apply often have a public nature, either in the form of taxes or retributions, and these are mostly based on public tariffs. This is especially the case for general port dues.

22. The autonomy of port authorities with regard to port charges, especially where it concerns setting the level of charges, differs according to regions and is especially low for port authorities from the Latin region. Port authorities from the Anglo-Saxon region have relatively the highest autonomy with regard to port charges. The same picture emerges for the overall financial autonomy of port authorities. Small port authorities often seem to have relatively more financial autonomy than large ones.

23. Finally, as indicators of corporate behaviour, it can be concluded that most port authorities apply generally used accounting principles and make their financial accounts public. The taxation picture is more different. Whilst most of the responding port authorities are subject to VAT, only about half of them are subject to income tax or local taxes. Port authorities from the Anglo-Saxon region are most frequently subject to income tax, whereas port authorities from the Hanse region are least.

24. To draw full conclusions, the financial profile of individual port authorities would require a much more in-depth analysis. The response rate to the survey was also lowest on the financial questions, which is partly due to confidentiality reasons. Nevertheless, the overall picture points at a fundamental weakness. Whilst most port authorities apparently have to bear heavy financial responsibilities regarding investment and personnel, many do not seem to be full master over their income. This is especially the case for Latin port authorities and, to a lesser extent, port authorities in the new regions, which are marked by a rigid public nature of port charges and lack of financial autonomy.

CONCLUDING OBSERVATIONS

25. The survey findings indicate that most European port authorities have ‘renaissance’ ambitions, but that diversity in governance frameworks indeed either limits or enables those.

26. These differences are mainly determined regionally. The survey confirms that the traditional Hanse, Latin and Anglo-Saxon frameworks still explain most of the governance diversity in Europe. Port authorities in the ‘new’ regions situate themselves somewhere in between the main traditions, although a strong central government influence would make many of them more affiliated with the Latin tradition. Taking into account that, proportionally, most port authorities in Europe belong to either the Hanse or Latin tradition, the difference between both translates itself in a north-south duality which not only involves simple ownership differences, but covers many other governance

elements, especially functional and financial autonomy, which is typically more limited in the south. Whilst this may prevent Latin port authorities more from achieving their objectives and investment responsibilities, it somehow paradoxically does not always appear to be a constraint for functional pro-activeness. Although current reforms do not immediately point at substantial changes in the Hanse-Latin constellation, there may be developments in the longer term which could make the opposition between the two traditions more vague.

27. The size of the port authority may to some extent explain governance diversity as well, especially where it comes to corporate governance, the operational profile as well as functional pro-activeness.

28. Finally, one should take into account that European Union law and policy potentially have an implicit or explicit harmonising influence on port governance. European competition law in any case implies that port authorities engaged in economic activities have to be considered as undertakings, regardless what their legal form or ownership is.

FOREWORD

This 'Report of an Enquiry into the Current Governance of European Seaports' is the fifth in its kind. Better known as the 'Fact-Finding Report', it was first produced in 1977 by the Community Port Working Group, the predecessor of the European Sea Ports Organisation. ESPO was established in 1993 and took over the publication of the reports since then.

The port landscape has dramatically changed in the more than thirty years that elapsed since the first report was issued. This has also very much influenced the role of port authorities. In recent years, new perspectives have emerged on this role. Several scholars have shown a renewed interest in traditional landlord, regulatory and operational functions, advocating a 'renaissance' of port authorities, whereby the latter should undertake a variety of facilitating and even entrepreneurial tasks. Studies claim that port authorities that undertake a mere conservation role would be threatened with extinction.

I have used these academic insights to make a new conceptual basis for the Fact-Finding Report. The report is therefore different in structure and content than previous editions, although some elements of the original reports have been kept. The report was prepared through an elaborate survey which was for the first time addressed directly to individual port authorities.

First and foremost, I wish to thank all the 116 port authorities that had the patience to fill out the lengthy survey, as well as the national port organisations that actively encouraged their members to participate. I am most grateful to the chairman of ESPO, Victor Schoenmakers, and the chairman and members of the ESPO Port Governance Committee, for providing feedback on the conceptual background and testing out the survey. Sincere thanks also go to Prof. Dr. Eddy Van de Voorde and his team at the Department of Transport and Regional Economics at the University of Antwerp for their sound academic advice and support. I want to mention especially Dr. Thomas Vanoutrive, with whom I am currently preparing a quantitative analysis of the survey results. Finally, I wish to thank the staff at the ESPO secretariat for their assistance in preparing the survey and ensuring the administrative follow-up of the project.

The next full edition of the Fact-Finding Report is planned for 2015. ESPO however intends to publish some key governance indicators on a more regular basis from now on. Also, the actual survey results of this edition contain a wealth of information that is calling for more in-depth analysis. This may therefore in the near future lead to further publications on specific governance aspects that could only be addressed in broad terms in this overall report.

Brussels, 26 April 2011
Patrick Verhoeven

1. CONCEPTUAL BACKGROUND

1.1. EVOLUTION OF THE PORT CONCEPT AND THE ROLE OF PORT AUTHORITIES

1.1.1. EVOLUTION OF THE PORT CONCEPT

As gateways, seaports have always been sensitive to changes in socio-economic trends. In the early modern age and well beyond, European ports and port-cities were often trend-setters, both in commercial and societal terms. Globalisation gradually moved these ports to the receiving end of change. From centre-stage positions they evolved into, admittedly still significant, elements in value-driven logistics chain systems. Containerisation intensified the competitive climate dramatically with larger ports struggling to keep their main-port status and smaller ports looking for specific niches. Captive hinterlands diminished and port competitiveness became largely dependent on factors external to the port as such. These are in turn influenced by important shifts in the bargaining power of market players which underwent processes of horizontal and vertical integration. On the other hand, post-modern society does no longer grant automatic support to port development, nor does it value the vital contribution of ports to trade and welfare. Port expansion needs are influenced by ecological concerns, urban development pressure and individualist NIMBY (Not In My Back Yard) attitudes. These market-related and societal trends are interwoven and in many cases either reinforced or controlled through public policy, which in Europe often finds its origins at the supra-national level of the European Union. These trends have created a highly uncertain and complex environment for ports and fundamentally changed the port concept.

1.1.2. EVOLUTION OF THE ROLE OF PORT AUTHORITIES

In its proposals for a Directive on market access to port services, the European Commission defined a port authority as ‘the entity which, whether or not in conjunction with other activities, has as its objective under national law or regulation the administration and management of the port infrastructures, and the co-ordination and control of the activities of the different operators present in the port’ (Commission of the European Communities 2001). Most definitions of port authorities underline the landlord and regulatory function, although other functions exist, as will be elaborated in this report. The term ‘port authority’ implies a specific, i.e. public, form of port management, but it is used in this report as the generic term for the body with statutory responsibilities that manages a port’s water and land-side domain, regardless of its ownership or legal form (De Monie 2004).

The ever-changing environment in which ports operate has put strong pressure on the traditional role of port authorities. These pressures are essentially threefold and related to three types of stakeholders. The first line of pressure comes from market players, such as carriers, terminal operators and logistics operators. Market actors see the port authority at best as an aid to achieve their own objectives, which are essentially profit-oriented, but often also as a bureaucratic nuisance. Market actors are more and more organised on a global scale and struggle to gain control over port-oriented logistics networks. In

contrast, port authorities very often seem to remain local spectators with limited influence on market-driven processes. Next is pressure from government. Government often has devolved the responsibility for port management to port authorities, granting them varying degrees of managerial autonomy whilst retaining control through sole or majority shareholder positions. At the same time, government values less the strategic significance of seaports for the economy of a country or a region, which for instance goes hand in hand with reduced government spending in ports. Governments may even view port authorities as generators of income for the state or city budget. Finally, there is pressure from societal interest groups, such as NGO's, local communities and individual citizens, which see the port authority as the focal point for complaints about negative externalities generated by the port, even if these are not directly within the responsibility of the port authority. An additional problem is that ports have become unknown territories for most citizens.

1.2. HYPOTHETICAL TYPOLOGY OF PORT AUTHORITIES

In 1990, Richard Goss questioned, al be it rhetorically, the need to have (public sector) port authorities (Goss 1990). Since then scholars have demonstrated a renewed interest in the role of port authorities, recommending their 'renaissance' through repositioning and the development of new strategies. The discussion as to how port authorities have to keep up with the pace of change often focuses on the essential question whether the role of port management should be restricted to correctly enforcing regulation or whether port management should more actively participate as a market player. In 2000, Trevor Heaver, Hilde Meersman, Francesca Moglia and Eddy Van de Voorde identified three possible options for port authorities: to become fully-fledged partners in the logistics chain, to have a role restricted to supporting activities (safety, land-use and concession policy) or to disappear from the scene entirely (Heaver et al. 2000).

The existential options can be developed further using the four basic functions that port authorities have. These include three traditional functions, i.e. those of landlord, regulator and operator, and the 'community manager' function which was only recently identified as such. This function is intrinsically linked to the changing nature of port communities and stakeholders. Through the community manager function the port authority essentially advances and maintains good relationships between all economic and societal stakeholders. The four basic functions are usually performed at the level of the port itself, which constitutes the actual 'jurisdiction' of the port authority. However, the different functions can also be performed at regional or even at global level.

Combining the functional profile and the geographical dimension in a matrix allows to elaborate the three existential options in a hypothetical typology of port authorities. This typology consists of three basic types: the 'conservator', the 'facilitator' and the 'entrepreneur' (Verhoeven 2010). The basic features of each hypothetical type are illustrated in Table 1.

	TYPE	'Conservator'	'Facilitator'	'Entrepreneur'
FUNCTION				
Landlord		Passive real estate 'manager': <ul style="list-style-type: none"> - continuity and maintenance - development mainly left to others (government / private sector) - financial revenue from real estate on "tariff" basis 	Active real estate 'broker': <ul style="list-style-type: none"> - continuity, maintenance and improvement - development broker and co-investor - includes urban and environmental real estate brokerage - financial revenue from real estate on commercial basis Mediator in commercial B2B relations between service providers and port customers Strategic partnerships with inland ports, dry ports and other seaports	Active real estate 'developer': <ul style="list-style-type: none"> - continuity, maintenance and improvement - direct investor - includes urban and environmental real estate development - financial revenue from real estate on commercial basis - financial revenue from non-core activities Direct commercial B2B negotiations with port customers – active pursuit of market niches Direct investments in inland ports, dry ports and other seaports
Regulator		Passive application and enforcement of rules and regulations mainly set by other agencies Financial revenue from regulator role on 'tariff' basis	Active application and enforcement of rules and regulations through co-operation with local, regional and national regulatory agencies + setting of own rules and regulations Provide assistance to port community to comply with rules and regulations Financial revenue from regulator role on 'tariff' basis with differential charging options for sustainability	Idem facilitator Idem facilitator + selling expertise and tools outside the port Financial revenue from regulator role on commercial basis
Operator		Mechanistic application of concession policy (license-issuing window)	Dynamic use of concession policy, in combination with real estate broker role 'Leader in dissatisfaction' as regards performance of private port services providers Provide services of general economic interest and specialised commercial services.	Dynamic use of concession policy, in combination with real estate development role Shareholder in private port service providers Provide services of general economic interest as well as commercial services. Provide services in other ports
Community Manager		Not actively developed	Economic dimension: <ul style="list-style-type: none"> - solve hinterland bottlenecks - provide training and education - provide IT services - promotion and marketing - lobbying 	Idem facilitator type but economic dimension with more direct commercial involvement
GEOGRAPHICAL DIMENSION		Local	Local + Regional	Local + Regional + Global

Table 1: Hypothetical typology of port authorities (source: Verhoeven 2010)

A ‘conservator’ port authority concentrates on being a good housekeeper and essentially sticks to a passive and mechanistic implementation of the three traditional port authority functions at local level. Because of this low-profile attitude conservator port authorities may run the highest risk of being marginalised and even becoming extinct in the future.

A ‘facilitator’ port authority profiles itself as a mediator and matchmaker between economic and societal interests, hence the well-developed community manager function. Facilitator port authorities also look beyond the port perimeter and try to engage in strategic regional partnerships. It is the type of port authority which so far seems to find most support in literature for the fine balance it represents.

The ‘entrepreneur’ port authority combines the main features of the facilitator with a more outspoken commercial attitude as investor, service provider and consultant on all three geographical levels. Because of this ambitious profile, it is also the type which runs the highest risk of running into problems caused by conflicts between the various functional levels.

1.3. INFLUENTIAL GOVERNANCE FACTORS

The previous section has demonstrated that port authorities may theoretically take on a multitude of facilitating and entrepreneurial responsibilities, reaching beyond the port perimeter. The main question is now whether this also occurs in reality. This question forms the basis of the ‘fact-finding’ survey of which the results are brought together in this report. Before addressing the survey in the next chapter, the conceptual framework developed so far is completed in this final section with the exploration of a number of governance-related factors that may influence the extent to which a port authority will be a mere conservator or will be able to take on facilitating and entrepreneurial responsibilities.

It should be recognised that governance factors play an important role in the performance of ports but these are certainly not the only, and perhaps not even the most important, elements. Be that as it may, there is no doubt that governance factors determine to a large extent the performance of the port authority itself. Four essential factors can be identified; two formal and two informal ones. The two formal factors consist of the legal and statutory framework on the one hand and the financial capability on the other. The informal factors relate to the balance of power with government and the management culture that reigns within the port authority. It should be noted that these four factors are strongly interrelated. The power balance with government will influence the legal and statutory framework and the financial capability of the port authority and determine the room its management has to pursue and stimulate a proactive culture.

1.3.1. BALANCE OF POWER WITH GOVERNMENT

Whereas port authorities may have valid bottom-up reasons to take on facilitating and entrepreneurial tasks, this is often not the objective desired by the entities that usually own and control them, i.e. government agencies, at whichever level these exercise their influence. Although public ownership of port authorities does not have to be a constraint for efficient behaviour, it may generally be an inhibiting factor to pursue

entrepreneurial strategies given the potential conflict with the regulatory function. The level of the public ownership (i.e. national versus municipal) could furthermore have an influence on the interaction with local stakeholders. The inter-relation with government would also influence the extent to which hinterland-oriented strategies beyond the port perimeter can be developed. On the other hand, it must be recognised that political influence in publicly owned port authorities may be difficult to avoid. Complete absence of political control may even be counterproductive, leading to monopolistic behaviour, preferential treatment of port users, white elephants, wasteful overcapacity etc.

1.3.2. LEGAL AND STATUTORY FRAMEWORK

The legal and statutory framework is an important enabling factor which largely results from the power balance with government. It will address important questions such as the commercial, managerial and financial autonomy of ports, which enables port authorities to be more than conservators. The legal framework will further determine the capacity of the port authority to set local rules with regard to environment, safety and security and to provide or control technical-nautical services, provide or control the harbour masters' office and to run a police force. With regard to the landlord role, it will determine whether the port authority owns the land or at least has the ability to manage and exploit it. It also determines the degree in which port authorities can engage in partnerships with other seaports, inland ports or dry ports.

For ports in Europe, the supra-national level of the European Union needs to be taken into account. This level has the potential of having a more independent, al be it indirect, influence on the legislative framework governing port authorities. EU law and EU policy regarding ports have for instance implicitly favoured landlord-type governance systems. Whereas initiatives such as the original 2001 proposal of the port services' Directive, advocated a rather strict landlord role, the Commission's 2007 ports policy communication explicitly supports (financially) autonomous port authorities which take responsibility for the strategic development of their ports, stimulate dialogue between all possible stakeholders and pro-actively intervene in market processes to safeguard the general interest of the port (Commission of the European Communities, 2007). This very much corresponds with the facilitator type identified earlier. Next to this policy context, due account should be taken of the fact that recent case decisions imply that, if port authorities are engaged in economic activities, they essentially qualify as undertakings, regardless what their legal form or ownership is. It would make them fully subject to principles of EU competition law.

1.3.3. FINANCIAL CAPABILITY

If port authorities are to take on a facilitating and, even more so, an entrepreneurial role, for instance as real estate developers, active regulators and investors in regional networks, then financial power comes as a key element. The best possible hinterland connections do indeed require more than simple facilitation; they require huge investments port authorities cannot always provide because they lack the necessary financial means. Closely linked to the statutory framework and, in particular, the degree of autonomy involved, this factor may in practice make the principal difference between a mere conservator position and the realisation of higher ambitions.

Also here the level of the EU plays an important role, for instance with regard to application of State aid rules as well as principles of transparency and non-

discrimination. The latter may for instance have an important impact on policies of port authorities regarding port dues.

1.3.4. MANAGEMENT CULTURE

A final factor is the management culture that reigns at the corporate level of the port authority itself and which would enable the intelligent use of port governance tools within a given structural framework. Although this is certainly a factor worth exploring in further detail, it falls beyond the scope of this report.

1.4. SUMMARY CHAPTER 1

In recent years renewed interest in the role of port authorities has emerged. This role has come under severe and multiple pressure from stakeholders, following important socio-economic changes in the port landscape. Scholars have developed various recommendations for a 'renaissance' of port authorities, revisiting traditional landlord, regulator and operator functions and devising a community manager function and a dimension beyond the local port perimeter. The existential options for port authorities can be brought together in a hypothetical typology, whereby port authorities act either conservators, facilitators or entrepreneurs. A number of governance-related factors can be identified that would determine where port authorities position themselves in this typology. The power balance with government stands out as a principal factor which influences the legal and statutory framework, the financial capability and the room for a pro-active management culture at the corporate level of the port authority. Special mention has to be made of the supra-national level of the European Union which has the potential of setting a more independent legal and policy framework for port authorities.

2. THE 2010 ‘FACT-FINDING’ REPORT

2.1. HISTORY OF THE FACT-FINDING REPORTS

In 1974, the European Commission set up a Port Working Group consisting of port authority representatives from Europe’s major ports. Three years later, the Port Working Group produced a so-called ‘fact-finding’ report on the institutional and administrative structure of Europe’s ports. The report showed considerable diversity in the organisation, management, operations, finance and legal obligations of ports in the then eight maritime Member States of the European Community. A revised and updated edition of the fact-finding report followed in 1986, after the enlargement of the European Community with the maritime nations Greece, Spain and Portugal. The European Sea Ports Organisation, which succeeded the Port Working Group, published two further editions, respectively in 1997 and 2005. The 1997 edition was still based on the original format, whereas the 2005 edition was a more political report that focused on the main themes of the European Commission’s ‘ports package’ which was then still under discussion.

The fact-finding reports have always been influential. The definition of a port that followed from the first edition was used for several decades and was even included in the Commission’s Directive proposals on market access to port services. The reports were not only used actively by policy-makers, scholars and consultants, they also proved to be effective lobbying instruments for the sector. The governance complexity and diversity that emanated from the reports was one of the principal elements that withheld the European Commission for several decades from developing a specific European policy for ports.

2.2. ABOUT THE 2010 EDITION

The 2010 edition builds on the tradition of the original reports but is based on the conceptual background described in the previous chapter. It takes into account the evolution of the port concept and new perspectives on the role of port authorities. It puts the port authority much more centre-stage than before and enquires to what extent its ‘renaissance’, that is advocated by scholars, is effectively happening today.

Contrary to previous reports, this edition is the first to be based on a web-based survey that was addressed directly to individual port authorities, rather than national port organisations as was the case with previous editions. National organisations were however instrumental in encouraging their members to respond to the survey. The elaborate survey counted 108 questions. Apart from a general section profiling the port(s) controlled by the port authority, it consisted of three main sections that also form the main chapters of this report:

1. Objectives and functions of the port authority
2. Institutional framework of the port authority
3. Financial capability of the port authority

2.3. RESPONSE RATE TO THE 2010 SURVEY

The survey was made available to port authorities in the 22 maritime Member States of the European Union and port authorities in four neighbouring countries that are represented in ESPO: Iceland, Norway, Croatia and Israel. The survey was online from 1 April to 15 July 2010. 116 port authorities from the 26 countries represented in ESPO responded. Together, these 116 port authorities report to manage a total of 216 different ports. The total freight volume handled by these ports in 2008 amounted to 2.770.803.000 tonnes (Eurostat data completed with national statistics for Iceland and Israel). Figure 1 illustrates the representativeness of the sample, expressed in total volume of cargo handled by the ports.

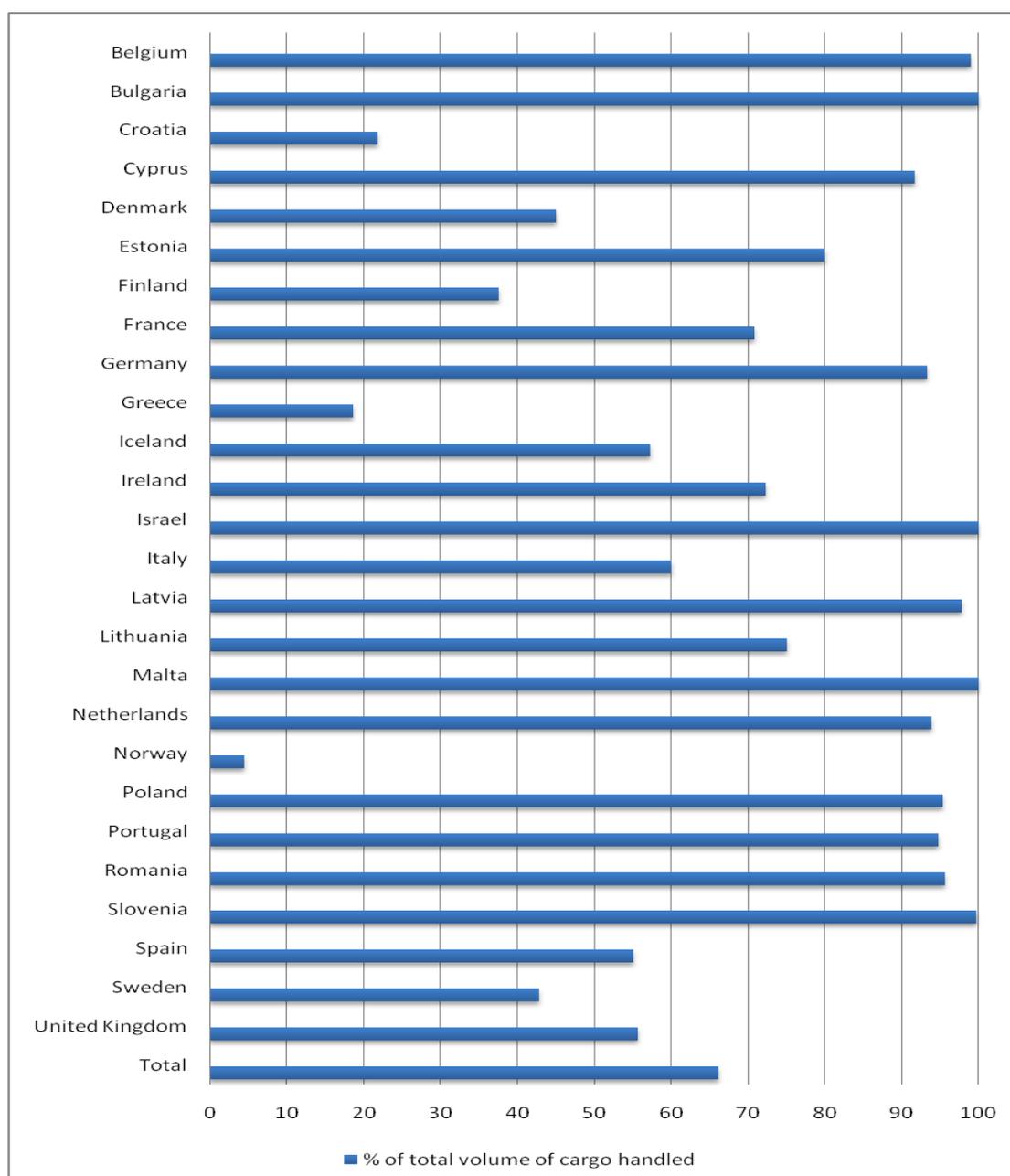


Figure 1: Representativeness of the survey sample versus the total population, in % of the total volume of cargo handled – based on 2008 Eurostat data and national statistics for Iceland and Israel

The figure shows that the sample of ports handles in total 66,2% of the total volume of cargo handled by the total European population of ports in 2008. Expressed in volume, the representativeness is very high to complete (75-100%) in Belgium, Bulgaria, Cyprus, Estonia, Germany, Israel, Latvia, Lithuania, Malta, the Netherlands, Poland, Portugal, Romania and Slovenia. It is medium to high (50-74%) in France, Iceland, Ireland, Italy, Spain and the United Kingdom. It is low to medium (25-49%) in Denmark, Finland and Sweden. The representativeness of Greece and Norway is very low (less than 25%). It should be noted that in countries where the representativeness is low to medium, the ports that replied are mostly illustrative for the governance diversity that exists in these countries.

2.4. PRESENTATION OF RESULTS

Throughout the report, results are presented for the overall sample of responding port authorities. In principle this concerns all 116 port authorities, but it must be noted that not every port authority responded to every question. Generally speaking, the number of responses per question varied between 100 and the full 116. On a limited number of financial questions, the response rate was lower, e.g. due to confidentiality reasons. Apart from the general picture, the results are also be presented in a differentiated way, according to region and to size. The method used for both differentiations is explained below.

2.4.1. REGIONAL DIFFERENTIATION

There are various ways of making regional differentiations of European ports. The most commonly used are based on the maritime coastlines of the continent (Baltic, North Sea, Atlantic, Mediterranean, Black Sea) or ranges of neighbouring, competing ports (e.g. Hamburg-Le Havre range).

As this report focuses on port governance, a geographical typology is used that was developed by the late Ferdinand Suykens, former director-general of the Port of Antwerp, professor of port economics and founding chairman of ESPO. He identified in Europe three major port governance traditions: the 'Hanseatic' tradition of local, mostly municipal, governance, which is dominant in ports around the Baltic and North Sea, the 'Latin' tradition of state governance, which reigns in France and countries around the Mediterranean and, finally, the 'Anglo-Saxon' tradition of independent governance, which is characteristic for ports in the UK and Ireland (Suykens 1988, Suykens and Van de Voorde 1998).

Suykens' typology does not take into account the fall of the iron curtain which has brought a number of new ports around the Baltic Sea, the Mediterranean and the Black Sea in the competitive arena. These have been under planned economy regimes for almost fifty years and underwent different processes of liberalisation after the political changeover. These ports can be brought together in two additional regions: ports in the so-called 'New Hanse' countries around the Baltic and the 'New Latin' countries in the East Mediterranean and the Black Sea.

In this way, the port authorities participating in the survey can be classified in five regional groups:

1. Hanse: port authorities from Iceland, Norway, Denmark, Sweden, Finland, Germany, Netherlands and Belgium
2. New Hanse: port authorities from Estonia, Latvia, Lithuania and Poland
3. Anglo-Saxon: port authorities from the United Kingdom and Ireland
4. Latin: port authorities from France, Portugal, Spain, Malta, Italy, Greece, Cyprus and Israel
5. New Latin: port authorities from Slovenia, Croatia, Bulgaria and Romania

Figure 2 distributes the responding port authorities per regional group. It shows that most port authorities are either to be found in the Hanse or Latin region. Third comes the Anglo-Saxon region. The two ‘new’ regions each contain a fairly small number of port authorities.

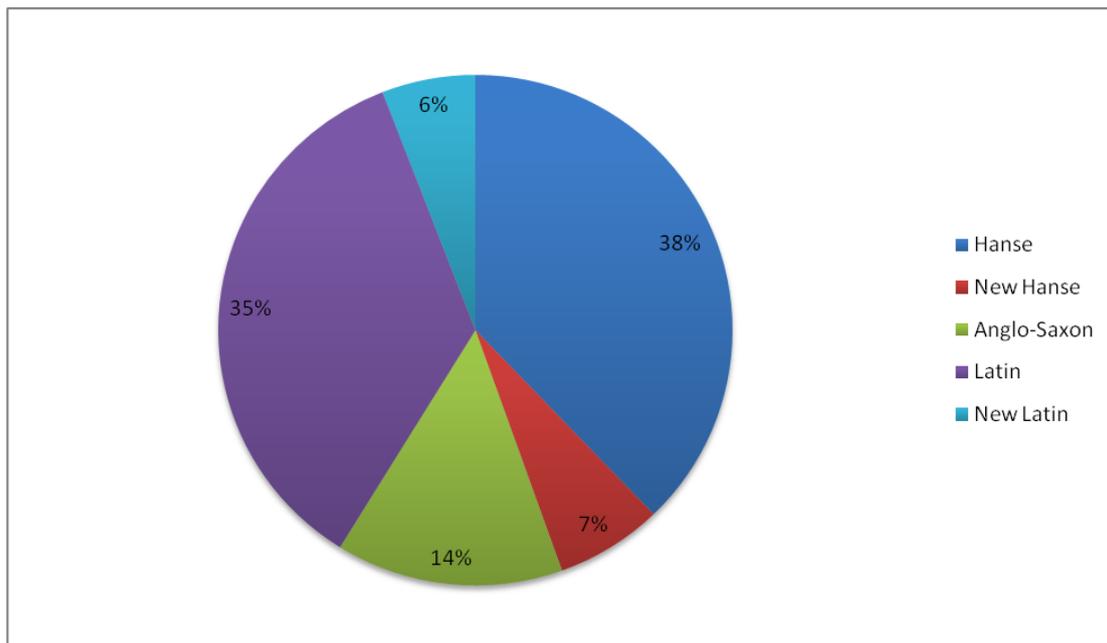


Figure 2: Differentiation of the number of responding port authorities according to region

2.4.2. SIZE DIFFERENTIATION

Addressing the size of a port is always a bit of a problematic question. Is size determined by the surface of the port area, the volume of goods handled, the number of passengers that pass through the port, the financial turnover, the staff employed or a combination of these and other factors?

For the purpose of this report, a simplified approach is used, which focuses on the total cargo volume handled by the ports under control of the port authority. In this way, port authorities are classified in three groups:

1. Small port authority: the annual volume of goods handled in all the ports managed by the port authority is less than or equals 10 million tonnes;
2. Medium port authority: the annual volume of goods handled in all the ports managed by the port authority is higher than 10 million tonnes, up to and including 50 million tonnes;

3. Large port authority: the annual volume of goods handled in all the ports managed by the port authority is more than 50 million tonnes.

To determine the cargo volumes, 2008 Eurostat data were used, completed with national statistics for Iceland and Israel.

Figure 3 shows that half of the port authorities participating in the sample can be qualified as small and that the number of large port authorities is fairly limited. This distribution broadly corresponds with the general picture for total population of European seaports.

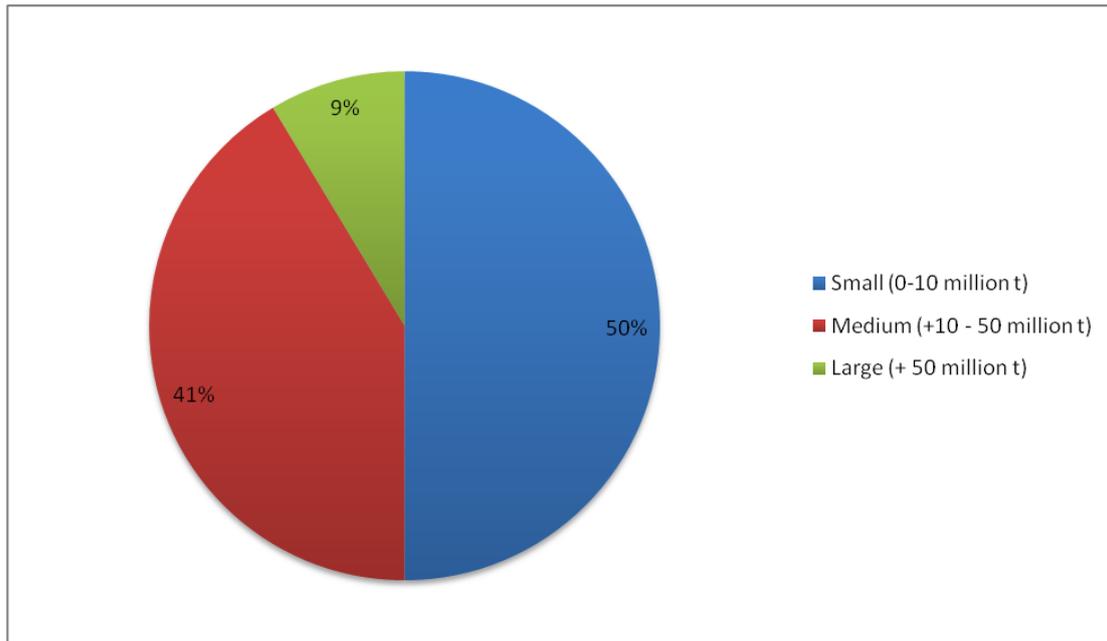


Figure 3: Differentiation of the number of responding port authorities according to size

2.4.3. COMPARISON OF REGIONAL AND SIZE DIFFERENTIATION

Table 2 shows that more than half of the small port authorities stem from the Hanseatic region (53,4%), whereas exactly half of the category of medium-sized port authorities is from Latin origin. These regional characteristics therefore influence the picture for small and medium-sized port authorities. Large port authorities are almost equally divided over Hanse and Latin regions. This should be taken into account when drawing conclusions related to size as a distinguishing factor.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin
Small	58	31	1	12	11	3
Medium	48	9	7	4	24	4
Large	10	5	0	1	4	0
All	116	45	8	17	39	7

Table 2: Comparison of regional and size differentiation – number of responding port authorities

2.5. FEEDBACK FROM EUROPEAN PORT AUTHORITIES

The results of the fact-finding survey were presented and discussed at an internal seminar for ESPO members which was held in Brussels on 10 November 2010. In addition, port authorities that filled out the survey were given the opportunity to send in written comments on the draft version of this report. Members of the ESPO Port Governance Committee furthermore provided updated information on on-going governance reforms in their ports and countries. The report was finalised in April 2011 and officially presented at the annual ESPO conference held in Limassol, Cyprus on 6 May 2011.

2.6. SUMMARY CHAPTER 2

The 2010 edition of the ESPO fact-finding report on port governance builds on the tradition of the original reports but is based on a new conceptual background which takes into account the evolution of the port concept and new perspectives on the role of port authorities. It puts the port authority much more centre-stage than before and enquires to what extent its 'renaissance' is effectively happening today.

Contrary to previous reports, this edition is the first to be based on a web-based survey that was addressed directly to individual port authorities. 116 port authorities from the 26 countries represented in ESPO responded. Together, these 116 port authorities report to manage a total of 216 different ports. The total freight volume handled by these ports in 2008 amounts to 2.770.803.000 tonnes. This represents 66,2% of the volume of cargo handled by the total population of European ports in 2008.

Throughout the report, results are presented for the overall sample of responding port authorities. Apart from the general picture, the results are also presented in a differentiated way, according to region and to size. The regional differentiation is based on a geo-governance typology and the size differentiation is based on the total annual volume of goods handled by the ports represented through the port authorities participating in the survey. When interpreting the size differentiation, it should be taken into account that the regional differentiation influences especially the small and medium-sized category.

3. OBJECTIVES AND FUNCTIONS

This chapter analyses the objectives and functional profile of European port authorities. The diversity in port governance is to a large extent determined by the different objectives that port authorities pursue. These can range from profit maximisation to generation of socio-economic value. There is furthermore a close relation between these objectives and the way in which the port authority assumes its different functions. Traditionally, a distinction is made between the landlord, regulator and operator function, each of which has gone through important processes of change. In addition, another functional role has emerged in recent times, which is that of the community manager.

3.1. OBJECTIVES AND MISSION

81,1% of the responding port authorities stated that they have formal general objectives, i.e. general objectives that are formally laid down in a legislative act, corporate or organisational by-laws and/or any other official document. The description of these objectives shows a considerable diversity of economic and non-economic objectives which are often even mixed. When asked specifically about the economic objectives of the port authority, almost all respondents (93,2%) stated they have such objectives, but the diversity of them remains high (Figure 4). Maximisation of added value and maximisation of handled tonnage stand out as the most quoted objectives, followed by maximisation of the profit of the port authority. Maximisation of the profits of the companies active in the port hardly occurs as an objective.

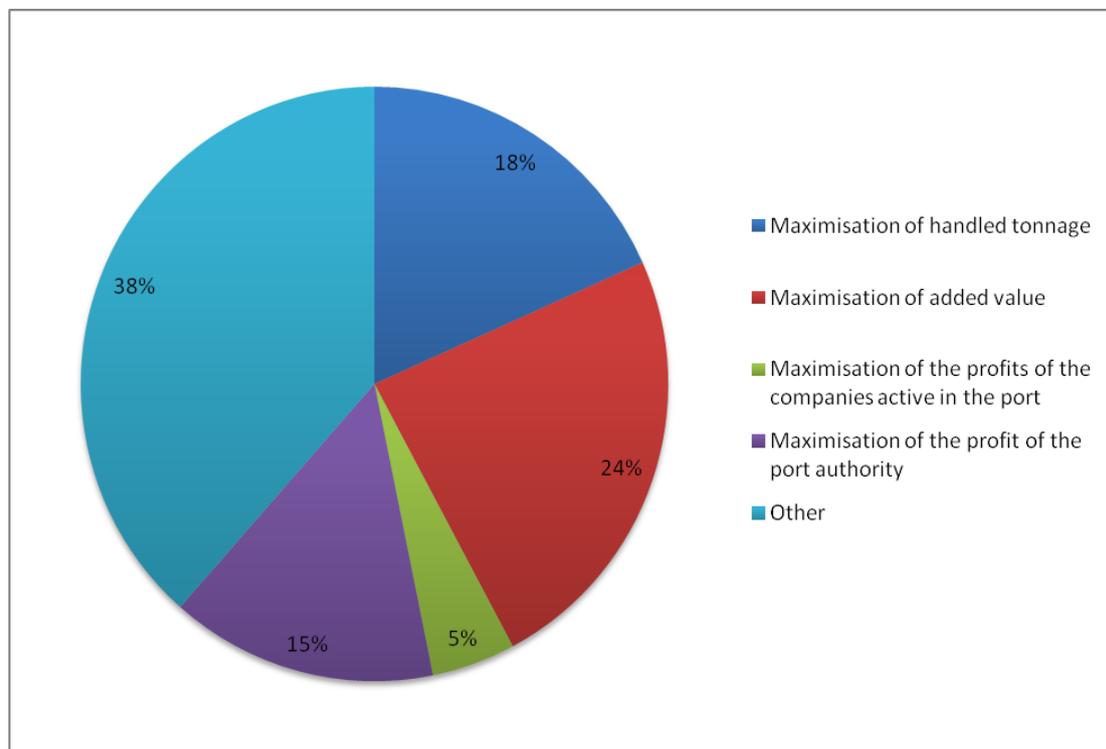


Figure 4: Economic objectives of port authorities

The very significant ‘other’ category consists for one third of a combination or specification of the pre-stated economic objectives. Two thirds constitute genuinely other objectives which are however not always economic in nature. Examples include maximisation of general interest, improvement of the competitive position of the port, maximisation of the profit of shareholders, returning a dividend to the city administration, provision of efficient port services, sustainable development of port activities, maintenance and development of business activities, maintenance and development of the port area, being a good actor for the city and the customer, supply ship/shore interface at the lowest cost, generate more income than costs, profitability (but not for profit) maximisation, financial sustainability, cost recovery, optimization of economic, social, societal and environmental fallouts of the port activity. Although they ticked the ‘other’ category, a series of ports located in one country stated that they actually do not have economic objectives but just ensure the overall efficiency and well-functioning of the port.

Generally speaking, it seems that most port authorities pursue a mixture of economic and semi-economic objectives. However, only a limited number pursues genuinely corporate objectives such as the maximisation of profit or maximisation of shareholder value.

It is difficult to draw clear conclusions from the differentiated results since the ‘other’ category remains very significant in most cases (Table 3). The regional differentiation shows that maximisation of handled tonnage is relatively more outspoken for port authorities in the new regions, whereas maximisation of added value is more prominent for Hanseatic and Latin port authorities. The Anglo-Saxon region is the only one where maximisation of the profit of the port authority stands out as the main economic objective. Finally, it should be noted that half of the ‘other’ category in Latin countries consists of the port authorities mentioned above that state that they actually do not have economic objectives.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Max. tonnage	18.3%	11.6%	62.5%	13.3%	13.9%	42.9%	11.5%	25.5%	20.0%
Max. added value	23.9%	30.2%	12.5%	13.3%	25.0%	14.3%	25.0%	23.4%	20.0%
Max. profit comp.	4.6%	7.0%	12.5%	0.0%	2.8%	0.0%	3.8%	6.4%	0.0%
Max. profit PA	14.7%	9.3%	12.5%	46.7%	11.1%	0.0%	19.2%	10.6%	10.0%
Other	38.5%	41.9%	0.0%	26.7%	47.2%	42.9%	40.4%	34.0%	50.0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Table 3: Economic objectives of port authorities – differentiated results

To conclude this section, the survey revealed that 67,6% of the responding port authorities have a mission statement that is meant for external communication purposes. This percentage does not differ much according to the size and region of the port authority, with exception of port authorities in the new regions which demonstrate a higher availability of mission statements.

3.2. LANDLORD FUNCTION

Irrespective of whether the port authority actually owns the port land or manages the land on behalf of national or local government, the landlord function consists of a number of common elements, i.e. the management, maintenance and development of the port estate, the provision of infrastructure and facilities as well as the conception and implementation of policies and development strategies linked to the exploitation of the estate. The landlord function can be considered as the principal function of contemporary port authorities. It is a function which has undergone substantial changes and is subject to different forms of pressure, i.e. competitive pressure to invest in infrastructure, financial pressure to make these investments and competition for land-use.

This section is divided in three subsections. The first one addresses the ownership of the land and the ability of the port authority to sell or contract land out to third parties. The second subsection analyses the contracting of land in more detail and a final subsection looks into more atypical landlord aspects, including real estate and environmental land management and the development of partnerships or investments in other ports.

3.2.1. LAND OWNERSHIP AND ABILITY TO SELL AND CONTRACT LAND

Figure 5 shows that almost 50% of the responding port authorities do not own the port land they manage. These port authorities then usually administer and exploit the port estate on behalf of national or local government. In some cases this is arranged through a form of long-term agreement (concession or lease) with government, in others the power of administration and exploitation is granted by law. In those cases where the port authority is an administrative department of government obviously no particular arrangement exists. Some port authorities specify that port land is public domain and therefore inalienable. Restricted land ownership usually means the port authority is co-owner with other entities, either government or private owners (e.g. industry).

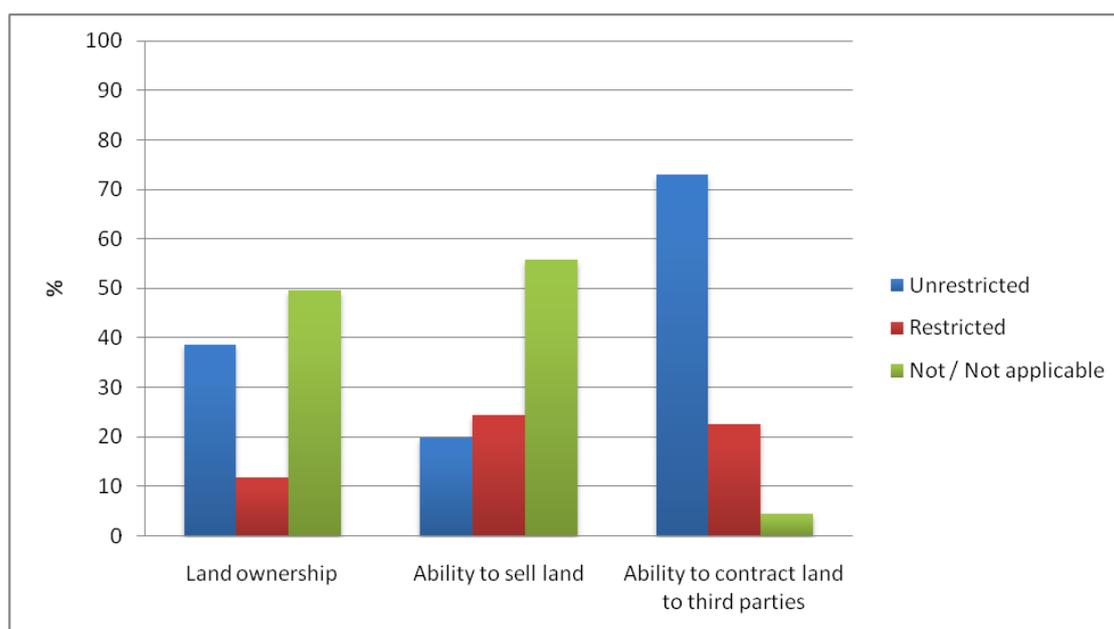


Figure 5: Land ownership and ability to sell and contract land to third parties

Selling port land without restrictions is only possible in 20% of the cases whereas most port authorities have no restrictions to contract land out to third parties, such as terminal operators, in order to permit these parties to provide port services.

The differentiated results give an indication of the varying degrees of autonomy that port authorities have (Table 4). Anglo-Saxon, Hanseatic and New Latin port authorities own port land more frequently than port authorities in the two other regions. Almost half of the Anglo-Saxon port authorities are able to sell port land and this is the case for one third of the Hanseatic port authorities. Adding the ability to sell under restrictions, this amounts to more than 85% for the Anglo-Saxon port authorities and nearly 60% for the Hanseatic group. The ability to sell is much less present in other regions and non-existing for New Latin port authorities. The ability to contract land out is high everywhere, but most restricted for New Hanseatic port authorities. A few Hanseatic, Anglo-Saxon and New Latin port authorities are not able to contract out land at all.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Full ownership	38.7%	48.8%	25.0%	53.3%	23.7%	42.9%	43.3%	31.3%	50.0%
Ownership restricted	11.7%	14.0%	0.0%	20.0%	10.5%	0.0%	11.3%	12.5%	10.0%
No ownership	49.5%	37.2%	75.0%	26.7%	65.8%	57.1%	45.3%	56.3%	40.0%
Able to sell	19.8%	27.9%	12.5%	46.7%	5.3%	0.0%	26.4%	12.5%	20.0%
Able to sell restricted	24.3%	27.9%	0.0%	40.0%	23.7%	0.0%	22.6%	25.0%	30.0%
Not able to sell	55.9%	44.2%	87.5%	13.3%	71.1%	100.0%	50.0%	62.5%	50.0%
Able to contract	73.0%	69.8%	62.5%	86.7%	73.7%	71.4%	79.2%	66.7%	70.0%
Able to contract rest.	22.5%	23.3%	37.5%	6.7%	26.3%	14.3%	15.1%	29.2%	30.0%
Not able to contract	4.5%	7.0%	0.0%	6.7%	0.0%	14.3%	5.7%	4.2%	0.0%

Table 4: Land ownership and ability to sell and contract land to third parties – differentiated results

3.2.2. CONTRACTING OUT OF PORT LAND

This section goes more in-depth into the contracting of port land to third parties, i.e. terminal operators. It revisits a number of questions that were addressed in a broader survey on the awarding of seaport terminals that ESPO commissioned in 2008 from the Institute of Transport and Maritime Management Antwerp (ESPO and ITMMA 2008).

3.2.2.1. Type of contractual arrangements

For almost 60% of the responding port authorities port land is generally awarded to third parties through either a unilateral or multilateral (mostly bilateral) contractual arrangement governed by public law (Figure 6).

The public law nature of contractual arrangements is strongest in Latin and, somewhat surprisingly, Anglo-Saxon countries (Table 5). Port authorities were also asked whether there was specific legislation that governed contractual arrangements with third parties. New Latin and Latin countries rank highest in having such legislation.

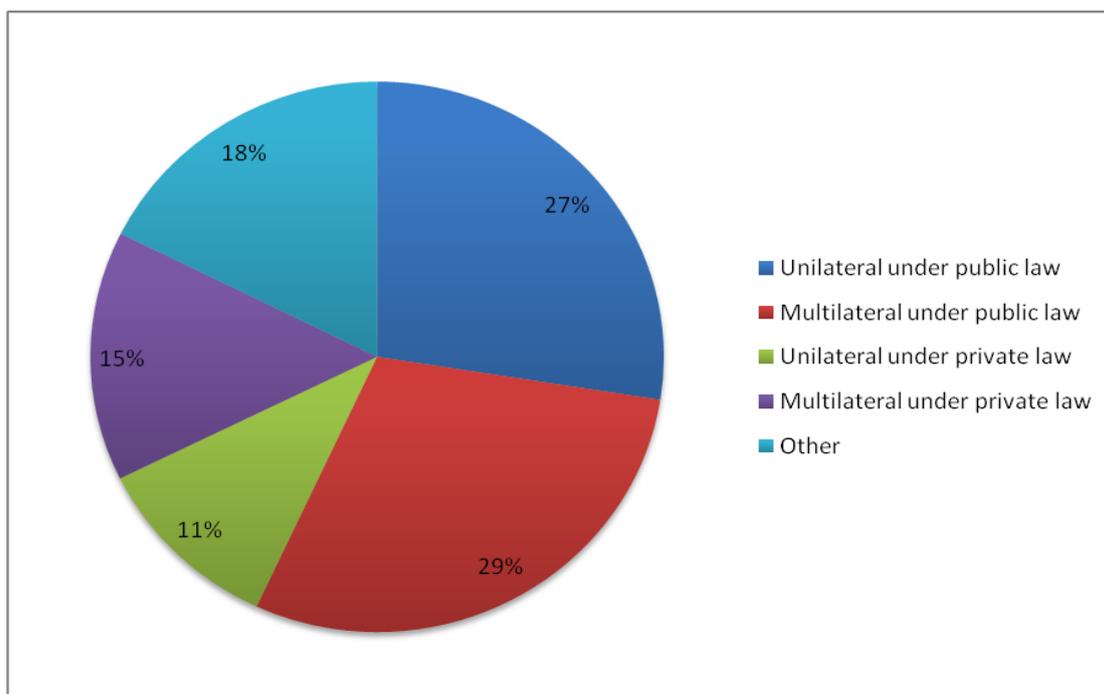


Figure 6: Types of contractual arrangements to award port land to third parties

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Unilateral public	27.5%	17.9%	0.0%	50.0%	37.8%	16.7%	32.7%	22.7%	22.2%
Multilateral public	29.4%	28.2%	37.5%	8.3%	37.8%	16.7%	26.5%	36.4%	11.1%
Unilateral private	10.8%	15.4%	12.5%	25.0%	0.0%	16.7%	16.3%	4.5%	11.1%
Multilateral private	14.7%	28.2%	37.5%	0.0%	2.7%	0.0%	10.2%	15.9%	33.2%
Other	17.6%	10.3%	12.5%	16.7%	21.6%	50.0%	14.3%	20.5%	22.2%
Specific legislation	53.8%	20.0%	50.0%	38.5%	89.2%	100.0%	36.7%	69.6%	66.7%
No spec. legislation	46.2%	80.0%	50.0%	61.5%	10.8%	0.0%	63.3%	30.4%	33.3%

Table 5: Types of contractual arrangements to award port land to third parties and existence of specific legislation – differentiated results

3.2.2.2. Selection procedure and criteria

Nearly three quarters of the responding port authorities apply, always or conditionally, public selection procedures to contract out port land (Figure 7). Nearly one third say they always do, whereas 21% applies such a procedure only for plots of land that are of strategic interest. 19% states other conditions. These include the use of public pre-announcements to see whether more than one candidate would be interested in a given plot of land, the applicability of European public procurement legislation, the use of a threshold related to the surface of the size of the plot of land, the use of a threshold related to the duration of the contractual arrangement, the condition that it must involve a transfer of public service obligations, the condition that it must concern new terminal sites (the public selection procedure is not applied to extensions of existing ones) and a link with the investment needed. Some port authorities said they were going through a

transitional process and that it was therefore difficult to give details. One port authority said it could freely choose the procedure it wants. Just over a quarter of respondents states it never uses a public selection procedure.

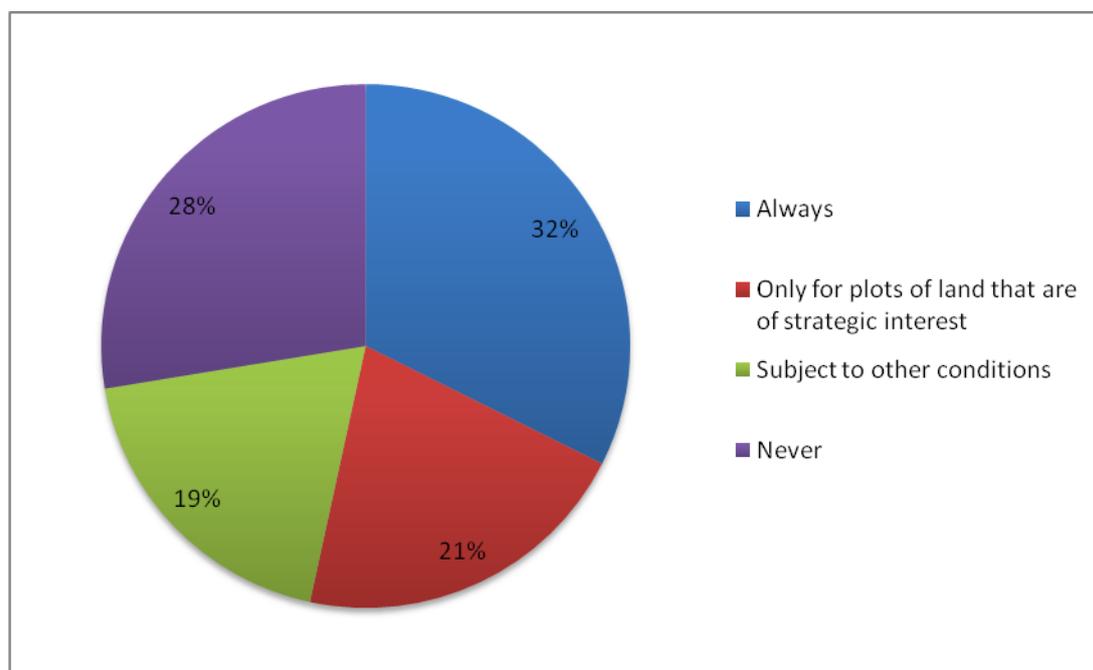


Figure 7: Use of public selection procedure to contract land out

The use of public selection procedures differs considerably among the regions (Table 6). New Latin port authorities always use them, whereas a majority of Latin port authorities applies them in all cases as well. More than half of the Hanseatic port authorities never apply them and close to half of the Anglo-Saxon port authorities don't either. In the Anglo-Saxon region this is related to the fact that the number of ports where the port authority provides cargo handling services itself is considerably higher (see section 3.4.1). For the Hanseatic region, this high percentage may to some extent be related to the fact that there are more small port authorities. The size of the port authority indeed plays a role. Medium-size and large port authorities use more often public selection procedures than small ones. It seems logical that in the case of large port authorities this is more conditional to strategic interests and other conditions, given the high number and diversity of plots of land that they manage.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Always	32.4%	2.5%	25.0%	23.1%	57.9%	100.0%	26.0%	41.3%	22.2%
Strategic interest	21.0%	27.5%	12.5%	23.1%	18.4%	0.0%	18.0%	21.7%	33.3%
Other conditions	19.0%	17.5%	50.0%	7.7%	21.1%	0.0%	12.0%	23.9%	33.3%
Never	27.6%	52.5%	12.5%	46.2%	2.6%	0.0%	44.0%	13.0%	11.0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Table 6: Use of public selection procedure to contract land out – differentiated results

Those port authorities that always or sometimes use a public selection procedure use public tender (64%), competitive bidding (21,3%) or other types of procedures (14,7%). A public tender involves a call for proposals whereby all relevant contractual details are specified in advance, whereas with competitive bidding an open call is held whereby contract details are negotiated in a later stage. Those port authorities that never apply a public selection procedure use a variety of methods including the first come, first serve principle and direct negotiations on the basis of expressions of interest, either by the port authority or a potential operator. Some respondents refer to ‘normal business and commercial procedures’ but do not specify what these are.

3.2.2.3. Durations and clauses

Setting the duration of contractual arrangements is important from a governance perspective, as it allows port authorities to strike a balance between a reasonable payback period for the investments made by terminal operators, on the one hand, and a maximum entry to potential newcomers, on the other. 63,5% of the responding port authorities are free to set these durations themselves (Table 7). This percentage decreases with the size of the port authority and shows considerable variety according to the region. All port authorities in Anglo-Saxon countries report to have the freedom, whereas most port authorities in Hanseatic and New Latin countries would be free to set durations a well. In Latin countries the situation is fifty-fifty and in New Hanseatic countries few port authorities have the freedom. Restrictions consist of maximum durations that are set by legislation or are subject to approval by government.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Freely set durations	63.5%	71.1%	25.0%	100.0%	50.0%	66.7%	68.0%	62.2%	44.4%
Restricted	36.5%	28.9%	75.0%	0.0%	50.0%	33.3%	32.0%	37.8%	55.6%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Table 7: Freedom to set durations of contractual arrangements – differentiated results

The survey further revealed that most maximum durations seem to vary around 30-35 years, with very exceptional extremes of 10 and 70 years.

Port authorities were asked to indicate which clauses were generally applied in major contractual arrangements between 2005 and 2009. These clauses reveal to some extent the actual objectives of port authorities. Figure 8 demonstrates that the top-five of most frequently occurring clauses consists of throughput guarantees, followed by environmental performance clauses, extension clauses, renewal clauses and clauses that allow unilateral ending of the contractual arrangements. This picture largely confirms the outcome of the above-mentioned ITMMA survey. Many port authorities in Europe are indeed trying to optimise the use of scarce land via the inclusion of throughput specifications in the contract. They are also increasingly using the terminal awarding process in view of a broader environmental compliance of port activities and a sustainable development of the port (ESPO and ITMMA 2008).

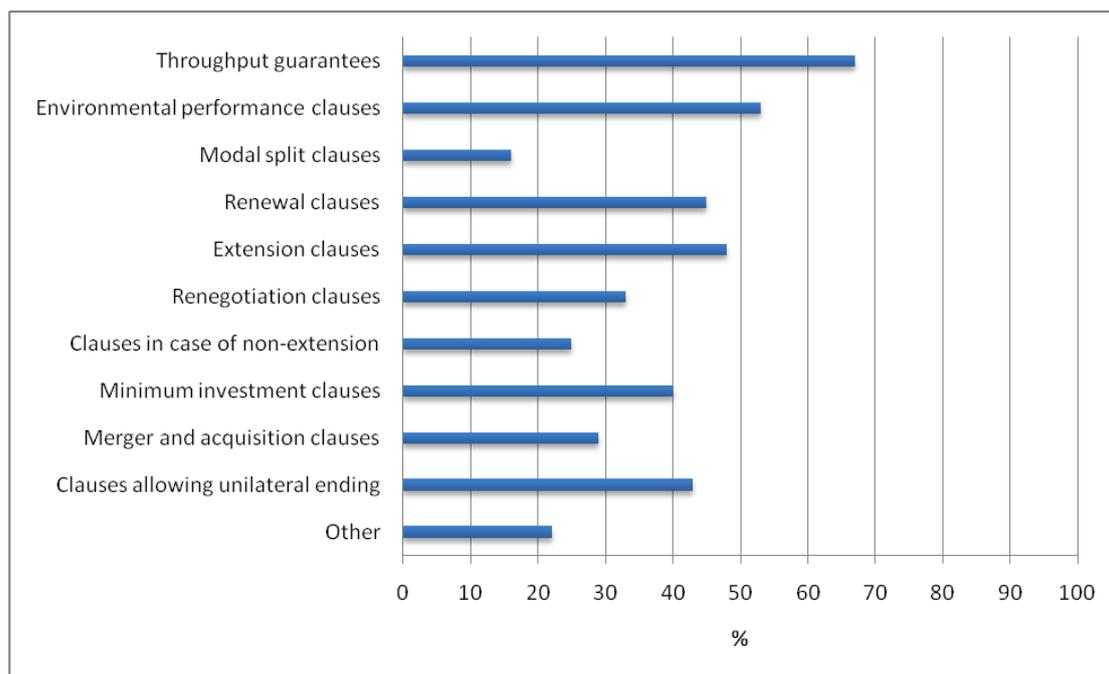


Figure 8: Clauses generally applied in major contractual arrangements

3.2.3. LANDLORD BEYOND THE TRADITIONAL LANDLORD

3.2.3.1. Urban real estate and environmental land management

49,5% of all respondents confirmed that they are engaged in urban real estate management projects such as waterfront development. 45,5% stated they are engaged in environmental land management such as management of nature conservation sites.

The differentiated picture (Table 8) shows that the vast majority of Latin port authorities are engaged in urban real estate management which is related to the fact that many ports in this region are city-ports. More than half of the port authorities in the Latin region however also engage in environmental land management which makes them second to New Latin port authorities which are all engaged in this activity. Surprisingly, Hanseatic port authorities, which traditionally have a rather ‘green’ image, are relatively least engaged in environmental land management. The same applies to urban real estate management. Environmental land management also seems to be related to the size of the port authority.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
% in urban real estate	49.5%	25.6%	62.5%	40.0%	83.3%	28.6%	43.4%	58.7%	40.0%
% in environmental land	45.5%	32.6%	50.0%	40.0%	51.4%	100.0%	32.1%	57.4%	60.0%

Table 8: Engagement of port authorities in urban real estate and environmental land management

3.2.3.2. Strategic partnerships and direct investments with other ports

Port authorities were asked to indicate whether they developed strategic partnerships or made direct investments in other ports, be it other seaports, inland ports or dry ports. Such partnerships or investments can exist at national or international level. The distinction between strategic partnerships and direct investments is that the former include formalised co-operations, e.g. in terms of developing joint hinterland connections, joint promotion efforts, joint IT projects. Such partnerships go beyond mere PR actions such as memoranda of understanding, symbolic twin-port agreements etc. Direct investments involve direct financial participations in development projects in other sea, inland or dry ports and/or direct financial participations in other port authorities and/or relevant port companies outside the own port.

The results show that co-operation mostly takes place with other seaports and that this is mainly confined to strategic partnerships at national and international level (Figure 9). There is relatively more direct investment in dry ports, mostly at national level. Co-operation with inland ports is generally much less frequent but this is no doubt also due to the fact that inland ports do not exist everywhere.

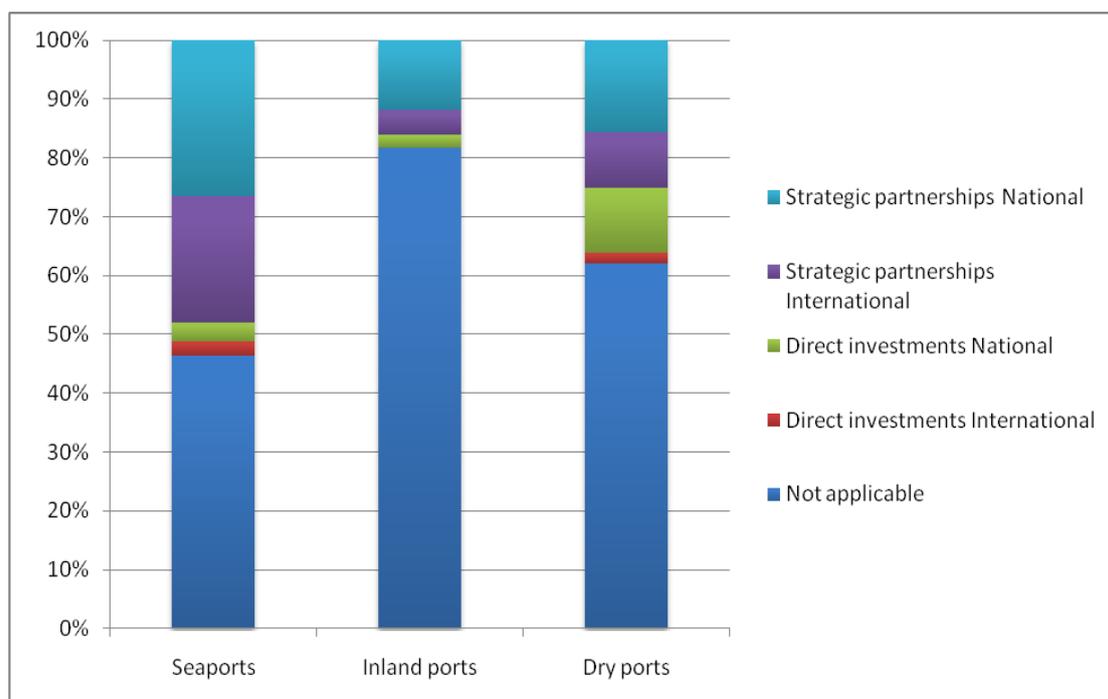


Figure 9: Strategic partnerships and direct investments with other ports – all ports

Further analysis shows that the question of partnerships and direct investments in other ports is related to the size of the port authorities. All large port authorities cooperate with other seaports, mostly through strategic partnerships although about 13% also has direct investments in other seaports, but then only at international level (Figure 10). Most of them also engage with dry ports and, to a lesser extent, inland ports. Direct investments in both categories only occur at national level. This picture may however change in the future as several large port authorities are actively expanding their international scope and have set up specific daughter companies for this purpose.

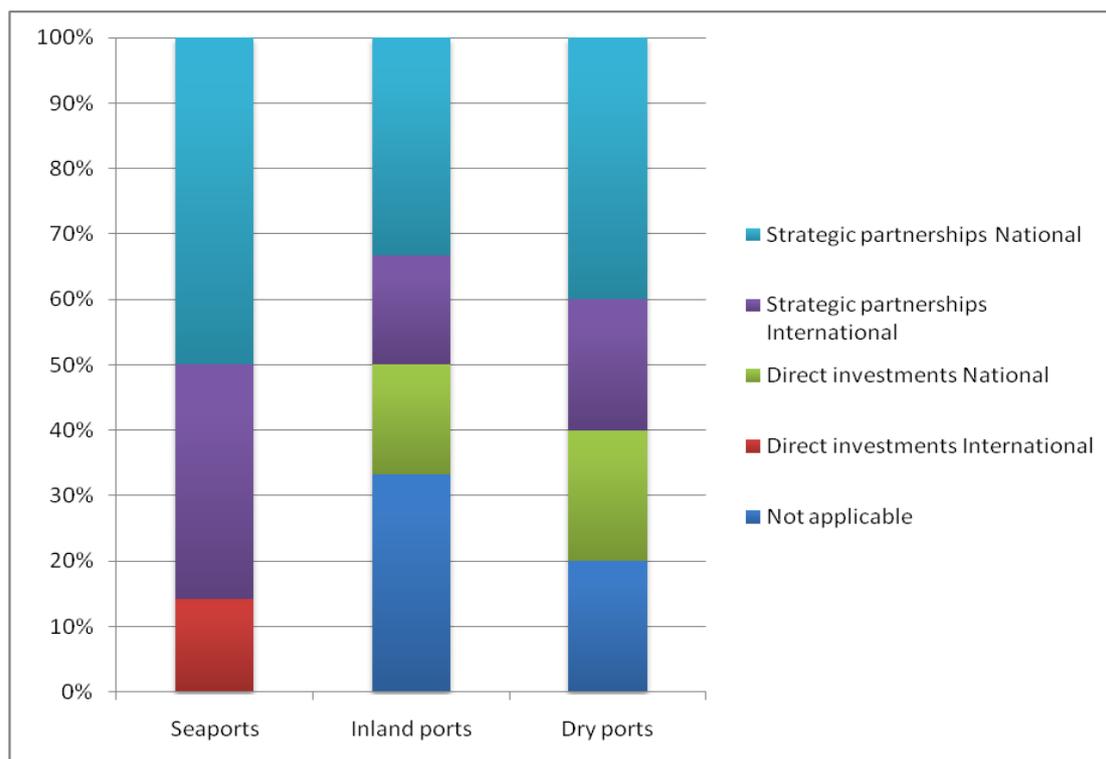


Figure 10: Strategic partnerships and direct investments with other ports – large ports

3.3. REGULATOR FUNCTION

The regulator function is somehow contained in the term ‘port authority’ itself and combines a mixture of duties and responsibilities which can generally be referred to as controlling, surveillance and policing. These essentially relate to ensuring safety and security of ship and cargo operations within the port as well as enforcing applicable laws and regulations in these and other fields such as environmental protection. Port authorities may develop their own regulations in these fields and employ their own police force to exert control. The increased societal focus on negative externalities of port operations has reinforced the regulator function of port authorities, in particular where it concerns environmental pollution surveillance, dangerous cargo control and security, a dimension which gained considerable importance since 9/11. From the three traditional port authority functions, the regulator function seems the one which is least under pressure since it is less likely to be assumed by the private sector. However, it should be noted that in many cases the regulatory role is not only performed by the port authority, but often in co-operation with government agencies.

This analysis of the regulator function first addresses some organisational questions regarding regulatory departments present in the port authority structure. A second subsection then looks at the regulatory activities themselves and also addresses functional issues that go beyond the traditional regulatory role, both in terms of content and scope.

3.3.1. ORGANISATIONAL ASPECTS

The harbour master fulfils a number of particular roles within a port which are generally related to the ship movements, ship operations planning, nautical safety, dangerous cargo

notifications, security etc. Port authorities were asked whether the harbour master's office forms full part of their organisational structure. For 57.3% of the responding port authorities this is indeed the case. In the other cases, the harbour master's office is under direct control of a national or local ministry (transport, but sometimes also defence), a maritime administration or the coast guard. There is usually some form of coordination with the port authority and the harbour master is often also represented within the governing structure of the port authority (e.g. as member of the supervisory board).

Apart from specifying the position of the harbour master, port authorities were also asked to identify whether, distinct from the harbour master's office, they have their own safety, security and environmental departments and employ their own police force (Table 9). In the northern regions (Anglo-Saxon, Hanse and, to a lesser extent, New Hanse), harbour masters are most often full part of the port authority. The southern regions (New Latin and Latin) show the opposite situation. The fact that harbour masters generally form separate entities there may also explain why relatively more port authorities in these regions have their own safety, security and environmental departments. The table also illustrates that port authorities are not so much outsourcing regulatory activities, only for security this is slightly more significant. This could be due to the provisions of European port security legislation which provides the possibility to outsource certain tasks to so-called 'Recognised Security Organisations'.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Harbour Master	57.3%	81.4%	62.5%	100.0%	23.7%	0.0%	71.7%	39.6%	66.7%
Safety dept.	52.7%	32.6%	62.5%	53.3%	70.3%	71.4%	39.6%	70.8%	33.3%
<i>Outsourced</i>	3.6%	4.7%	0.0%	0.0%	2.7%	14.3%	3.8%	4.2%	0.0%
Security dept.	60.6%	33.3%	62.5%	60.0%	86.5%	85.7%	50.0%	74.5%	50.0%
<i>Outsourced</i>	7.3%	11.9%	12.5%	0.0%	2.7%	14.3%	7.7%	8.5%	0.0%
Environm. dept.	68.8%	52.4%	75.0%	66.7%	86.8%	66.7%	51.9%	80.9%	100.0%
<i>Outsourced</i>	2.8%	4.8%	0.0%	0.0%	2.3%	0.0%	3.8%	2.1%	0.0%
Police force	14.8%	2.4%	0.0%	23.1%	31.6%	0.0%	9.6%	15.2%	40.0%

Table 9: Organisational aspects of the regulatory function – differentiated results

3.3.2. REGULATORY ACTIVITIES

Port authorities were asked whether they issue their own regulations in the field of safety, security and environment and, if so, whether these go beyond the mere transposition of legal requirements (Figure 11). The conclusion is that most port authorities issue their own regulations, especially in the field of security and safety. The percentage of port authorities that go beyond transposition of legal requirements however stays fairly low. This picture then somehow contrasts with the fact that 49,1% of the responding port authorities answered positively to the general question whether they go beyond legal requirements in implementing and developing actions to enhance sustainability.

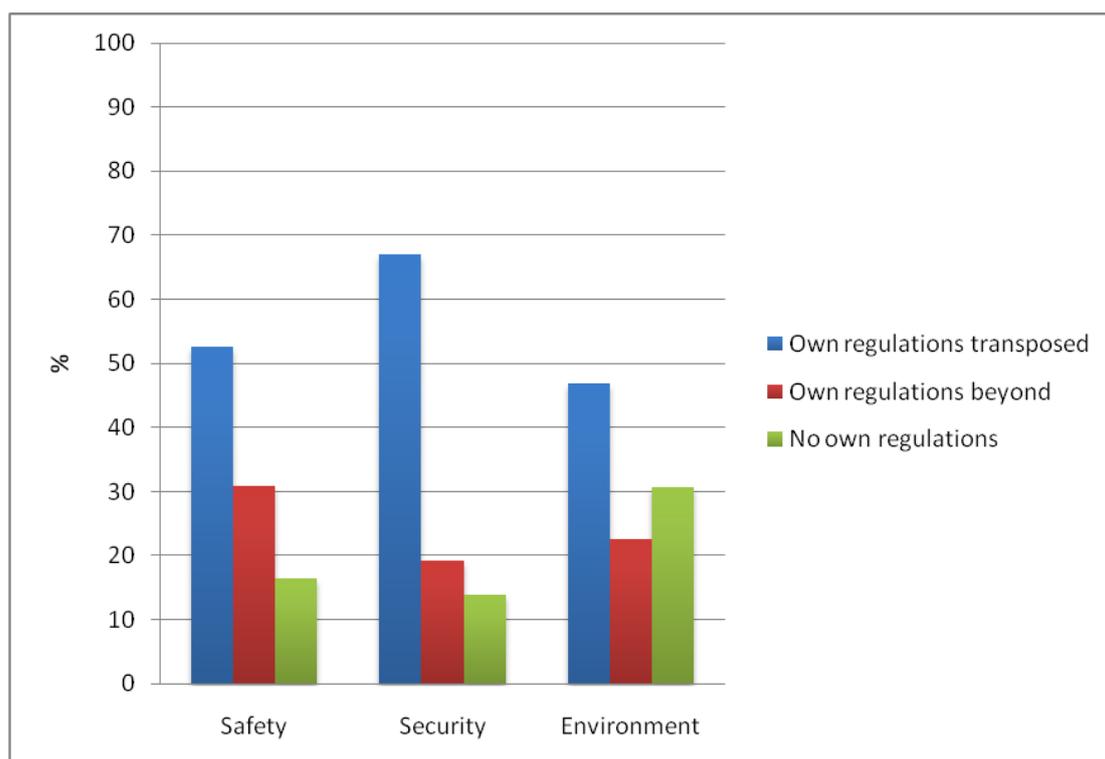


Figure 11: Port authorities issuing own regulations

The regionally differentiated picture is quite diverse (Table 10). Relatively less Latin port authorities issue own safety regulations whereas Anglo-Saxon port authorities seem to be champions in going beyond legal requirements in this field. For security, it are Anglo-Saxon port authorities that have relatively less own regulations and New Latin port authorities that go relatively more beyond legal requirements. As regards environment, New Hanse and Hanse port authorities relatively issue least own regulations but the highest percentage of port authorities going beyond legal requirements in this field can be found in the Hanseatic and Latin regions.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Safety transp.	52.7%	52.4%	75.0%	33.3%	52.6%	71.4%	50.0%	56.3%	50.0%
Safety beyond	30.9%	33.3%	12.5%	53.3%	26.3%	14.3%	34.6%	29.2%	20.0%
No own regul.	16.4%	14.3%	12.5%	13.3%	21.1%	14.3%	15.4%	14.6%	30.0%
Security transp.	67.0%	62.8%	75.0%	73.3%	70.3%	50.0%	67.3%	68.1%	60.0%
Security beyond	19.3%	23.3%	12.5%	0.0%	21.6%	33.3%	15.4%	23.4%	20.0%
No own regul.	13.8%	14.0%	12.5%	26.7%	8.1%	16.7%	17.3%	8.5%	20.0%
Environ. transp.	46.8%	39.5%	50.0%	60.0%	44.7%	71.4%	47.2%	52.1%	20.0%
Environ. beyond	22.5%	25.6%	0.0%	13.3%	28.9%	14.3%	22.6%	20.8%	30.0%
No own regul.	30.6%	34.9%	50.0%	26.7%	26.3%	14.3%	30.2%	27.1%	50.0%
Sustain. beyond	49.1%	42.9%	0.0%	53.3%	68.4%	28.6%	43.4%	51.1%	70.0%
No	50.9%	57.1%	100.0%	46.7%	31.6%	71.4%	56.6%	48.9%	30.0%

Table 10: Port authorities issuing own regulations – differentiated results

Also noteworthy are the high percentages of port authorities from the new regions that claim never to go beyond legal requirements in implementing and developing actions to enhance sustainability. Large port authorities seem to be generally less involved in the setting of own regulations but mostly go beyond legal requirements in implementing and developing actions to enhance sustainability.

Finally, port authorities were asked whether they export their regulatory experience outside their own port, e.g. through training programmes and application tools. The general picture shows that less than a third of the responding port authorities does so (Figure 12) but if they do, it is very rarely done on a profit-oriented basis.

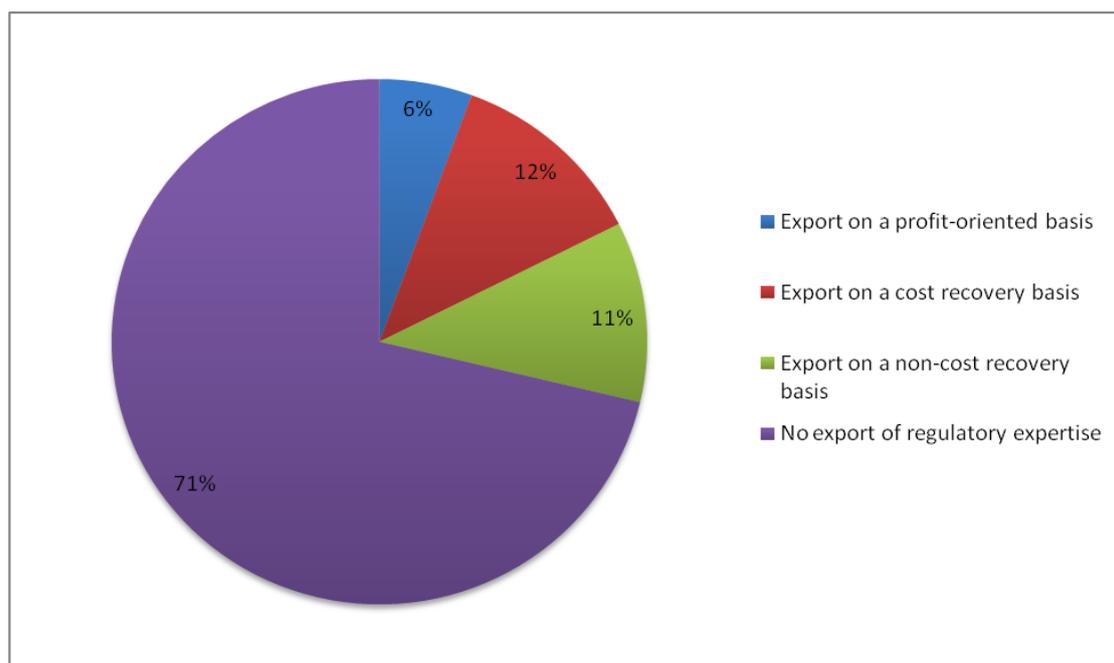


Figure 12: Export of regulatory expertise

Typical forms of sharing expertise with other ports exist in co-operation at national level (involving government and/or sector organisations) and through co-operation programmes with ports in developing countries (e.g. former colonies). The picture in different regions is rather diverse. Port authorities in Latin countries generally export regulatory know-how more frequently than their colleagues in other countries. More port authorities in Anglo-Saxon and New Latin countries do this on a profit-oriented basis. It also appears that exporting regulatory know-how increases with the size of the port.

3.4. OPERATOR FUNCTION

The operator function traditionally covers the provision of port services which can be broadly grouped as follows: the physical transfer of goods and passengers between sea and land, including transport services, technical-nautical services (pilotage, towage and mooring) and a range of other, ancillary, services. The biggest change here is no doubt that privatisation processes have in many ports brought cargo handling services in the hands of private operators with the port authority acting only as service provider ‘of the last resort’ or offering specialised services (e.g. crane service for heavy lifts). The general

economic interest nature of technical-nautical services explains why these may often still be provided by public entities, in casu port authorities themselves. Ancillary services are mostly provided for the benefit of the wider port community, such as waste handling, provision of shore power for vessels etc.

Summarised, it can be said that the basic option for the operator function of the port authority in all service categories is whether or not to provide the service itself. The main question addressed in this part of the survey therefore aims to identify the kind of operational services in which port authorities are directly or indirectly involved today. A first section deals with the direct provision of services, subsequent sections address the indirect involvement in service provision and the provision of services outside the own port area(s).

3.4.1. DIRECT PROVISION OF SERVICES

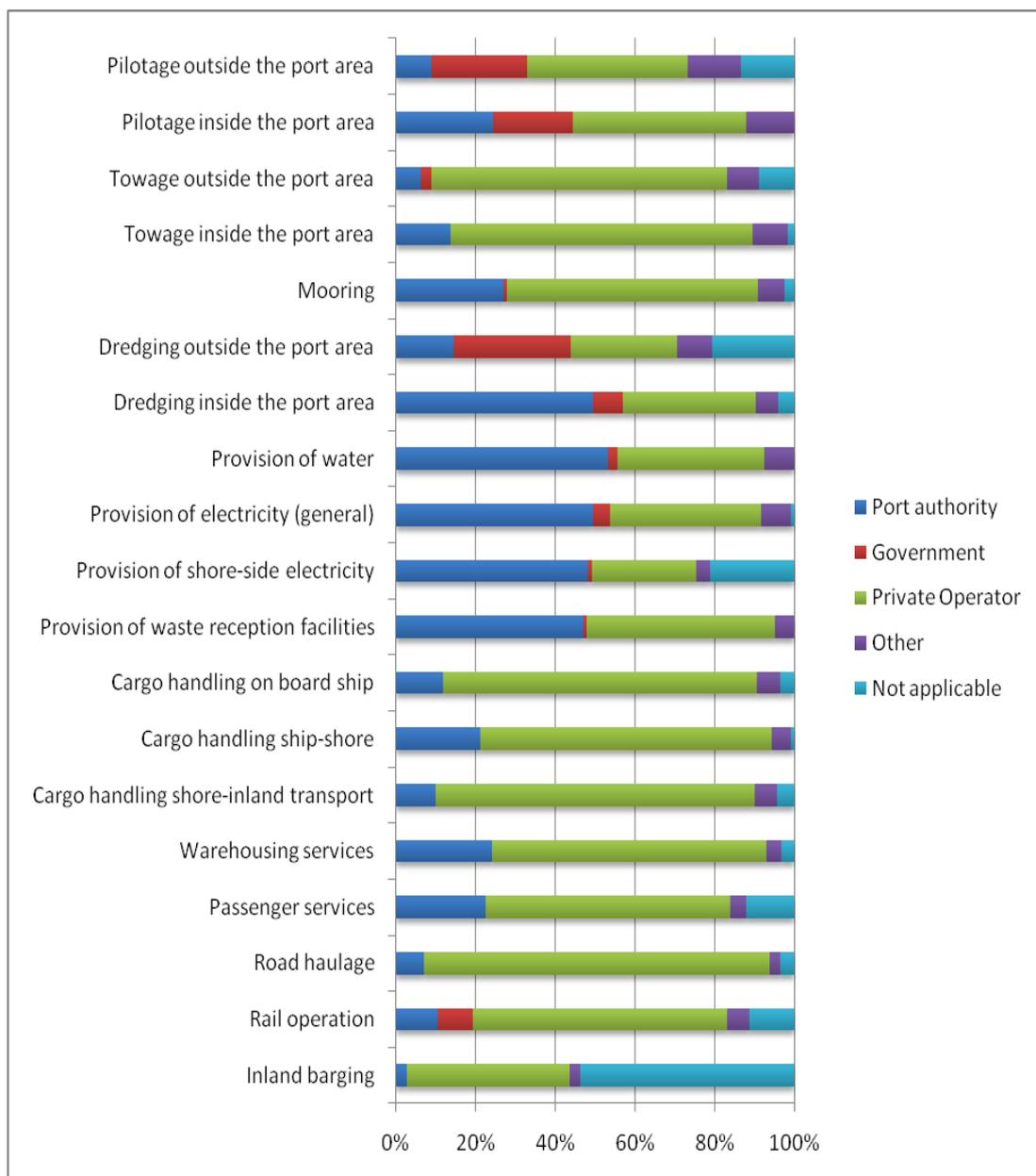


Figure 13: Direct provision of operational services in ports

Figure 13 indicates which parties are providing which kind of operational services in ports. From top to bottom one identifies: technical-nautical services, ancillary services, cargo and passenger handling services and transport services. The left (dark blue) segment of each row in the diagram indicates the extent to which port authorities provide these services. It shows that port authorities mainly provide ancillary services that benefit the wider port community, ranging from dredging (inside the port area) to the provision of waste reception facilities. Cargo and passenger handling, transportation and, to a lesser extent, technical-nautical services are mainly provided by private operators, whereas government plays a relatively important role in the provision of pilotage, dredging (outside the port area) and, to a lesser extent, rail operations.

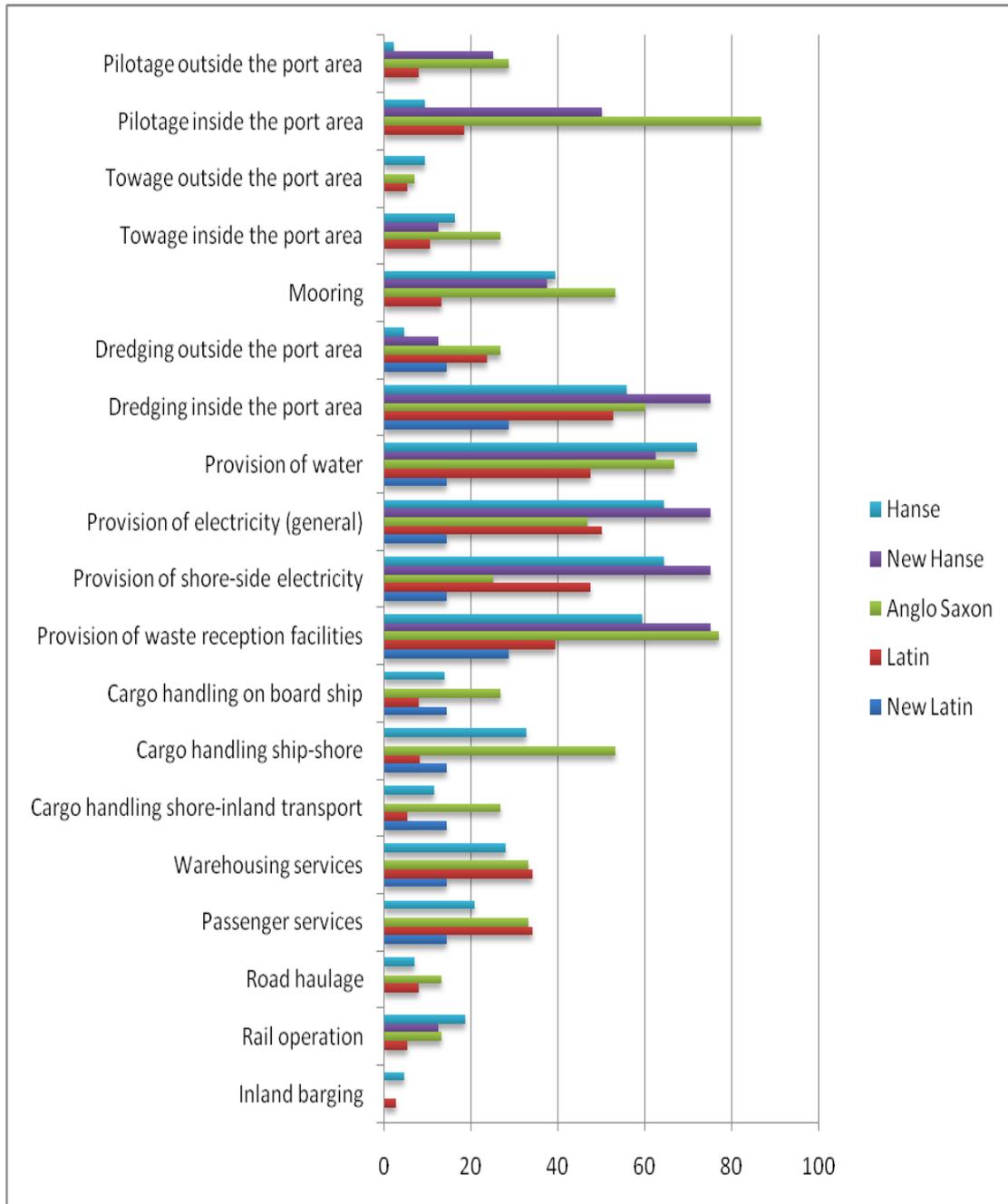


Figure 14: Port authorities directly providing operational services in ports – regional comparison

Figure 14 specifically compares the involvement of port authorities in the provision of operational services for the different regions. The general pattern of Figure 13 returns in most regions, but there are nevertheless some important differences. New Hanseatic port authorities are not involved in cargo-handling services at all. Their involvement in the provision of pilotage services is however slightly higher than in the overall picture. Anglo-Saxon port authorities show a rather diverging pattern with a generally more outspoken operational profile. Port authorities are much more involved in the provision of technical-nautical services (especially pilotage inside the port area) and cargo-handling services. Latin port authorities are generally speaking less involved in the provision of services, with the exception of dredging outside the port area, warehousing and passenger services. Finally, New Latin port authorities show an atypical picture with generally very limited involvement in any kind of operational services. Port authorities are completely absent in the provision of technical-nautical services and transport services and are much less involved in the provision of ancillary services.

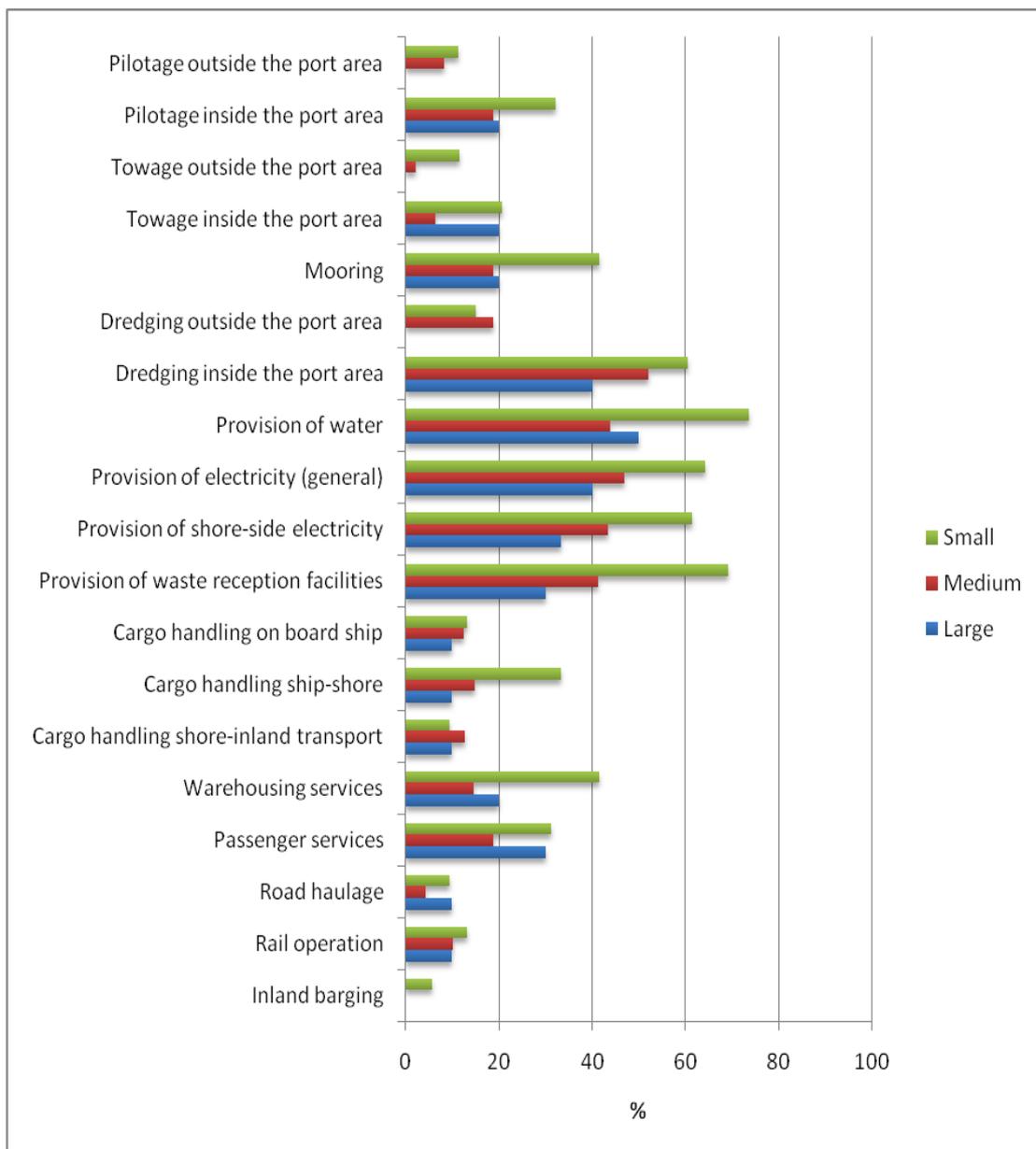


Figure 15: Direct provision of operational services in ports – size comparison

Figure 15 compares the results according to the size of port authorities. It shows that in relative terms more small port authorities are providing operational services. A general link with the size of the port authority can however not be made as the involvement of medium-sized and large port authorities varies considerably.

3.4.2. INDIRECT INVOLVEMENT IN PROVISION OF SERVICES

Next to providing port services directly, a port authority may have an indirect involvement or interest in the provision of such services. This could manifest itself in several ways, either through a subsidiary, being shareholder in a service providing company, being member of the supervisory board of such a company or other.

Figure 16 shows that, generally speaking, port authorities have limited indirect involvement in operational services. The relatively important ‘other’ category contains in fact mostly references to contractual agreements that the port authority has with service providers (e.g. licenses, lease agreements or concessions) which is not what is meant here.

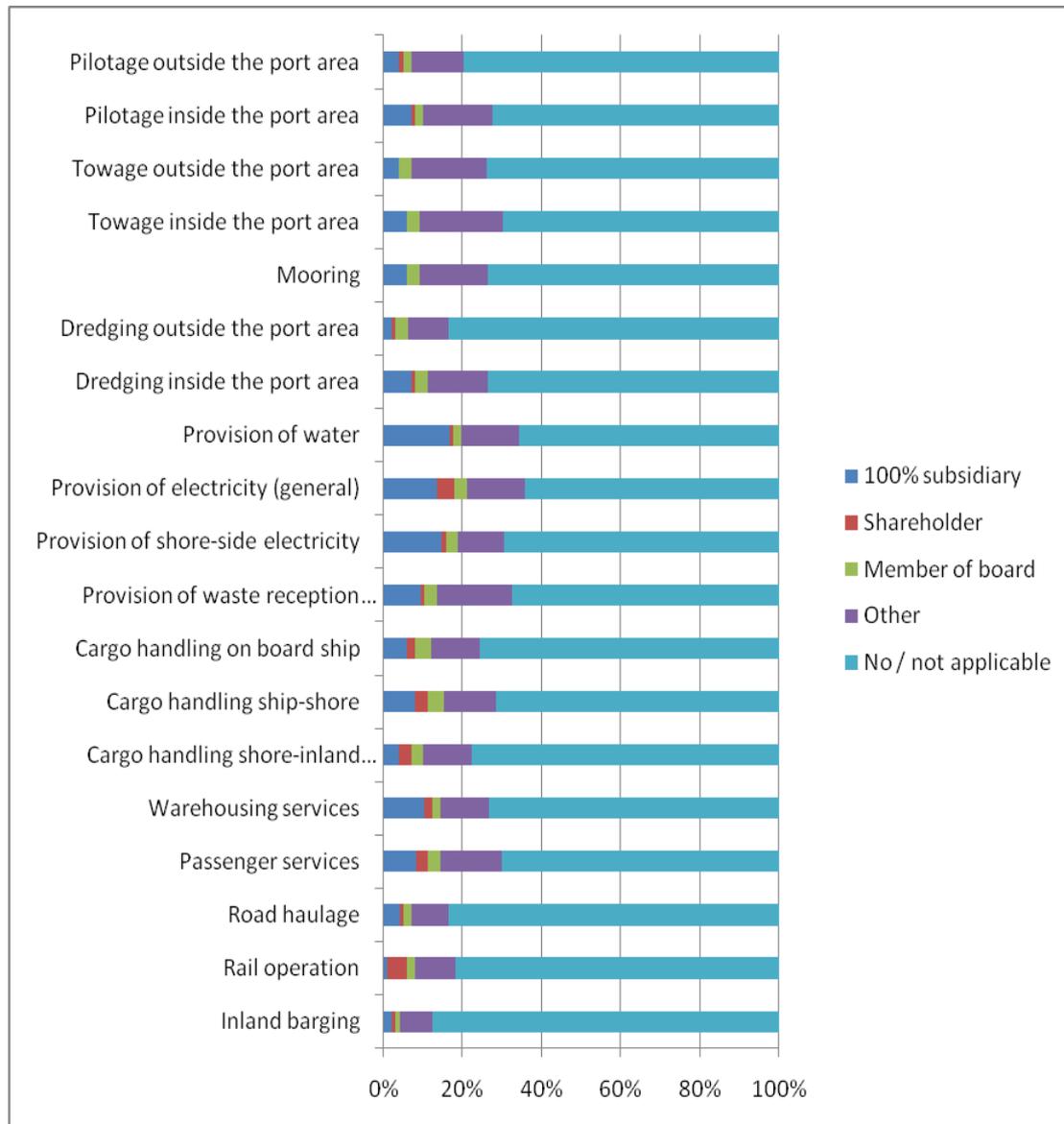


Figure 16: Indirect involvement of port authorities in provision of port services

3.4.3. SERVICE PROVISION OUTSIDE OWN PORT AREA(S)

Figure 17 demonstrates that port authorities are hardly involved in providing port services outside the port area(s) they administer. If they do, the service provision is most restricted to ports within the same country.

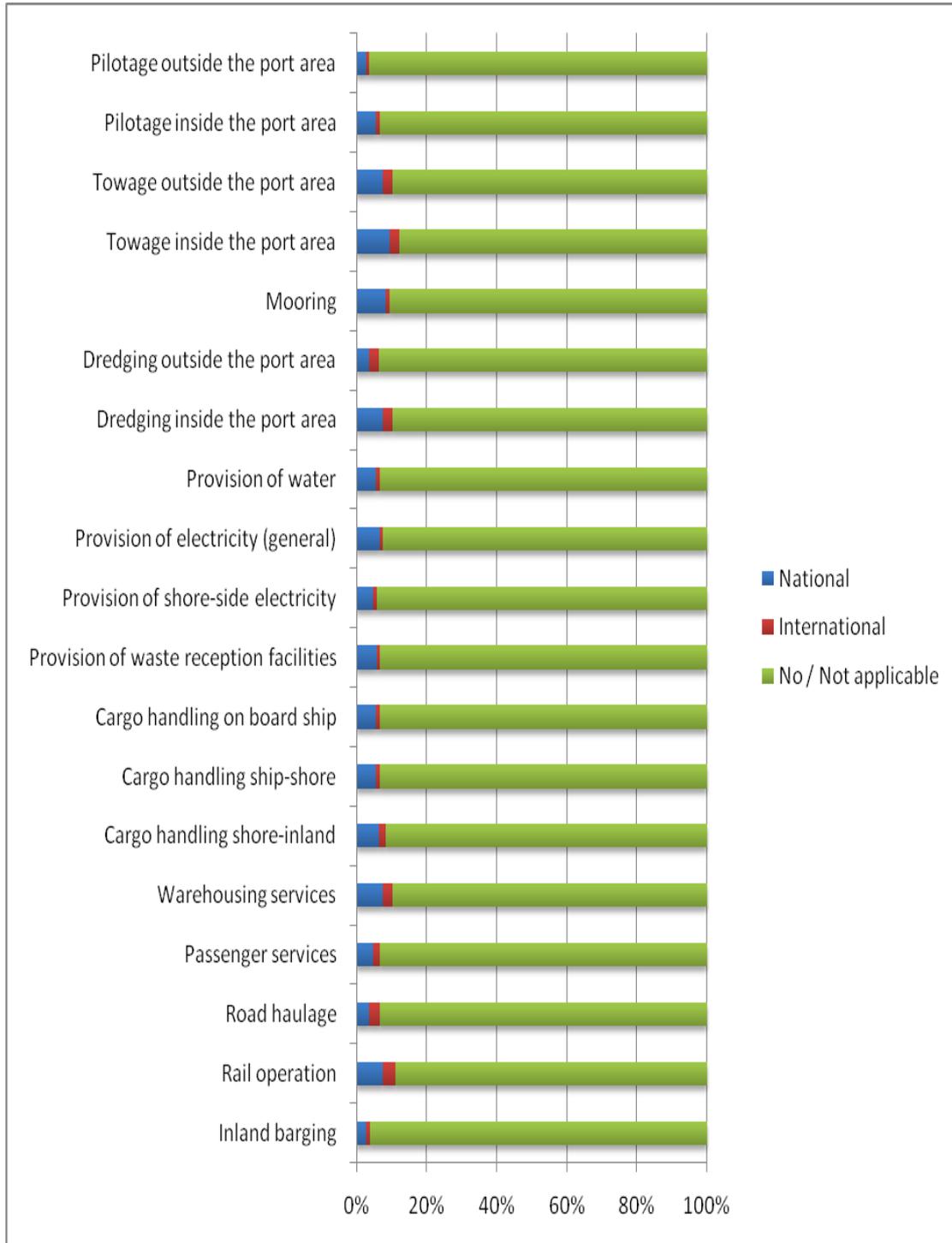


Figure 17: Port authorities providing services outside own port area(s)

3.5. COMMUNITY MANAGER FUNCTION

The community manager function is intrinsically linked to the changing nature of port communities and stakeholders and has both an economic and societal dimension. The economic dimension is shaped by the evolution of economic actors. As long as these were locally organised, and therefore anchored and committed to the well-being of the port, the role of the port authority could be confined to its traditional functions and was pretty evident and straightforward. The globalisation process, marked by a power struggle between carriers, terminal operators and logistics operators to control the supply chain, has however fundamentally changed this. Large global firms have only limited ties with the port. They furthermore lack affinity with neighbouring cities and local communities. The societal dimension is marked by conflicting interests with societal stakeholders. The community manager function is essentially a coordinating function meant to solve collective problems in and outside the port area, such as hinterland bottlenecks, training and education, ICT, marketing and promotion as well as innovation and internationalisation (economic dimension). It also aims to solve conflicts of interest in order to defend the 'license to operate' of the port (societal dimension). The economic and societal dimension can meet, for instance in case of port authorities inciting private operators to engage in sustainable behaviour thus linking up with the landlord and regulatory functions. Another example is where the port authority acts as a lobbyist with government on behalf of the port community.

This section is divided in specific subsections dealing with corporate policy, facilitation of port communities, societal integration and interaction with government.

3.5.1. CORPORATE POLICY

45% of the responding port authorities have a formalised Corporate Social Responsibility (CSR) policy, i.e. a corporate policy whereby the port authority integrates social and environmental concerns in its operations and in its interaction with its stakeholders on a voluntary basis. 53,2% of the responding port authorities have an integrated management system. Mostly this system is of the ISO type. ISO 9001 (quality management) is the most popular, followed by ISO 14001 (environmental management).

83,8% of the responding port authorities have a port development masterplan. In the development of this masterplan, port authorities mostly involve internal stakeholders (e.g. employees, shareholders, ...) and external non-contractual stakeholders (e.g. local authorities, citizens, ngo's, ...) followed by external contractual stakeholders (e.g. shipowners, terminal operators, ...) (Figure 18). The 'other' category mostly includes other government levels and departments. The average port development masterplan has a planning horizon of 13 years.

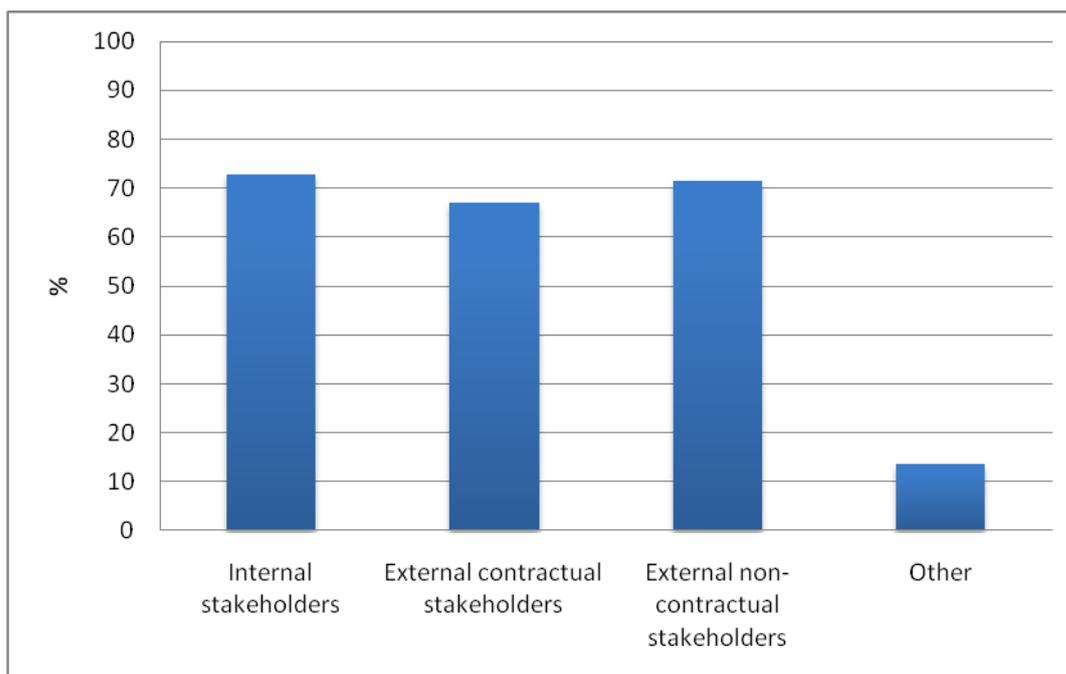


Figure 18: Stakeholder involvement in port development masterplans

Table 11 compares the presence of CSR policies, integrated management systems (IMS) and port development masterplans according to region and size. It shows that port authorities in old and new Latin countries generally score better on the availability of all three, with the exception of CSR policy for port authorities in New Latin countries. The availability of CSR policies and port development masterplans increases with the size of the port(s) managed by the port authority.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
CSR policy	45.0%	34.9%	37.5%	46.7%	59.9%	33.3%	35.3%	52.1%	60.0%
IMS	53.2%	37.2%	50.0%	53.8%	65.8%	85.7%	50.9%	57.4%	44.4%
Masterplan	83.8%	83.7%	75.0%	53.3%	94.7%	100.0%	79.2%	87.5%	90.0%

Table 11: Presence of CSR policy, IMS and port development masterplan – differentiated results

3.5.2. FACILITATION OF PORT COMMUNITY

Figure 19 gives an overview of the involvement of port authorities in typical activities and initiatives that benefit the entire port community. These include assisting members of that community (e.g. terminal operators, industrial companies, shipowners) with the implementation of regulations in the field of safety, security, environment etc., investing in hinterland networks outside the port area, operating an IT system for the benefit of the entire port community, leading the overall promotion and marketing actions of the port and providing training and educational programmes for the port community. The indicator for IT has been calculated for the port authorities that indicated that an overall IT system exists (54,2% of the respondents).

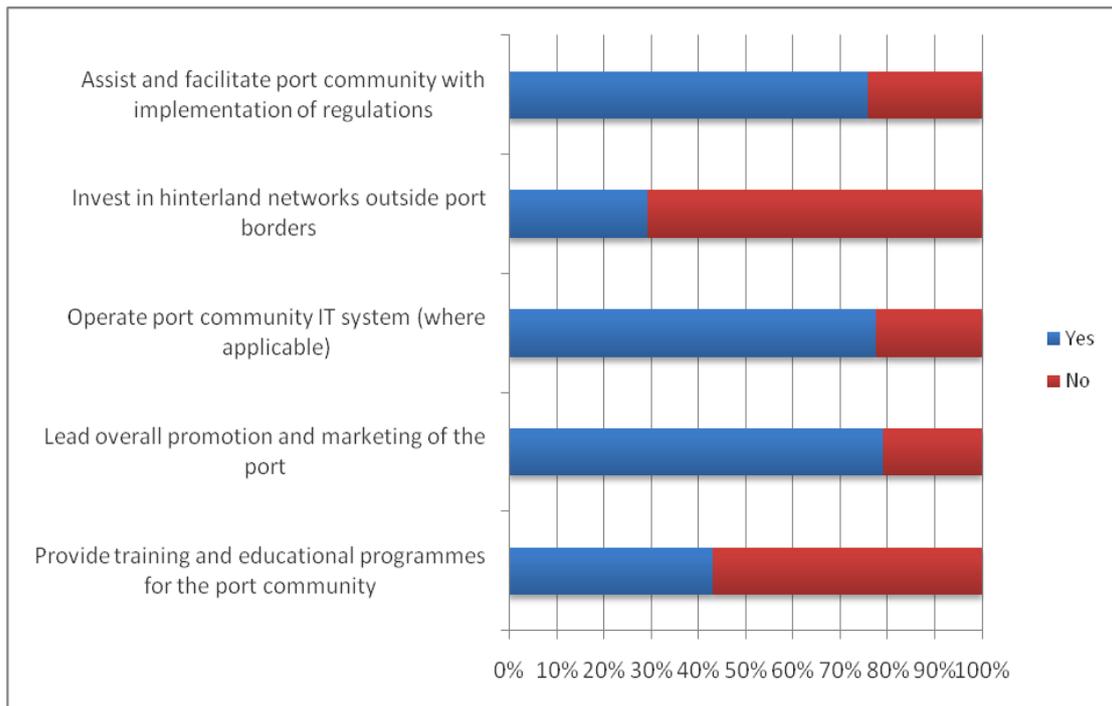


Figure 19: Involvement of port authorities in actions / initiatives that benefit the entire port community

The diagram shows that port authorities play an important role in assisting and facilitating implementation of regulations, operating port community IT systems and leading the overall promotion and marketing of the port. Only one third of responding port authorities invest in hinterland networks outside the borders of their own port(s). This corresponds with the limited direct investments port authorities make in other ports (see section 3.2.3.2).

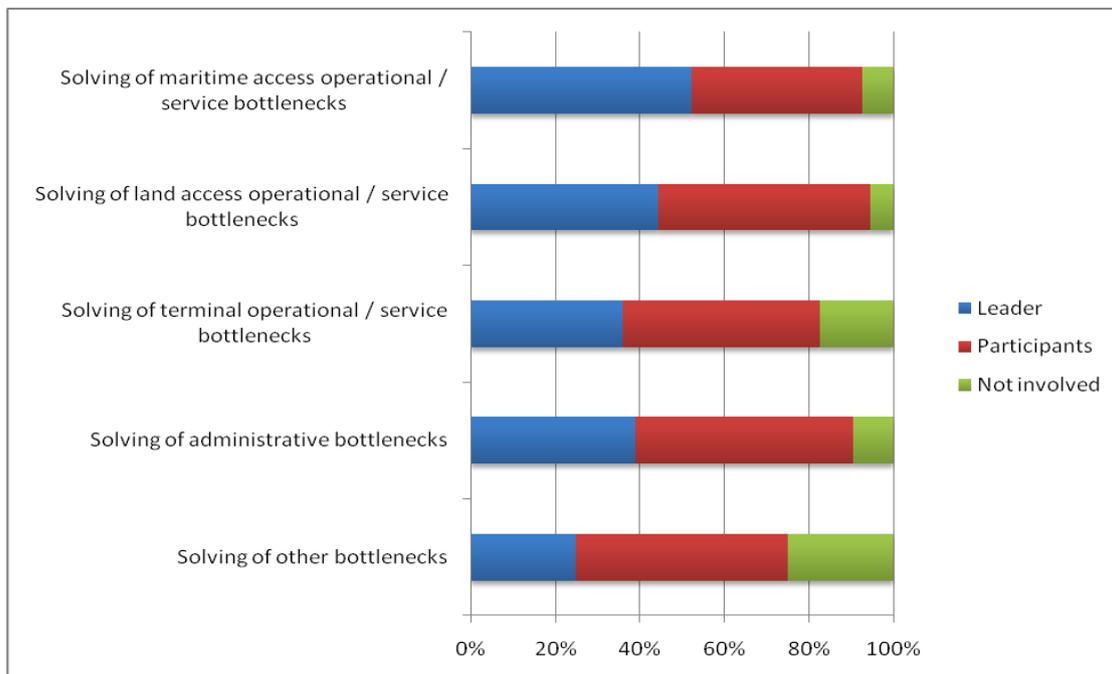


Figure 20: Involvement of port authorities in bottleneck-solving benefiting the entire port community

Port authorities are nevertheless closely involved, either as leaders or participants, in the solving of operational and service bottlenecks related to land access that benefit the entire port community (Figure 20). The leading role is even more outspoken for the solving of operational and service bottlenecks linked to maritime access.

Table 12 shows that, relatively speaking, New Latin and Anglo-Saxon port authorities assist and facilitate their port communities most with implementation of regulations. The investment in hinterland networks outside port borders is clearly size-related. All port authorities of the new regions operate the port community IT system (if it exists) whereas very few large port authorities do so. Large port authorities are also less involved than medium-sized port authorities in the other actions and initiatives and, for some, even less than small port authorities.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Regulations	75.9%	67.4%	75.0%	85.7%	77.8%	100.0%	71.7%	80.4%	77.8%
Hinterl. netw.	29.1%	16.3%	37.5%	14.3%	47.4%	28.6%	11.3%	41.7%	66.7%
IT systems	77.6%	73.7%	100.0%	60.0%	76.0%	100.0%	80.0%	86.7%	37.5%
Promo / market.	79.1%	74.4%	100.0%	71.4%	81.6%	85.7%	83.0%	77.1%	66.7%
Training / educ.	43.0%	33.3%	28.6%	57.1%	51.4%	42.9%	28.6%	58.3%	40.0%

Table 12: Involvement of port authorities in actions / initiatives that benefit the entire port community – differentiated results

Table 13 shows high involvement of Anglo-Saxon and large port authorities in solving maritime access bottlenecks. Large port authorities are also relatively more involved in the solving of land access bottlenecks. Latin port authorities score relatively high on solving of administrative and other bottlenecks.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Maritime access	52.3%	47.5%	25.0%	78.6%	57.9%	28.6%	49.1%	48.9%	88.9%
Land access	44.4%	34.1%	37.5%	57.1%	52.6%	42.9%	35.8%	47.8%	77.8%
Terminal	35.9%	25.6%	0.0%	50.0%	50.0%	33.3%	42.3%	27.3%	42.9%
Administrative	39.0%	17.9%	25.0%	46.2%	65.8%	14.3%	34.0%	45.5%	37.5%
Other	25.0%	12.1%	0.0%	30.0%	45.2%	0.0%	20.9%	26.5%	42.9%

Table 13: Involvement of port authorities in bottleneck-solving for the benefiting the entire port community (leadership) – differentiated results

The operation of port community IT systems and the provision of training and educational programmes for the port community can be analysed further. Figure 21 shows that, if port authorities manage a port community IT system, they most often do this on a non-cost recovery basis. The graph also strikingly shows that 45,8% of the responding port authorities say that there is no IT system in the port that benefits the entire port community. In case another entity operates the port community IT system, this is usually a private company, in which the port authority may sometimes be a shareholder.

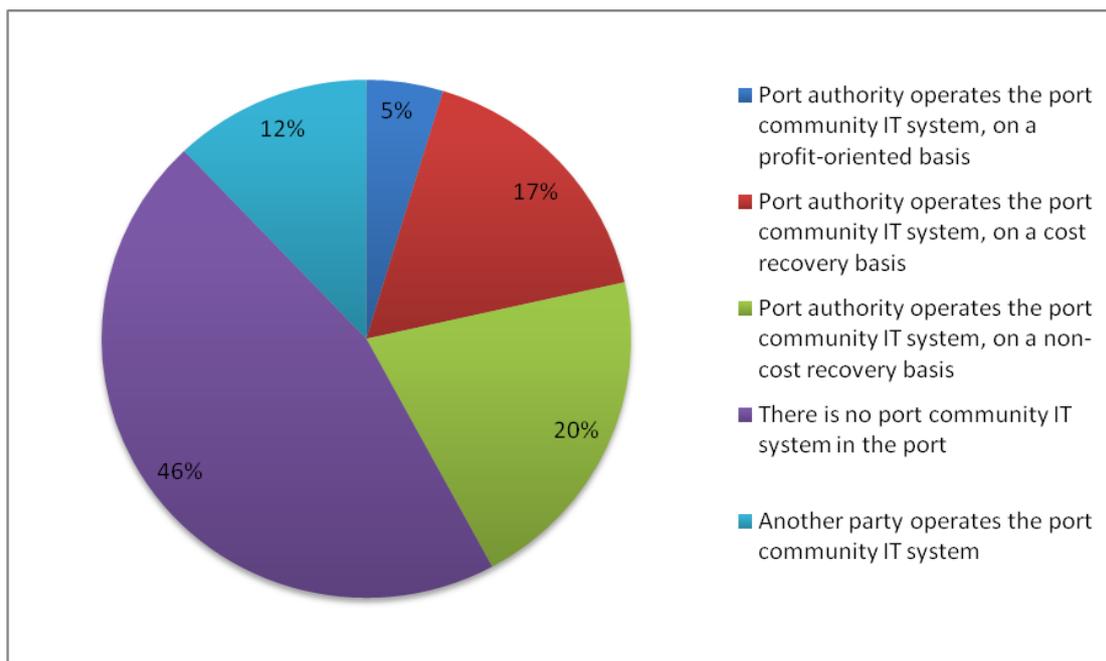


Figure 21: Operation of port community IT systems

As regards training and education, Figure 22 shows that almost all port authorities provide training to their own staff. Next follow training and educational programmes for the local port community that was discussed above. The diagram further shows that port authorities do not generally provide training and educational programmes beyond their own port(s).

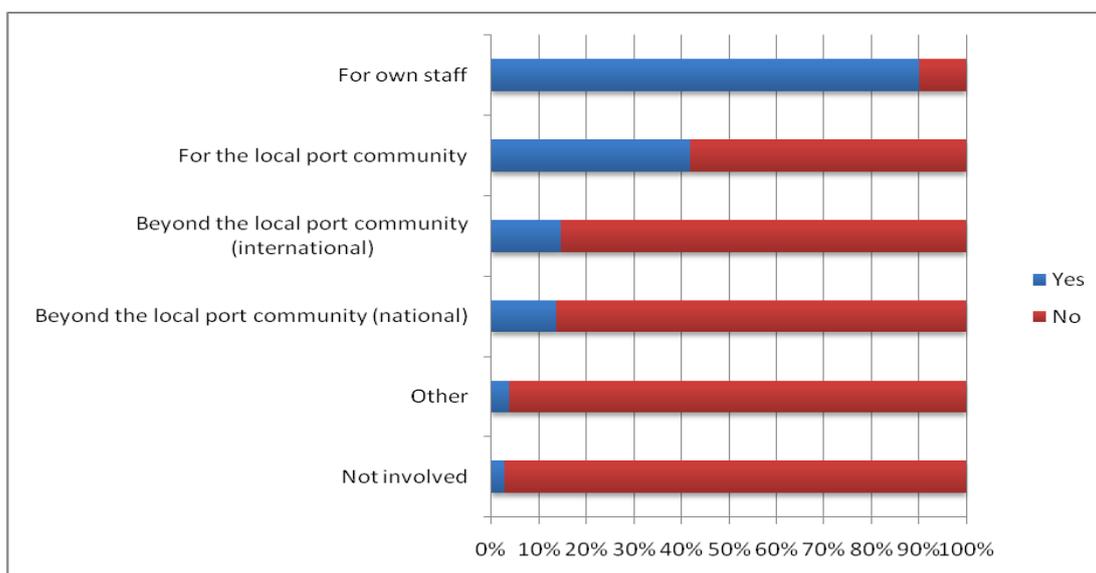


Figure 22: Port authority involvement in provision of training and educational programmes

3.5.3. SOCIETAL INTEGRATION AND INTERACTION WITH GOVERNMENT

Port authorities were invited to indicate how they are involved in various types of initiatives that improve the societal integration of their port(s). Figure 23 shows that most port authorities are involved in all categories, but in particular in initiatives to make the general public experience and understand the port and in initiatives to establish good co-habitation with local communities in and around the port area. In the former category, more than half of the responding port authorities are leaders.

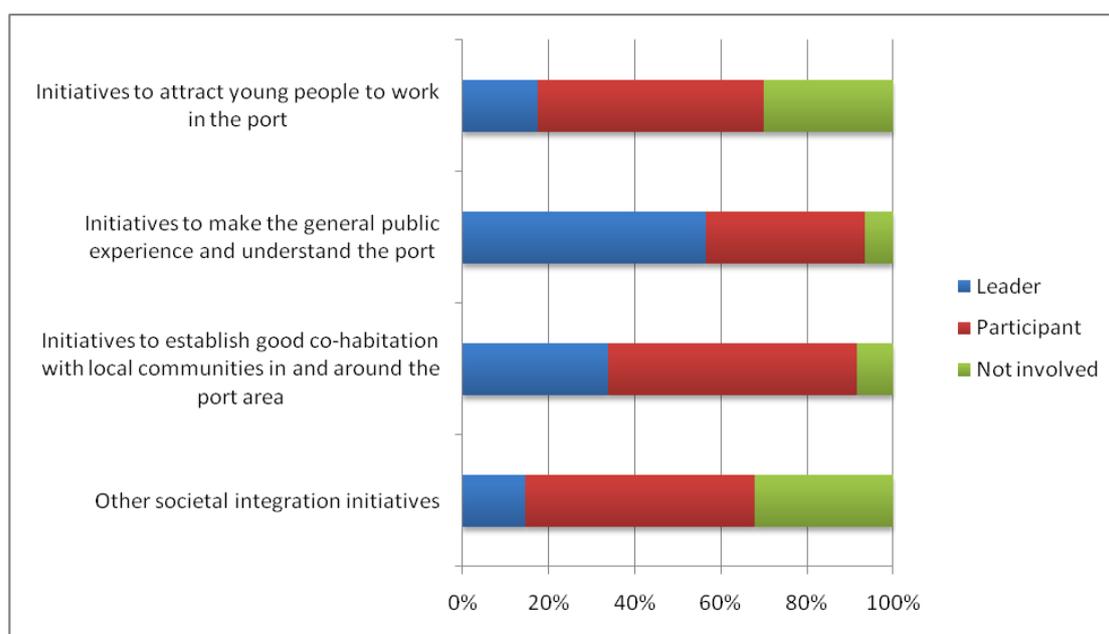


Figure 23: Port authority involvement in societal integration initiatives

Comparing the leadership role for different regions and size, it can be concluded that port authorities in Latin countries more often take up a leadership role in the different categories of initiatives than their colleagues in other regions (Table 14). Port authorities in the Anglo-Saxon and new regions generally show less leadership in this field than the general picture, with the exception of port authorities in New Latin countries where it concerns attracting young people to work in ports. The table also shows that leadership in societal integration is a matter of size.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Workers	17.5%	10.0%	0.0%	8.3%	29.7%	33.3%	9.4%	21.4%	50.0%
Gen. public	56.6%	57.1%	37.5%	38.5%	70.2%	33.3%	45.2%	62.2%	100.0%
Inhabitants	40.1%	42.9%	0.0%	38.5%	48.6%	33.3%	34.0%	43.2%	66.7%
Other	14.4%	16.7%	0.0%	8.3%	16.7%	20.0%	9.3%	17.1%	33.3%

Table 14: Port authority involvement in societal integration initiatives (leadership) – differentiated results

Finally, the interaction between port authorities and government at different levels was compared. Figure 24 illustrates that the most frequent contacts are being maintained with the city, followed by the state. The level of the region and the province play a less important role.

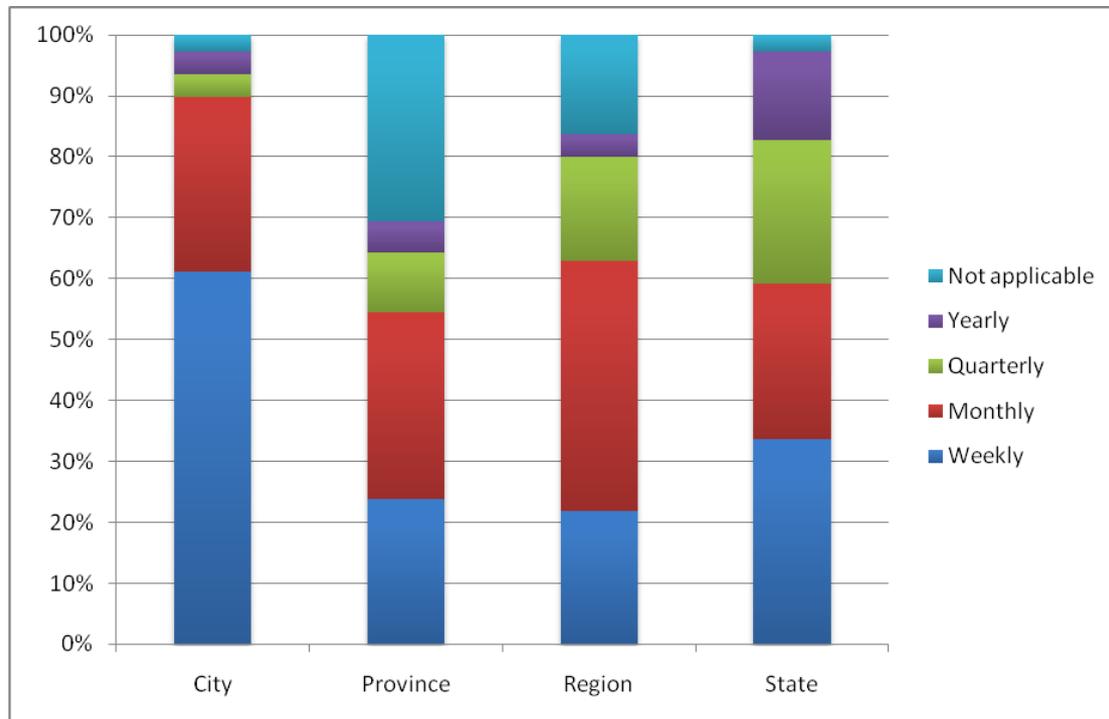


Figure 24: Frequency of contacts with government

The differentiated results for the weekly level of contacts show to some extent the influence of the ownership of the port authority (Table 15). This will be discussed further in the next chapter. Nevertheless, the city has a relatively high position in most cases. For instance, more port authorities in Latin regions maintain weekly contacts with the city than with the state. It shows also that port authorities in Anglo-Saxon countries generally maintain the least frequent contacts with government at any level. Size plays a role and almost all large ports maintain weekly contacts with city and state and, compared to port authorities of smaller dimensions, quite intensively also with region and province level.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
City	61.1%	72.1%	50.0%	33.3%	57.8%	71.4%	59.6%	56.5%	90.0%
Province	23.8%	25.0%	0.0%	18.2%	29.7%	16.7%	12.2%	30.2%	55.6%
Region	21.9%	19.5%	25.0%	0.0%	31.6%	16.7%	11.5%	22.7%	77.8%
State	33.6%	16.2%	50.0%	7.1%	50.0%	85.7%	20.8%	38.3%	80.0%

Table 15: Frequency of contacts with government (weekly contacts) – differentiated results

3.6. SUMMARY CHAPTER 3

Most port authorities have formalised objectives, but these show a great diversity of economic and non-economic ones, which are often even mixed. Also the pure economic objectives remain varied. Maximisation of handled tonnage, maximisation of added value and maximisation of the profit of the port authority stand out as the most important ones. The first is more common for port authorities from the new regions, whereas added value occurs more in the Hanse and Latin regions. Profit maximisation is more common for port authorities in the Anglo-Saxon region.

The objectives of the port authority influence the functional profile. Looking at the three traditional functions, i.e. the landlord, regulator and operator functions, it can be concluded that, as operators, port authorities have moved away from providing cargo-handling services. These have in most cases been privatised or liberalised. Operational activities of port authorities focus mainly on the provision of those ancillary services which are to the benefit of the entire port community, such as provision of public utilities and dredging. Some important regional differences however exist, with notably Anglo-Saxon port authorities being more involved in the provision of cargo-handling and technical-nautical services. Also smaller port authorities are more frequently providing these types of services.

The landlord function can be considered as the principal function of contemporary port authorities. It is subject to different forms of pressure, i.e. competitive pressure to invest in infrastructure, financial pressure to make these investments possible and competition for land-use. Land is indeed a crucial element in this respect, but only about half of the responding port authorities actually own the port land they manage. Port authorities are generally not able to sell port land, unless with restrictions. The landlord function therefore translates itself essentially in the ability to contract land to third parties, which most port authorities can do and which forms the most important governance tool they have at their disposal. Most port authorities use public selection procedures to select service providers although this is often conditional, e.g. only for plots of land that are of strategic interest. Public selection procedures usually take the form of public tenders whereby all relevant contractual details are specified in advance. In this way port authorities are able to translate their objectives. Throughput guarantees and environmental performance clauses rank as the two most frequently occurring contract clauses. Port authorities are generally free to set durations and determine contract clauses, although restrictions do exist more in some regions than others. Generally speaking, Hanseatic and Anglo-Saxon port authorities relatively enjoy more autonomy when it comes to land ownership and the contracting out of port land than their colleagues in other regions. Apart from the regular commercial exploitation and administration of port land, almost half of port authorities also engage in urban real estate management and environmental land management. The former is especially typical for port authorities in the Latin region.

The increased focus on negative externalities of port operations has reinforced the regulator role of port authorities in the fields of environment, safety and security. The harbour master's office plays an important role in this although, especially in Latin and New Latin regions, it does not always form part of the port authority's organisational structure. Many port authorities do have their own safety, security and environmental department. Most port authorities also issue their own regulations in these three fields,

but there are not many that go beyond mere transposition of legal requirements. This somehow contrasts with the finding that half of the responding port authorities do claim to go beyond legal requirements in implementing and developing actions to enhance sustainability.

From the above it is clear that the traditional functions of port authorities have gone through substantial change. The operator function has made way to landlord and regulatory functions which have gained a strong community focus and complement the actual community manager function, which is essentially pro-active in nature. The latter appears to be well-rooted in the functional profile of port authorities. Both the economic dimension, which focuses on facilitation of the port community and the solving of various kinds of bottlenecks, and the societal dimension, which focuses on external stakeholders, is very much present and many port authorities assume a leadership role in both. Latin port authorities are most pro-active in this field. It is significant that most port authorities that participated in the survey confirm that, regardless of their ownership or dominant level of control, they maintain the most intense contacts with local government.

Few port authorities transpose their functions beyond their own borders, whether this concerns investment in hinterland networks, direct investment in other ports, providing certain services in other ports, export of regulatory and other expertise etc. So far, mainly larger port authorities seem to be developing initiatives beyond their own perimeter. Some are even setting up specific development companies for this purpose.

Finally, looking at the port authority typology presented in the first chapter of the report, it can be concluded that most port authorities participating in the survey converge towards the 'facilitator' type, with only few venturing into 'entrepreneurial' activities.

4. INSTITUTIONAL FRAMEWORK

The institutional framework of the port authority essentially covers the ownership, the legal form and status as well as the organisational structure, including the role and composition of management and other governing bodies. These aspects will be dealt with in individual sections. A first section will address the number of ports managed by the port authority and the existence of other entities with statutory responsibilities for the port(s) administered by the port authority.

4.1. NUMBER OF PORTS AND ENTITIES WITH STATUTORY RESPONSIBILITIES

4.1.1. NUMBER OF PORTS FOR WHICH THE PORT AUTHORITY IS RESPONSIBLE

The survey results demonstrate that, whilst the majority of the responding port authorities manage only one port, the number of port authorities that manage two or more ports is quite significant (Figure 25).

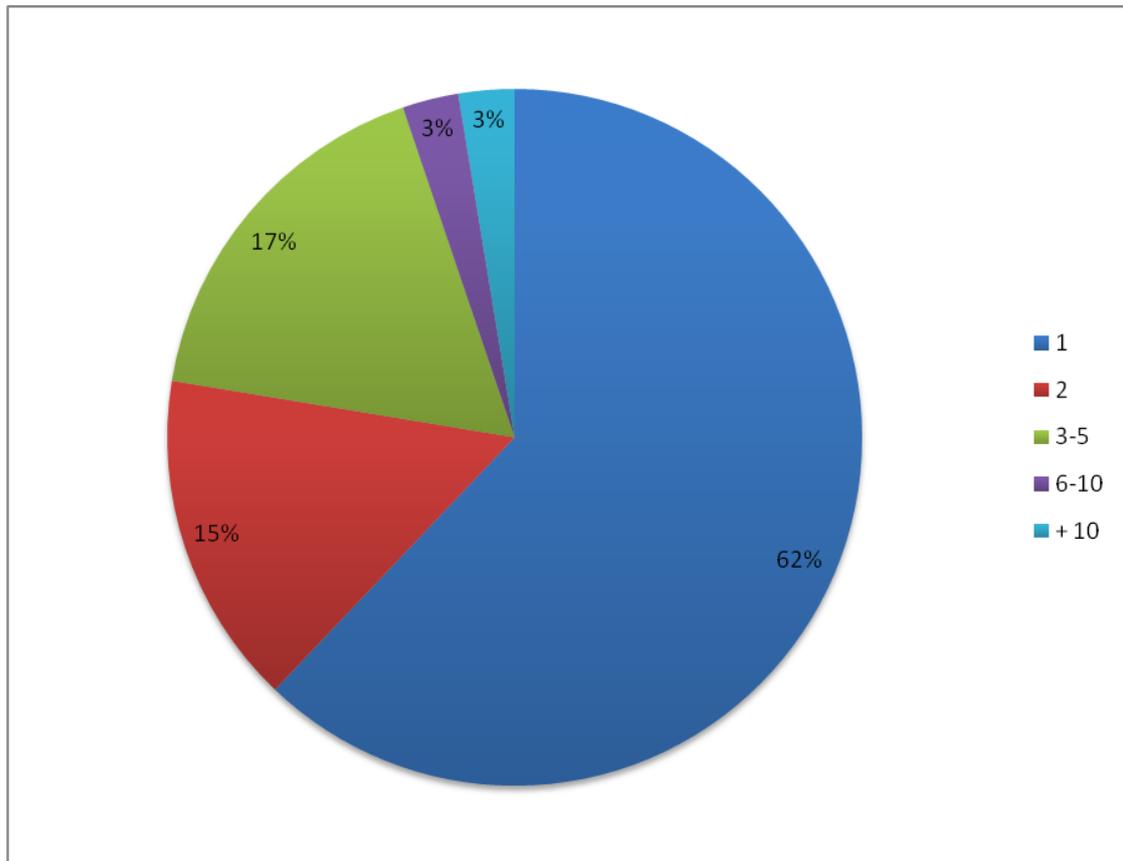


Figure 25: Number of ports for which the port authority is responsible

In several Latin and New Latin countries, this concerns national port authorities that manage all seaports in the country (e.g. in Malta, Cyprus, Israel, Bulgaria and Romania). In the United Kingdom private holdings exist that own several ports. Publicly-owned varieties of such holdings can be found in Hanseatic countries such as Denmark, Germany and Iceland. Examples of port authorities managing distinct but neighbouring ports exist in Portugal, Spain, Italy, the Netherlands, Poland, Germany and France. In the latter case, it mostly concerns regional governments that act as port authorities for, usually smaller, ports in a given region. The case of Copenhagen-Malmö Port (CMP) is the only one in the sample whereby ports in two different, neighbouring countries are managed by a single entity. It must be noted however that CMP assumes mainly the function of port operator and that other port authority functions are being carried out by specific entities in the two respective ports. The reverse situation exists as well: port authorities that provide nautical support to neighbouring ports but are not engaged in operational or other functions of those other ports. Examples can be found in the United Kingdom and the Netherlands.

4.1.2. OTHER ENTITIES WITH STATUTORY RESPONSIBILITIES

62,1% of the responding port authorities state that they are the only entity with statutory responsibilities for the port(s) they administer. In the other cases, statutory responsibilities are mostly split in functional terms whereby the most significant other entity is the harbour master's office or a similar entity responsible for nautical safety and security.

An important difference can be observed between ports located in countries with a Latin tradition and ports located in countries with a Hanseatic or Anglo-Saxon tradition. It appears that in the former case the existence of other statutory bodies with responsibilities for (nautical) administration is much more important (56,5%) than in the two others cases (respectively 30,1% and 11,8%).

This picture broadly corresponds with the findings on the position of the harbour master's office, as elaborated in section 3.3.1.

4.2. OWNERSHIP

Taking into account that ownership of the port authority is not necessarily the same as ownership of the port land or port real estate, Figure 26 demonstrates clearly that most port authorities in the sample are publicly owned. States, i.e. national governments, and municipalities represent the two most important categories of ownership. Other forms of government are much less present and also private ownership, be it in the form of industrial companies (e.g. oil refineries or forest industries), logistics companies (e.g. shipping lines, terminal operators or shippers) or financial suitors, remains marginal. The category 'other' is however significant and includes ownership by independent trusts (specific to the UK), natural persons, private companies other than the categories listed, employees and former employees, individual shareholders on the stock exchange and in one case it is even reported that there is no owner at all. In some cases the clarifications given under the category 'other' however imply that the owner is actually the national government, which would therefore slightly increase the share of state ownership. It

should finally be noted that ownership is often a mixture of different categories, whereby one or other form of government then dominates. This should be taken into account when interpreting the ownership percentages of Figure 26 and Table 16.

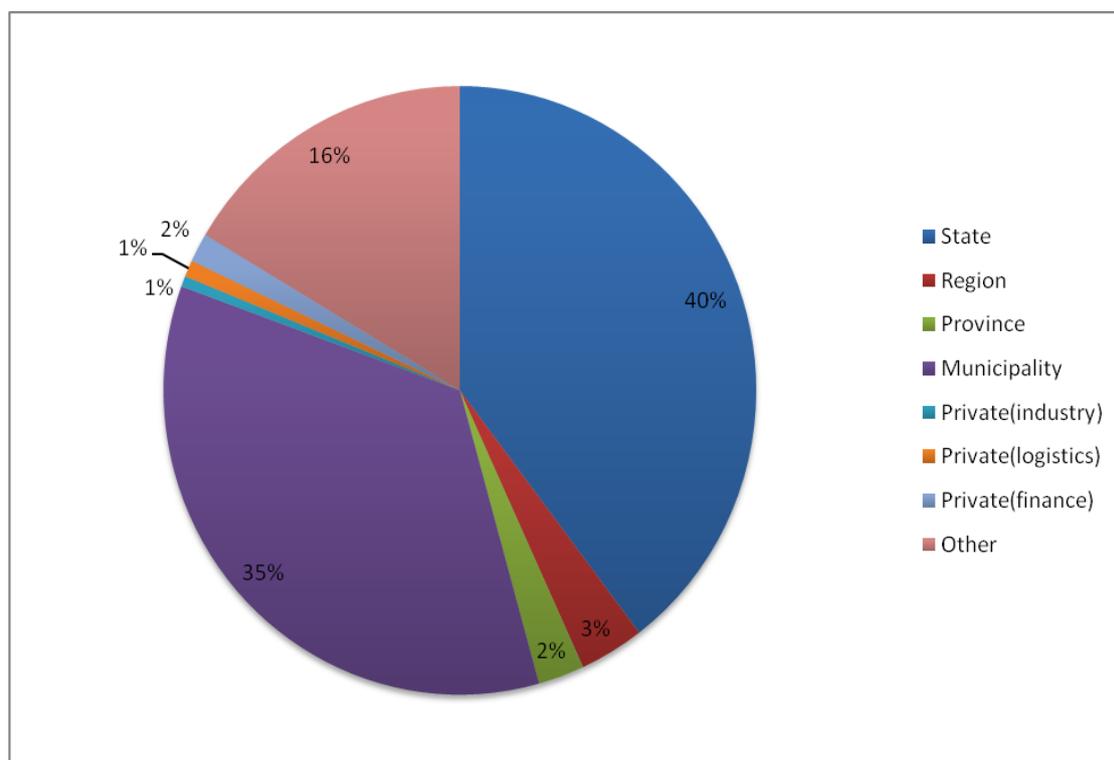


Figure 26: Ownership of port authorities

Not surprisingly, the picture differs considerably if the regional differentiation is applied (Table 16). The Hanseatic and Latin governance traditions of municipal and state influence are clearly confirmed (the ‘other’ category for Latin port authorities includes Italian port authorities which are de facto controlled by the state). Port authorities in Anglo-Saxon countries are either owned by the state (Irish ports), municipalities, financial suitors or take the form of trust ports (UK ports). State ownership dominates for port authorities in the new regions.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
State	39.6%	6.4%	71.3%	35.3%	64.4%	87.3%	28.9%	51.7%	43.3%
Region	3.5%	2.4%	0.0%	0.0%	7.9%	0.0%	5.3%	2.1%	0.0%
Province	2.5%	4.3%	0.0%	0.0%	2.6%	0.0%	3.7%	1.6%	0.0%
Municipality	34.8%	82.7%	12.8%	11.8%	0.0%	3.3%	48.8%	15.2%	46.7%
Private (industry)	0.6%	1.6%	0.0%	0.0%	0.0%	0.0%	1.1%	0.0%	0.0%
Private (logistics)	0.9%	2.4%	0.0%	0.0%	0.0%	0.0%	1.8%	0.0%	0.0%
Private (financial)	1.6%	0.0%	0.0%	8.8%	0.7%	0.0%	0.9%	0.6%	10.0%
Other	16.4%	0.0%	15.9%	44.1%	24.3%	9.4%	9.6%	28.1%	0.0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Table 16: Ownership of port authorities – differentiated results

Smaller port authorities tend to be owned more by municipalities, whereas medium-sized port authorities are more state-owned, but this is influenced by the fact that Hanseatic countries have more small ports and Latin more medium-sized ports.

4.3. LEGAL STATUS AND FORM

Only a minority of responding port authorities (14%) does not have its own legal personality. This corresponds with the percentage of port authorities that state they are merely an administrative department of local, regional or national government (Figure 27).

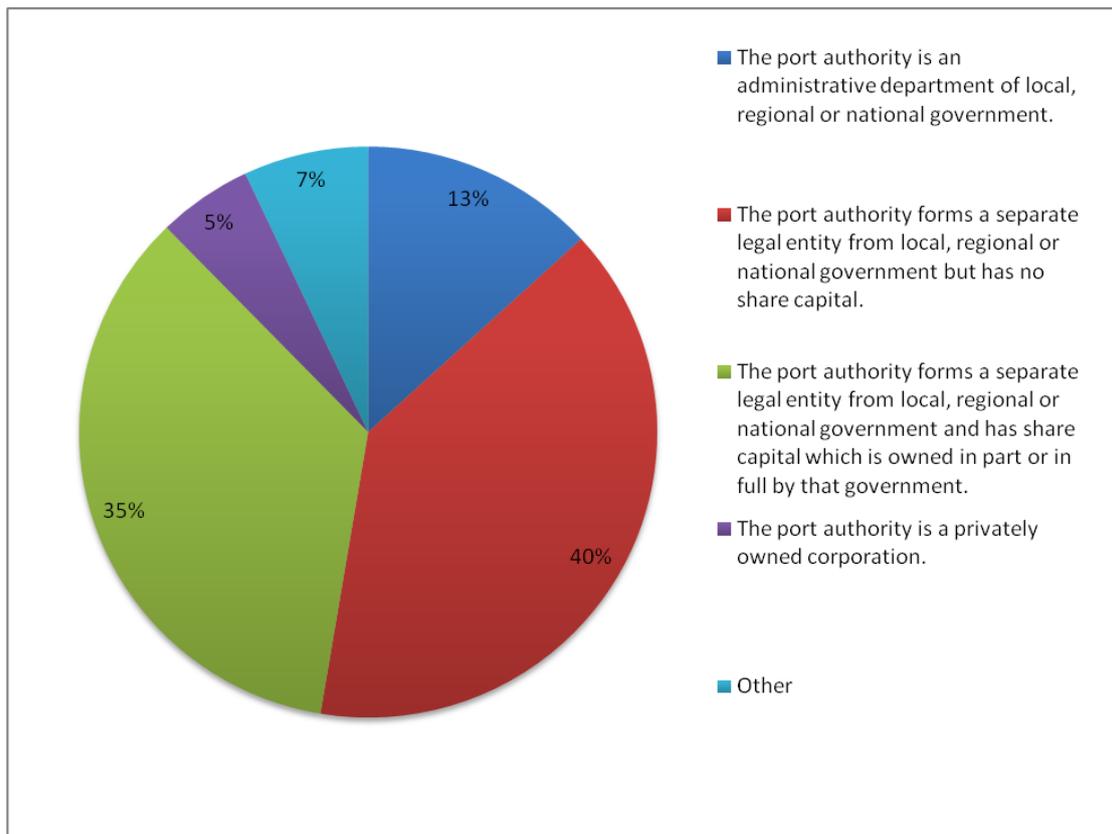


Figure 27: Legal form of port authorities

The legal personality of port authorities generally takes what is called a ‘commercialised’ or ‘corporatised’ form. In both cases port authorities are separate legal entities from government, but the essential difference lies in whether or not they have share capital that is owned in part or in full by that government. ‘Corporatised’ port authorities have share capital, ‘commercialised’ port authorities don’t. About 5% of port authorities are privately owned corporations, which corresponds with the private ownership picture described in the previous section. Those port authorities that report to be under the category ‘other’ can in most cases be classified under one of the main forms.

From the differentiated results it is clear that the corporatized form is strongest in the new regions. The commercialised form is mostly present in Latin countries, whereas the privately owned corporation occurs most often in Anglo-Saxon countries (Table 17). There are relatively more port authorities that are mere administrative departments in Hanseatic and New Latin countries. Presumably this concerns smaller ports, which are indeed more strongly represented in this category. The differentiation according to size also shows that port authorities which are privately owned corporations are either mostly small or large. The first typically includes port authorities owned by industrial companies (e.g. oil or forest products), the second concerns large port holdings that only exist in the UK.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Admin. dept.	13.2%	18.2%	0.0%	11.8%	7.9%	28.6%	17.2%	8.7%	10.0%
Commercialised	39.5%	27.3%	50.0%	35.3%	60.5%	0.0%	36.2%	43.5%	40.0%
Corporatised	35.1%	34.1%	50.0%	23.5%	31.6%	71.4%	29.3%	43.5%	30.0%
Priv. owned corp.	5.3%	4.5%	0.0%	23.5%	0.0%	0.0%	6.9%	2.2%	10.0%
Other	7.0%	15.9%	0.0%	5.9%	0.0%	0.0%	10.3%	2.2%	10.0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Table 17: Legal form of port authorities – differentiated results

Most of the responding port authorities obtained their present legal form fairly recently. In more than half of the cases it was acquired between 1990 and 1999, and nearly one third obtained its current legal form during the last decade. Both periods were indeed characterised by important waves of port reforms, often carried through at national level. More than 70% of the responding port authorities confirm that they are governed by one or more specific legal acts and, not surprisingly, these acts mostly date from the two above-mentioned decades, with amendments made more recently.

Today, various kinds of port reforms and re-organisations are on-going in most European countries, either at national or local level. A summary overview, updated in April 2011, can be found in Box 1 over the next three pages. The overview shows that several countries are privatising or liberalising operational services, or have just completed such processes. This is mainly significant for ports in the Latin, New Latin and New Hanse regions. In Anglo-Saxon countries complete privatisation of (some) ports is at stake. It is interesting that in most countries co-operation between (neighbouring) ports is an issue, which is either driven bottom-up by port authorities themselves or stimulated by national or regional government. Somewhat paradoxically, the latter seems more characteristic for the Hanse region where some governments are also discussing the selection of ‘ports of national interest’.

Port authorities were finally asked whether they were governed by a set of corporate or organisational by-laws, such as statutes, an internal charter or articles of incorporation. For slightly more than half of the responding port authorities such by-laws exist. The end responsibility for them is however in most cases taken by government.

Belgium (Flanders)

The legal form of port authorities is laid down in the 1999 'Havendecreet' (Ports Decree) of the Flemish government. A few years ago, government introduced the concept of 'Flanders Port Area' to stimulate more intensive co-operation between port authorities. Here, priority will be given to common initiatives with a clear value added, without questioning the decision-making of individual port authorities. Activities with respect to (1) strengthening the social support for ports, (2) acknowledging the importance of ports in logistics networks and (3) greening of port activities will be emphasised. In order to ensure the realisation of three sea locks in three Flemish ports, the Flemish government created the 'NV Vlaamse Havens' (SA Flemish Ports). For each sea lock the 'NV Vlaamse Havens' will establish a subsidiary in which the NV and the involved port authority or a selected private partner will participate. Notwithstanding the stipulations of the Ports Decree, the Flemish government requests that port authorities concerned make a financial contribution for the construction of these sea locks.

Bulgaria

Since Bulgaria became an open market economy, a successive series of port reforms have occurred which basically intend to privatise operations in the country's two main ports, Bourgas and Varna. Port authority responsibilities are centralised at national level and have shifted back and forth between an 'executive agency' for maritime administration and an 'infrastructure company'. The latest change (2010) concentrates all port authority responsibilities, including nautical responsibility, with the Bulgarian Port Infrastructure Company.

Denmark

In 2010, Danish government started up discussion on reform of the country's ports which are mostly owned by municipalities but governed by a national Ports Act. A governmental commission is evaluating the current legislative framework from the perspective of efficiency and competitiveness, making recommendations to modify the Port Act where necessary. A particular question is whether certain ports need to have a 'national interest' status.

Finland

A 2007 decision of the European Commission regarding the existence of state aid in a Finnish so-called 'state enterprise' has led Finnish government to legislate that government-owned entities must be corporatized by the beginning of 2014. This also affects Finnish port authorities, which are mostly owned by municipalities. Furthermore, some Finnish ports are in the process of merging, the most concrete example being the Ports of Hamina and Kotka which merged into one limited company on 1 May 2011.

France

President Sarkozy initiated in 2008 a major reform of French ports of which the most visible part is the completion of the port labour reform, notably the privatisation of handling equipment and staff. The reform programme however also modified the governance of the major ports in France, the former 'ports autonomes' (autonomous ports) which have now become 'Grands Ports Maritimes'. The reform will be effective before the end of June 2011. The reform of the major ports succeeds the reform of smaller national ports which has been launched in 2004 and has put those ports mainly under regional control.

Germany

In close co-operation with the 'Bundesländer' (Federal states), the German government published in 2009 a 'Nationales Hafenkonzert' which is currently in the process of implementation. This approach is innovative and significant, because it is the first time that the German government develops an elaborate view on ports policy, which addresses – inter alia – capacity development and aims to stimulate co-operation between ports. Governance of German seaports however remains within the competence of each 'Bundesland'. Various forms of co-operation exist between these states and the ports themselves. One example is the co-operation between the seaports of the Lower Elbe river (Hamburg, Brunsbüttel, Cuxhaven, Stade) agreed in 2009 which aims to attract business ventures, exchange know-how and develop joint marketing. The 'Länder' also want to establish joint PR

activities under the common label 'German Ports'. In addition, the regional governments of Hamburg and Bremen started in 2011 an investigation into a more profound co-operation between their port authorities. The results of this exercise have not yet been published.

Ireland

Irish government started in September 2010 a consultation on a reform of Irish ports. Most of the commercial ports are currently state-owned corporations. The consultation addresses four aspects: governance (including corporate governance but also ownership and the option of privatisation), capacity development, planning and funding, exploiting the use of short-sea shipping, benchmarking competitiveness and stimulating cooperation between ports.

Israel

Israel's main ports were governed and operated by a national, state-owned port authority. In 2005 the government broke up the port authority into four state owned companies, one company to manage and develop port properties and infrastructure (Israel Port Company) and three other companies (Haifa Port Company, Ashdod Port Company and Eilat Port Company) responsible for operating the country's three ports. As part of the second port reform stage, port tariffs have undergone a reform which minimizes cross subsidies and ties tariffs closer to actual costs. The third stage of the reform package is based on the privatisation of the three operating companies. The Israeli government decided to privatise the Eilat Port Company during 2011. The tender for the sale of all shares in the company was published on 4 April and the government expects to complete the sale of the shares by the end of 2011. The other two port companies are to undergo gradual privatisation, with 15% of their shares to be sold over the next year, another 34% one year following the initial sale and the remaining 51% in 2020.

Italy

The fundamentals of Italian port governance are laid down in a 1994 Law which established port authorities for the main Italian ports and liberalised cargo-handling services. In recent years several proposals to amend the Law have been discussed but without major changes so far. In September 2010 government proposed a bill which introduces a classification of ports, deals with competences of port authorities and harbour masters offices, faster approval procedures for port regulatory plans and a review of concession procedures. The main wish of the sector, i.e. to establish financial autonomy for port authorities, has however not been realised yet. In 2009 and 2010 neighbouring port authorities in several regions (North Adriatic, Liguria, Tuscany, Calabria) set up regional port associations to stimulate more intensive co-operation.

Malta

During the last 10 years the operation of the ports in Malta has undergone a whole reform process whereby all port services have passed from the port authority to the private industry either through concession contracts or service level agreements. All port related legislation was amended to reflect these changes and allow for more flexibility in responding to market needs and efficiency in port operations. Likewise, new legislation establishing the port authority was adopted in 2009 to clearly reflect the change whereby its functions have changed from being an operator of port facilities and a provider of port services to one where it has become the regulator of port services and the facilitator of port business.

Netherlands

Reforms of Dutch ports have taken place on individual basis. The most significant reform in the recent past was the corporatisation of the Port of Rotterdam in 2004, which was probably the most advanced corporatisation of any European, publicly-owned port authority. With the reform, the Dutch state became co-shareholder in the otherwise municipally-owned port authority. Zeeland Seaports, the port authority that manages the ports of Vlissingen and Terneuzen, was corporatized early 2011. The main difference with Rotterdam is that the only shareholder here is the Joint Agreement Zeeland Seaports, in which the Province of Zeeland and the municipalities of Terneuzen, Vlissingen and Borsele participate. The Dutch state is no shareholder. The Port of Amsterdam and Groningen Seaports, the port authority that manages the ports of Delfzijl and Eemshaven, are both going through similar corporatisation process at the moment. On national level, government has de facto followed a 'mainport' approach to the advantage of Rotterdam. Recently, an advisory body to

the government suggested to set up a port holding between Rotterdam and Amsterdam. This has thus far not led to any concrete initiative however.

Norway

The Norwegian Parliament passed in 2009 a new 'Act on Ports and Fairways'. The objective of the Act is to facilitate the safety of navigation, efficient transport at sea and sustainable use and management of fairways. The Act also is intended to contribute to the efficiency and safety of port operations, which in turn improves the competitiveness of sea transport. The Act extends the municipalities' authorities to organise port activities and distinguish between public port management and port services. It introduces limited authority to pay dividends and returns from the port capital and replaces port fees with general pricing of port services. It finally gives the possibility to designate ports of particular national interest which should have specific rules regarding organisation, cooperation and planning.

Poland

The 1996 'Act on Seaports and Harbours' was the basis to create three port authorities in the ports of major importance for the national economy, i.e. the ports of Gdansk, Gdynia and Szczecin-Swinoujscie. Since then the Act has been a few times amended and an obligation to sell shares in port operation companies was imposed on port authorities. Currently, there is no legislative procedure active in this respect. The execution of certain stipulations of the Act is still in progress, such as privatisation of port authorities' daughter companies involved in stevedoring.

Romania

In July 2010 the government of Romania has reviewed the legal framework for the administration of Romanian ports and the use of public port infrastructure (review of the Governmental Ordinance 22/1999). This has concretely allowed the sub-concession of the port domain to interested private companies and operators.

Spain

In August 2010 Spanish government adopted a new Law which contains a major amendment to the 2003 'Law on the Economic Regime and the Provision of Services in Ports of General Interest'. The new Law seeks to enhance the efficiency and competitiveness of Spanish ports and specifically regulates the financial autonomy of ports and the provision of port services. To this end, it contains detailed provisions on various types of port dues and port services, on the delimitation of port areas and on port labour.

Sweden

In spring 2009, Gothenburg City Council decided to divide the Port of Gothenburg into a municipal company – Gothenburg Port Authority - and three terminal companies to be run by external operators. The Port of Gothenburg will still operate as an open, multi-user port and new shipping companies and cargo owners are welcome to establish their activities. These would be overseen by the port authority through concession agreements with new terminal operators. In April 2011, the Swedish logistics company Logent took over operations at the car terminal. In October 2010, an agreement was reached with DFDS and C.Ports which will be the new, joint operator of the roro-terminal. The transfer is subject to approval by the Swedish Competition Authority, which is standard practice for major transfers. The process of transferring the container terminal is underway. An agreement with a new operator is expected to be in place during autumn 2011. A similar process of privatising cargo handling activities took place earlier in the Ports of Stockholm.

United Kingdom

A number of the largest ports in the UK were privatised in the late 1980s and early 1990s. Other ports remained in the hands of independent trusts or municipalities. The installation of a conservative / liberal democrat coalition government in 2010 has again sparked the debate about privatising the remaining major trust ports. This debate is highly controversial as the on-going privatisation of Dover, a process which was initiated before the government changeover, demonstrates.

4.4. ORGANISATIONAL STRUCTURE

The organisational structure of the port authority covers management, staff and governing bodies such as supervisory boards.

4.4.1. MANAGEMENT

In most port authorities the top management executive, i.e. the person that is accountable for the general management, overall performance and result of the port authority, is either a chief executive officer (ceo), a managing director or equivalent. In approximately one third of the cases this function is however given to a president or a chairman of the board. This is especially the case for port authorities from the Latin and – to a lesser extent – the New Hanse region. In a few cases the top management executive is both president and ceo.

The end responsibility to appoint the top management executive can lie with a diverse range of entities (Figure 28). For almost half of the responding port authorities, the responsibility lies either with a political body, such as a parliament or city council, a senior politician or government administration. The other significant entity is the supervisory board. Before concluding that the latter is an indicator of more corporate behaviour, the composition of supervisory boards needs to be analysed. This will be done in section 4.4.3. Most entries in the ‘other’ category are similar to supervisory boards so that this category actually is more important than appears at first sight. Really different entities include the general assembly of shareholders and local companies represented in a chamber of commerce. In yet other cases, appointment are made by a combination of a senior politician and a supervisory board.

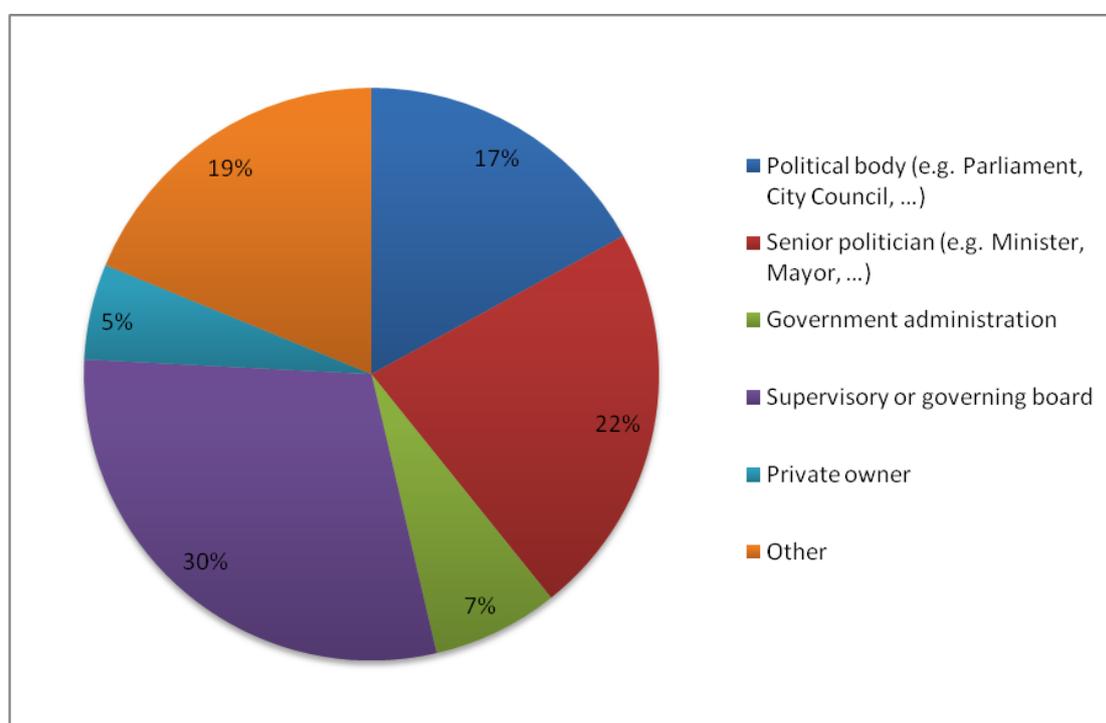


Figure 28: End responsibility for appointing the top management executive of the port authority

Table 18 illustrates that the role of political bodies is most important in the Hanseatic region. The role of senior politicians is most prominent in the Latin and New Latin regions. The role of the supervisory board is most outspoken in the New Hanse region, followed by the Anglo-Saxon region which is the only one with a significant role for private owners to take the end responsibility in appointing the top management executive. The role of political bodies and senior politicians varies between small, medium and large port authorities but is constant in total.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Political body	17.0%	31.8%	0.0%	12.5%	8.1%	0.0%	29.6%	4.2%	10.0%
Senior politician	22.3%	0.0%	12.5%	6.3%	54.1%	42.9%	9.3%	35.3%	30.0%
Government adm.	7.1%	6.8%	0.0%	0.0%	13.5%	0.0%	3.7%	8.3%	20.0%
Supervisory board	29.5%	36.4%	87.5%	43.8%	2.7%	28.6%	29.6%	31.3%	20.0%
Private owner	5.4%	4.5%	0.0%	25.0%	0.0%	0.0%	7.4%	2.1%	10.0%
Other	18.8%	20.5%	0.0%	12.5%	21.6%	28.6%	20.4%	18.8%	10.0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Table 18: End responsibility for appointing the top management executive – differentiated results

The top management executive is mostly an employee of the port authority (Figure 29). In other cases he is either a civil servant or self-employed. The percentage of civil servants corresponds with the percentage of port authorities that are an administrative department of government (see above, Figure 27). The ‘other’ category includes elected politicians, a representative of government, a legal representative of a private company, a detached state employee paid a wage by the port authority, a special appointee and people working under a special mandate concluded with the board of the port authority.

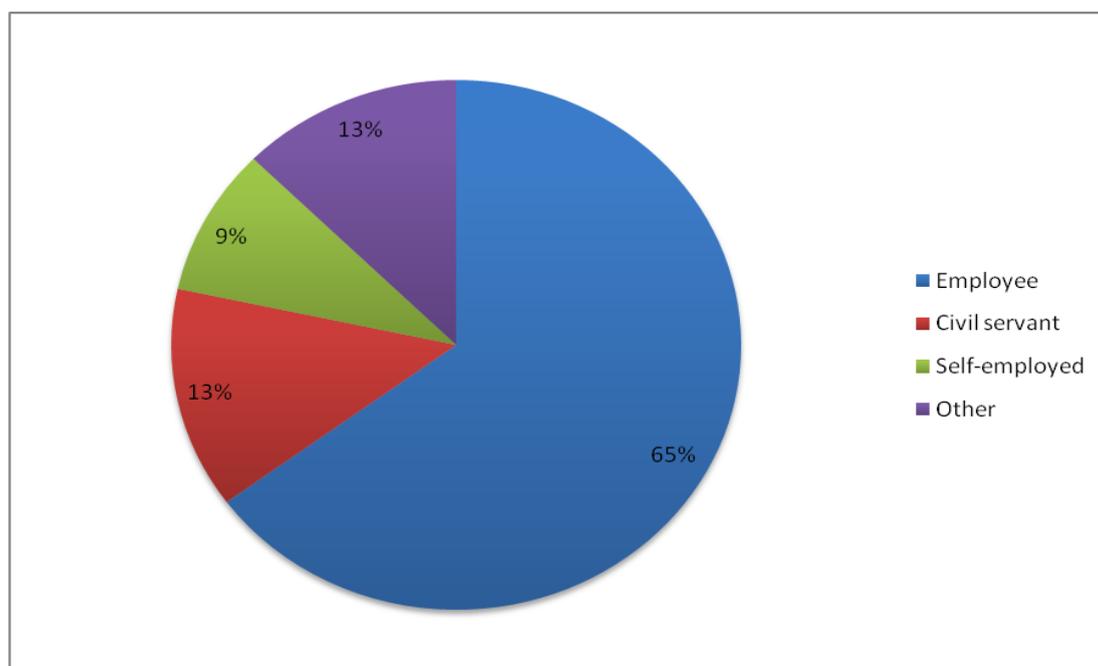


Figure 29: Employment status of the top management executive of the port authority

Top management executives of New Hanse and Anglo-Saxon port authorities are always employees (Table 19). The situation is entirely different for Latin port authorities where only about 30% are employees, others being civil servants, self-employed or have another employment status. The high percentage of self-employed and other forms corresponds with the earlier finding that in Latin port authorities the top management executive is often a president or a chairman of the board. In small and large port authorities, more than three quarters are employees, whereas it is nearly half for medium-sized port authorities. Large port authorities have proportionally more civil servants but no self-employed or other.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Employee	64.9%	76.7%	100.0%	100.0%	29.7%	57.1%	76.4%	48.9%	77.8%
Civil servant	13.5%	18.6%	0.0%	0.0%	18.9%	0.0%	12.7%	12.8%	22.2%
Self-employed	9.0%	2.3%	0.0%	0.0%	24.3%	0.0%	3.6%	17.0%	0.0%
Other	12.6%	2.3%	0.0%	0.0%	27.0%	42.9%	7.3%	21.3%	0.0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Table 19: Employment status of the top management executive – differentiated results

The mandate of the top management executive is in almost half of the cases of unlimited duration (Figure 30). In most other cases it is of limited duration, but renewable.

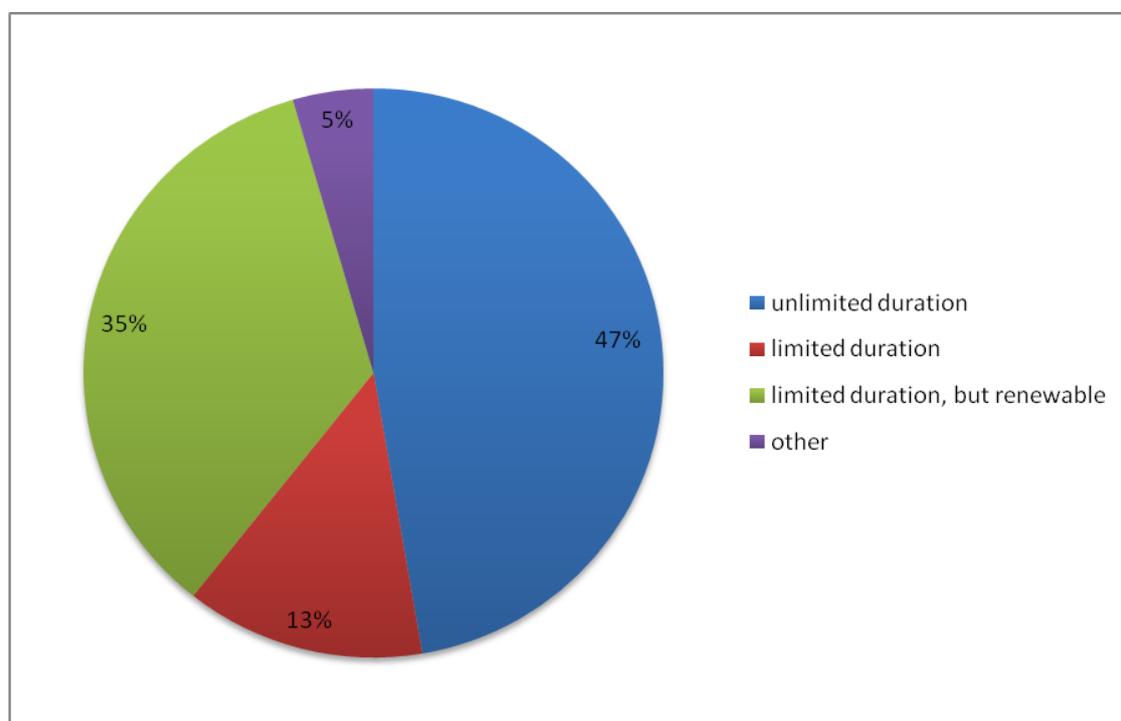


Figure 30: Mandate of the top management executive of the port authority

Table 20 shows that mandates of unlimited duration occur most often with Hanseatic and Anglo-Saxon port authorities. Half of the top management executives of New Hanseatic port authorities have a limited mandate which is not renewable. The unlimited

mandate occurs most with small port authorities, whereas top management executives in medium-sized and large port authorities have more often a limited but renewable mandate.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Unlimited	47.3%	69.8%	37.5%	68.8%	23.7%	0.0%	63.6%	31.3%	33.3%
Limited	13.4%	4.7%	50.0%	18.8%	13.2%	14.3%	10.9%	18.8%	0.0%
Limited / renewable	34.8%	25.6%	12.5%	6.3%	52.6%	85.7%	23.6%	43.8%	55.6%
Other	4.5%	0.0%	0.0%	6.3%	10.5%	0.0%	1.8%	6.3%	11.1%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Table 20: Mandate of the top management executive – differentiated results

58.9% of the responding port authorities report that the top management executive is assisted by a daily management body, such as a management board or a management committee, which is different from the supervisory body. Depending on the size of the port, it may simply consist of a deputy and the harbour master (if he is part of the port authority staff). In other cases it may be a more elaborate body, including directors or officers responsible for finance, engineering, commercial policy etc.

4.4.2. STAFF

Responding port authorities employ on average a total staff of 230,6 full-time equivalents (Figure 31).

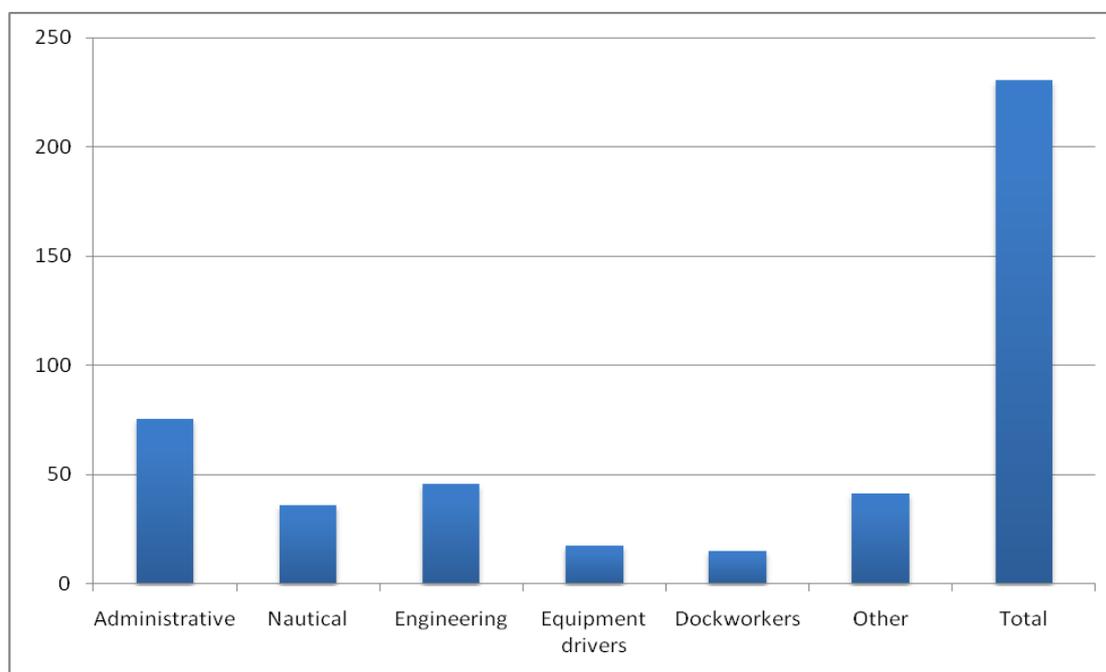


Figure 31: Average number of staff employed by port authorities, in FTE

Figure 31 also demonstrates that, on average, port authority staff are in first place administrative employees, followed by nautical and engineering staff. Operational staff,

such as crane and other equipment drivers and dockworkers form only a limited category, which confirms the earlier finding that most port authorities are essentially landlord ports. The ‘other’ category includes port authority police, security staff, fire brigade, warehouse workers, passenger services, ship repair workers, rail operational staff, drivers etc.

The differentiated picture in absolute numbers indicates that port authorities in the new regions employ on average more staff than others (Table 21). Port authorities in the ‘Anglo-Saxon’ region employ on average the lowest number of staff. The size of the port authority definitely plays an influential role, and what is striking is the big gap between the average number of staff employed by medium-sized port authorities and large port authorities.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Administrative	75.4	50.5	148.3	32.4	103.5	83.9	25.2	104.5	296.0
Nautical	36.0	40.5	60.5	52.2	17.8	40.4	16.4	34.7	219.2
Engineering	45.6	67.7	29.3	15.8	43.7	4.3	14.8	30.1	436.0
Equipment drivers	17.4	7.4	4.5	3.6	34.9	30.3	6.9	26.4	40.0
Dockworkers	14.7	12.6	0.0	28.9	16.8	5.3	11.5	20.4	0.0
Other	41.5	21.6	38.4	19.8	49.3	166	13.2	64.3	115.8
Total	230.6	200.3	280.9	152.8	265.9	330.1	88.2	280.4	1107.0

Table 21: Average number of staff employed by port authorities, in FTE – differentiated results

The differentiated picture in percentages (Table 22) shows that the highest percentage of port authorities employing dockworkers can be found in the Anglo-Saxon region, whereas the highest percentage of port authorities employing equipment drivers is to be found in the Latin region. Interesting is also that there are relatively more small port authorities employing dock workers. This confirms earlier findings on the operational profile of port authorities.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Administrative	32.7%	25.2%	52.8%	21.2%	38.9%	25.4%	28.6%	37.3%	26.7%
Nautical	15.6%	20.2%	21.5%	34.2%	6.7%	12.2%	18.6%	12.4%	19.8%
Engineering	19.8%	33.8%	10.4%	10.3%	16.4%	1.3%	16.8%	10.7%	39.4%
Equipment drivers	7.5%	3.7%	1.6%	2.4%	13.1%	9.2%	7.9%	9.4%	3.6%
Dockworkers	6.4%	6.3%	0.0%	18.9%	6.3%	1.6%	13.0%	7.3%	0.0%
Other	18.0%	10.8%	13.7%	13.0%	18.5%	50.3%	15.1%	22.9%	10.5%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Table 22: Number of staff employed by port authorities, in % - differentiated results

The percentage of nautical staff matches very well with the extent to which the harbour master’s office is incorporated in the port authority (see Table 9 above). Hanseatic port authorities have a relatively high percentage of engineering staff. The high percentage of

‘other’ staff in New Latin countries concerns ‘different service workers’ and non-specified staff.

4.4.3. SUPERVISORY / GOVERNING BODY

The vast majority of responding port authorities (89.2%) has a formal supervisory or governing body, in most cases a board of directors or otherwise a supervisory board or an executive committee. For some port authorities from the Latin region, a ‘port council’ or ‘port committee’ assumes the supervisory or governing role. The responsibilities of the supervisory / governing body often correspond with general corporate practice, i.e. development of overall strategies, overseeing the management as well as the financial and general performance of the port. In some cases, it however also gets involved in more daily management decisions, therefore limiting the discretionary powers and autonomy of management.

On average, the supervisory / governing body of responding port authorities counts approximately 13 members (Figure 32).

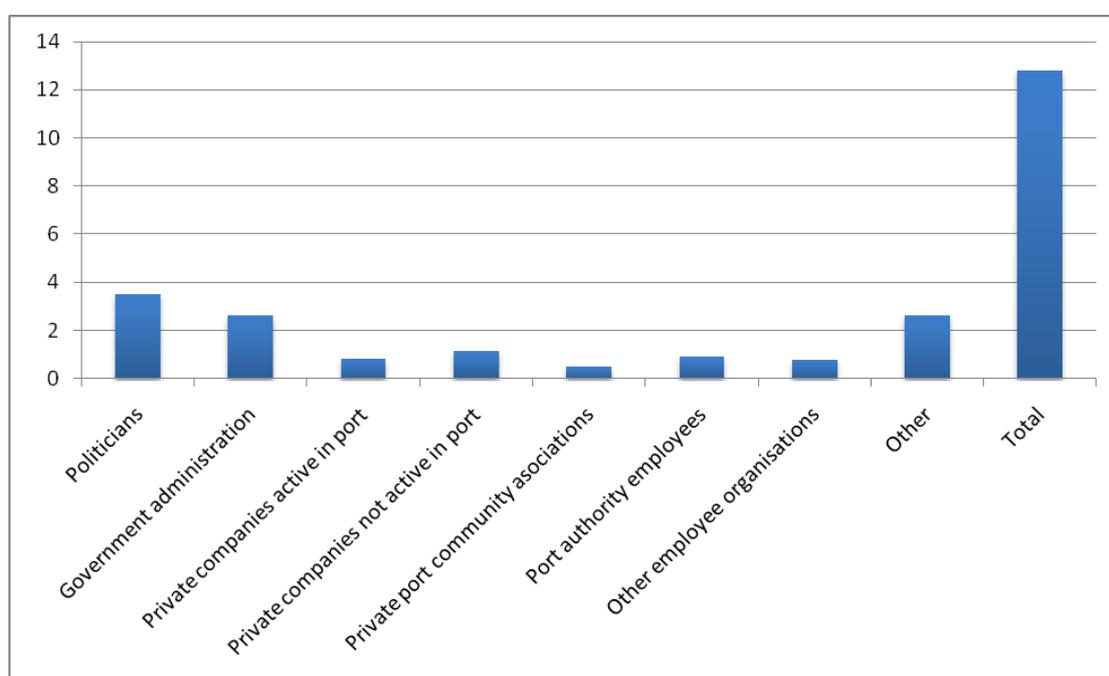


Figure 32: Average composition of the supervisory / governing body, in number of people

Elected politicians and representatives of government administrations form the two most important categories of members, followed by a significant ‘other’ category. The latter includes independent people who do not represent a specific interest but were chosen because of their expertise or knowledge. Often the most senior management executive of the port authority is also a member of the supervisory / governing body. Sometimes other members of the management committee, e.g. the harbour master or financial director, are represented as well. Other people mentioned in the ‘other’ category actually qualify as politicians or government representatives so that these two categories are de facto slightly more important. Government representatives can sometimes be of regions neighbouring the port area.

According to the differentiated results, the average number of members in a supervisory / governing body increases with the size of the port (Table 23). It also shows that Latin port authorities on average tend to have a considerably higher number of members than port authorities in other regions.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Politicians	3.5	5.9	2.0	0.3	3.0	0.1	4.4	2.6	3.3
Government adm.	2.6	0.6	3.0	0.0	5.3	5.1	1.3	3.5	5.1
Private in port	0.8	0.2	0.4	0.6	1.8	0.4	0.6	1.0	0.4
Private not in port	1.1	0.9	0.6	1	1.8	0.1	1.4	0.6	2.0
Port comm. ass.	0.5	0.2	0.0	0.0	1.3	0.1	0.1	0.7	1.2
PA employees	0.9	1.0	0.1	0.7	1.2	0.4	0.8	0.8	2.0
Other employees	0.8	0.3	0.0	0.0	1.8	0.4	0.2	1.5	0.4
Other	2.6	1.0	1.8	6.6	3.6	1.6	1.7	3.7	2.3
Total	12.8	10.0	8.1	9.2	20.0	8.4	10.4	14.5	16.9

Table 23: Average composition of the supervisory / governing body of a port authority, in number of people – differentiated results

As regards the composition of the supervisory / governing body, politicians on average take up the highest percentage in Hanseatic and small port authorities (Table 24).

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Politicians	27.3%	60.0%	24.6%	2.7%	14.9%	1.7%	42.4%	17.8%	19.7%
Government adm.	20.4%	5.7%	40.0%	0.0%	26.7%	61.0%	12.0%	24.2%	30.3%
Private in port	6.2%	1.9%	4.6%	6.4%	9.1%	5.1%	5.7%	7.6%	2.6%
Private not in port	8.7%	8.7%	7.7%	10.9%	9.1%	1.7%	13.3%	4.4%	11.8%
Port comm. ass.	3.8%	1.6%	0.0%	0.0%	6.3%	1.7%	1.1%	4.9%	7.2%
PA employees	7.0%	9.8%	1.5%	7.3%	6.1%	5.1%	7.2%	5.8%	11.8%
Other employees	6.0%	3.0%	0.0%	0.9%	9.4%	5.1%	1.7%	10.0%	2.6%
Other	20.6%	9.3%	21.5%	71.8%	18.3%	18.6%	16.6%	25.3%	13.8%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Table 24: Average composition of the supervisory / governing body of a port authority, in % - differentiated results

Representatives of government administrations (civil servants) are prominently present in port authorities from the new regions. They also seem to be represented more in governing / supervisory bodies of larger port authorities. Representatives of private companies active in the port and private port community associations are more present in Latin port authorities as are ‘other employees’. The very high percentage of ‘other’ members in Anglo-Saxon port authorities is partly due to the presence of UK trust ports of which board members are independent and appointed on the basis of their expertise and knowledge

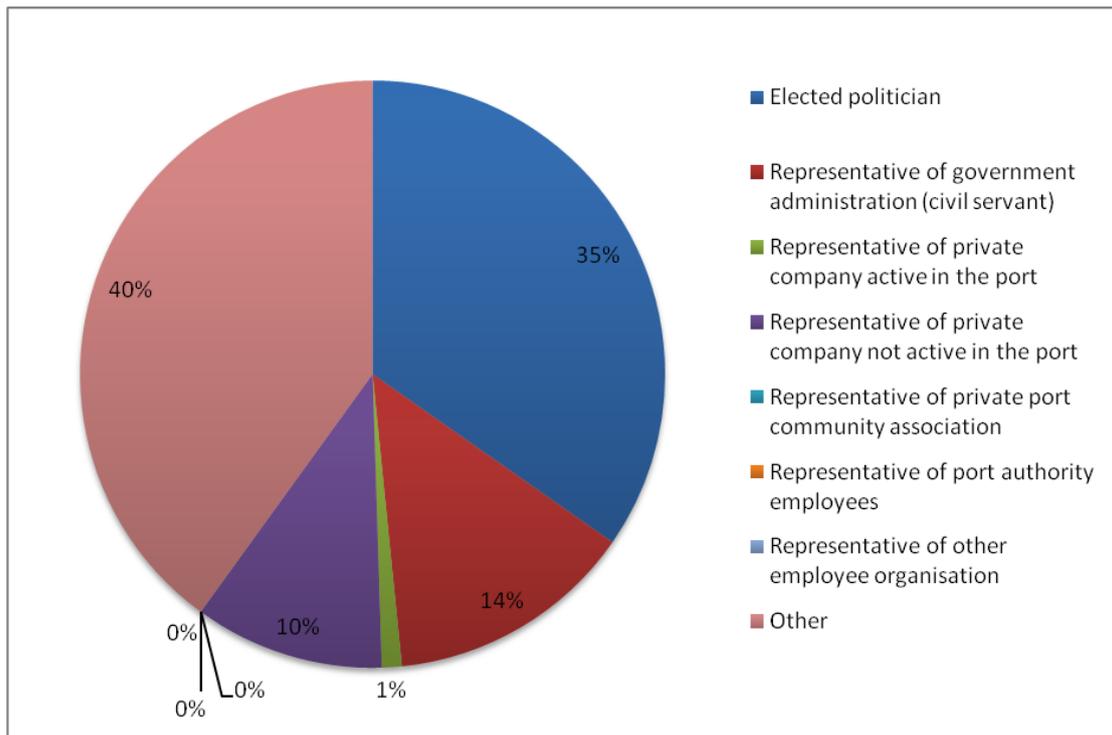


Figure 33: Background of the chairman of the supervisory / governing body of the port authority

The chairman of the supervisory / governing body is in more than one third of the sample an elected politician (Figure 33). In 14% of the cases he is a representative of government administration and, to a lesser extent, a representative of a private company, mostly one that is not active in the port. In the sample, the chairman is never a representative of a private port community association or of employees of any kind. There is however a very important 'other' category of which about half consists of independent persons with port or business expertise. Some entries in this category in fact also qualify as politicians or representatives of government administration so that the importance of these two categories would increase slightly.

For almost three quarters of the Hanseatic port authorities, the chairman of the supervisory / governing body is an elected politician (Table 25). In contrast, politicians never take up the chair in Anglo-Saxon and New Latin port authorities. Politicians are present in more than half of the small port authorities and one third of the large ones. In New Latin port authorities the chairman is mostly a civil servant representing government administration. The 'other' category is most prominent for Anglo-Saxon, Latin and New Hanseatic port authorities. As mentioned before, an important share consists of independent persons appointed for their expertise or knowledge. The category 'representatives of private companies not active in the port' can also be qualified as independent.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Politician	34.7%	73.0%	37.5%	0.0%	9.7%	0.0%	52.3%	16.7%	33.3%
Government adm.	13.7%	5.4%	0.0%	0.0%	19.4%	71.4%	13.6%	16.7%	0.0%
Private in port	1.1%	0.0%	0.0%	8.3%	0.0%	0.0%	2.3%	0.0%	0.0%
Private not in port	10.5%	10.8%	12.5%	8.3%	9.7%	14.3%	9.1%	7.1%	33.3%
Port comm. ass.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PA employees	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other employees	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other	40.0%	10.8%	50.0%	83.3%	61.3%	14.3%	22.7%	25.0%	33.3%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Table 25: Background of the chairman of the supervisory or governing body – differentiated results

The political element becomes even more important if one considers who takes the final decision to appoint the chairman of the supervisory / governing body (Figure 34). In more than half of the responding port authorities this decision is either taken by a political body or a senior politician. In only 20% of the cases it is actually the supervisory or governing board itself that appoints its chairman. The ‘other’ category also includes mostly senior politicians so that this category in fact becomes even more important. A truly ‘other’ entity (that occurs only once) is the general assembly of shareholders.

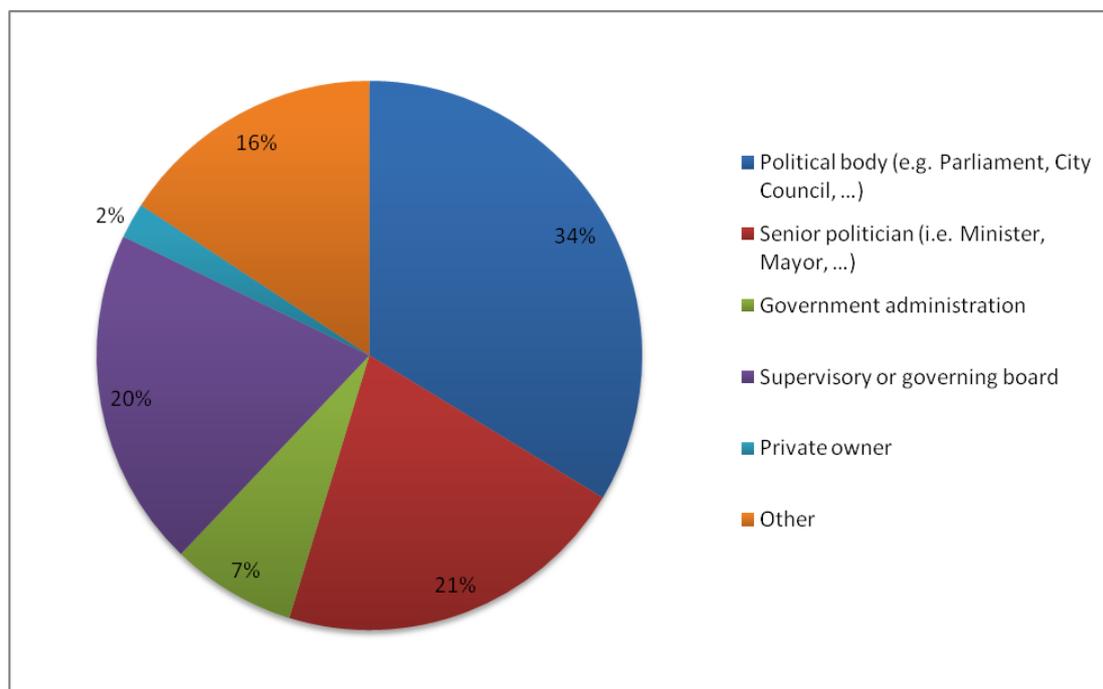


Figure 34: Entity taking the final decision to appoint the chairman of the supervisory or governing body of the port authority

The overall political influence (political body or senior politician) decreases with the size of the port (Table 26). In large port authorities it is most of the time the supervisory board that appoints the chairman. The differentiation according to region shows

politically-related appointments are significant everywhere when taking into account that the ‘other’ category in Latin countries counts mostly ministers.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Political body	33.7%	59.5%	12.5%	8.3%	16.1%	42.9%	59.1%	11.9%	11.0%
Senior politician	21.1%	2.7%	37.5%	66.7%	19.4%	28.6%	18.2%	28.6%	0.0%
Government adm.	7.1%	5.4%	0.0%	0.0%	12.9%	14.3%	6.8%	7.1%	11.1%
Supervisory board	20.0%	27.0%	37.5%	16.7%	9.7%	14.3%	9.1%	19.0%	77.8%
Private owner	2.1%	2.7%	0.0%	8.3%	0.0%	0.0%	4.5%	0.0%	0.0%
Other	15.8%	2.7%	12.5%	0.0%	41.0%	0.0%	2.3%	33.3%	0.0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Table 26: Entity taking the final decision to appoint the chairman of the supervisory or governing body – differentiated results

4.4.4. OTHER GOVERNANCE-RELATED BODIES

36% of the responding port authorities indicated there were other relevant bodies in their structure that have a significant influence on their governance. These can broadly be divided in three categories: advisory or consultative committees that usually consist of port community stakeholders, political or governmental bodies such as city councils (sometimes including those of neighbouring towns) and national port commissions, and, finally, administrative units within the port authority such as a general secretariat.

4.5. SUMMARY CHAPTER 4

The number of port authorities managing more than one port is significant but covers quite different arrangements, ranging from national port authorities that manage all ports in a given country to regional authorities managing a cluster of smaller, neighbouring ports and private or public holdings managing several ports in a country. The sample includes only one example of a port authority that manages ports in different countries. Looking at on-going port reform discussions, one notices however that intensified co-operation between (neighbouring) ports is an issue in several countries. This is either driven bottom-up by port authorities themselves or stimulated by national or regional government. The latter seems more characteristic for the Hanse region where some governments are also discussing the selection of ‘ports of national interest’.

In approximately two thirds of the cases the port authority is the principal entity with statutory responsibilities for the port(s) it administers. In the other cases, statutory responsibilities are mostly split with the harbour master’s office or a similar entity responsible for nautical safety and security. This phenomenon is especially visible in Latin countries. This corresponds with the findings in the previous chapter on the position of the harbour master.

The vast majority of the port authorities participating in the survey are publicly owned. The ownership pattern confirms the Hanseatic and Latin traditions of respectively strong municipal and central government influence. Port authorities in Anglo-Saxon countries are either owned by the State (Ireland), municipalities, private equity or independent trusts (UK). State ownership dominates for port authorities in the new regions. Looking at ongoing reforms, the ownership situation of port authorities looks fairly stable with minor changes to be expected in some countries. In the Anglo-Saxon region, full privatisation of port authorities is still at stake however. Privatisation or liberalisation of operational services is mainly on-going (or has just been completed) in ports in the Latin, New Latin and New Hanse regions.

Most port authorities participating in the survey have their own legal personality which generally takes what is called a 'commercialised' or 'corporatised' form. Corporatised port authorities have share capital that is owned in part or in full by government. Regional comparison highlights that corporatised port authorities occur least frequent in Latin and Hanse region. Corporatisation has been a trend for a few years however and it looks as if more port authorities may take this form in the near future. The European Union could have an indirect influence in this process, as the example of Finland shows.

An important distinction needs to be made between being corporatised in form and actually following principles of corporate governance that are customary in private undertakings. The analysis of the organisational structure of port authorities shows that political influence varies between the regions, but is present everywhere, except in the Anglo-Saxon region. Political influence is especially visible through the appointment of top management executives and the composition of supervisory / governing bodies. Although the role of the supervisory / governing body seems to correspond generally with the usual role of a board, a more in-depth comparison with general principles of corporate governance would be useful in this respect. The question remains whether, given the strong degree of public ownership of European port authorities, political influence can or should be absent at all. As mentioned in the introductory chapter, complete absence of political control may even be counterproductive.

The analysis of staff composition of port authorities shows that, on average, port authority staff are in first place administrative employees, followed by nautical and engineering staff. Operational staff, such as crane and other equipment drivers and dockworkers form only a limited category, which confirms that many port authorities in the sample are essentially landlord ports. This picture however differs regionally. Anglo-Saxon port authorities are more involved in operational services, but also a significant share of Latin port authorities employ operational staff. The analysis further demonstrates that in some port authorities administrative staff dominates, whereas in others nautical staff or engineering staff form the main category. Although going beyond the scope of this report, it would be interesting to link this to the management culture of port authorities.

5. FINANCIAL CAPABILITY

The financial capability of a port authority is one of the key factors that determine the extent to which it can achieve its objectives and perform its functions.

The first section in this chapter compares the different financial responsibilities involved in the capital investment, administration and operation and maintenance of the main capital assets that constitute a port, including maritime and land access. Subsequent sections deal with accounting principles, income and cost components, port charges as well as financial autonomy.

5.1. FINANCIAL RESPONSIBILITIES

5.1.1. GENERAL RESULTS

Figure 35, Figure 36 and Figure 37 respectively indicate the financial responsibilities for capital investments, administration and operation and maintenance of the main capital assets that constitute a port. Relatively more port authorities have financial responsibility for administration and operation and maintenance than they do for capital investments. The general pattern for these three types of investment is however quite similar, so that broadly the same conclusions can be drawn.

A first group of capital assets concerns the maritime access to a port: dredging of access channels, lighthouses, buoys, etc., radar and other electronic aids to navigation, exterior breakwaters and sea locks giving access to the port area. It should be noted that, depending on the type of port, not all of these capital assets may exist (this is especially the case for sea locks). Around half of the port authorities bear the financial responsibility for maritime access, especially access channels (dredging), followed by government or a combination of port authority and government. There are virtually no private operators bearing financial responsibility for investment in maritime access. The second group of capital assets is formed by what can be called terminal-related infrastructure: land reclamation for port works, docks, quays, jetties, including back-up land. Financial responsibility here lies mainly with the port authority, in a few cases followed by government and private operators or a combination. The third group of capital assets consists of superstructure: warehouses, sheds, other buildings, fixed cranes, mobile cranes and other cargo-handling equipment. In most cases private operators assume the financial responsibility for these, followed by port authorities and combinations. There is hardly any government involvement in this category. The fourth category concerns transport infrastructure within the port area: railway, road, tunnels and bridges, canals and navigable waters, locks other than sea locks and pipelines. In most cases the port authority bears the financial responsibility (where applicable), in some cases government or private operators. Combinations occur more often. Private operators dominate as far as pipelines are concerned. Finally, the last group concerns transport infrastructure outside the port area (land access). Here hardly any port authority bears financial responsibility. In most cases it is government that does. For some element (railway infrastructure and especially pipelines) private operators are involved as well.

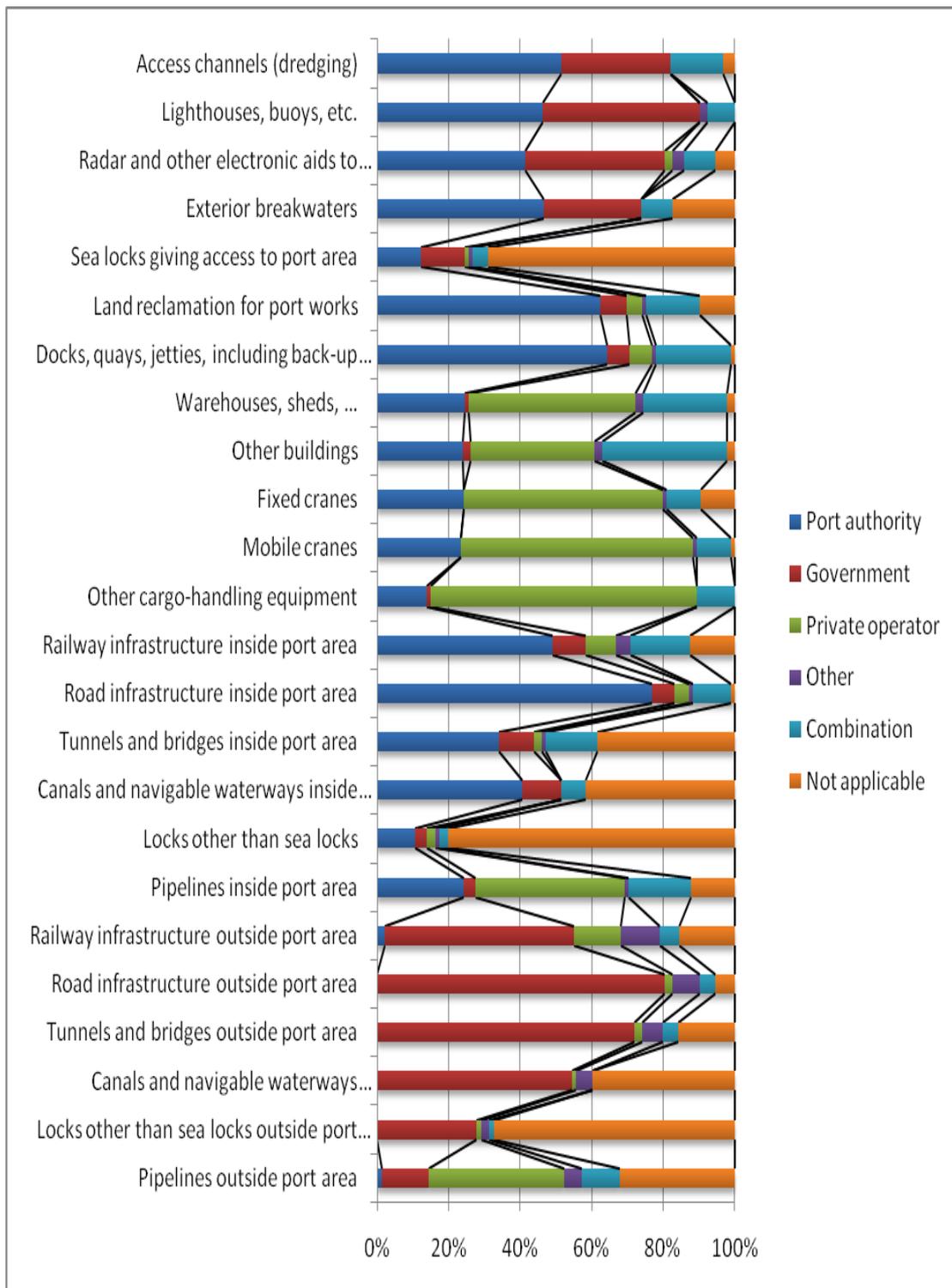


Figure 35: Financial responsibilities for capital investment in the main capital assets that constitute a port

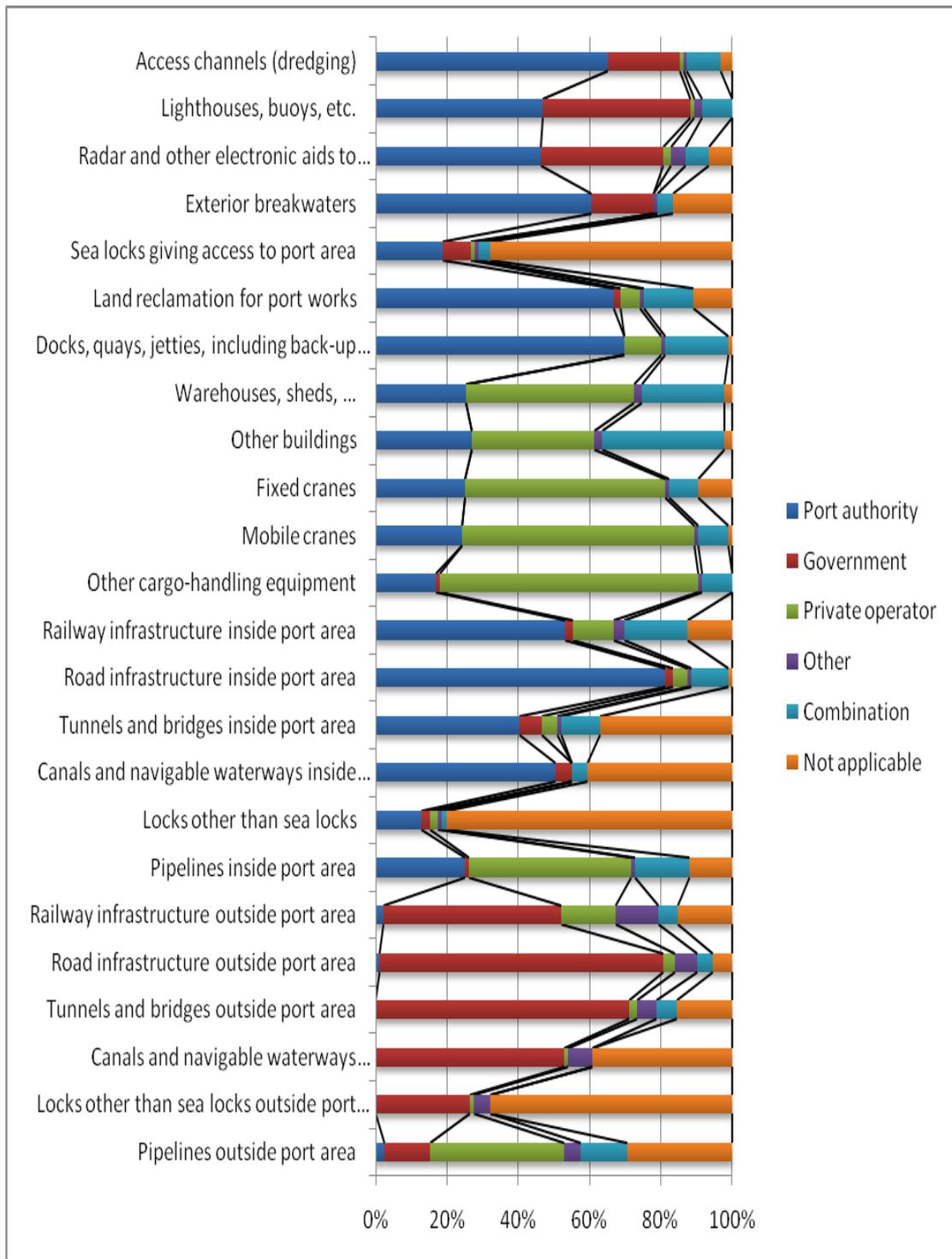


Figure 36: Financial responsibilities for administration and operation of the main capital assets that constitute a port

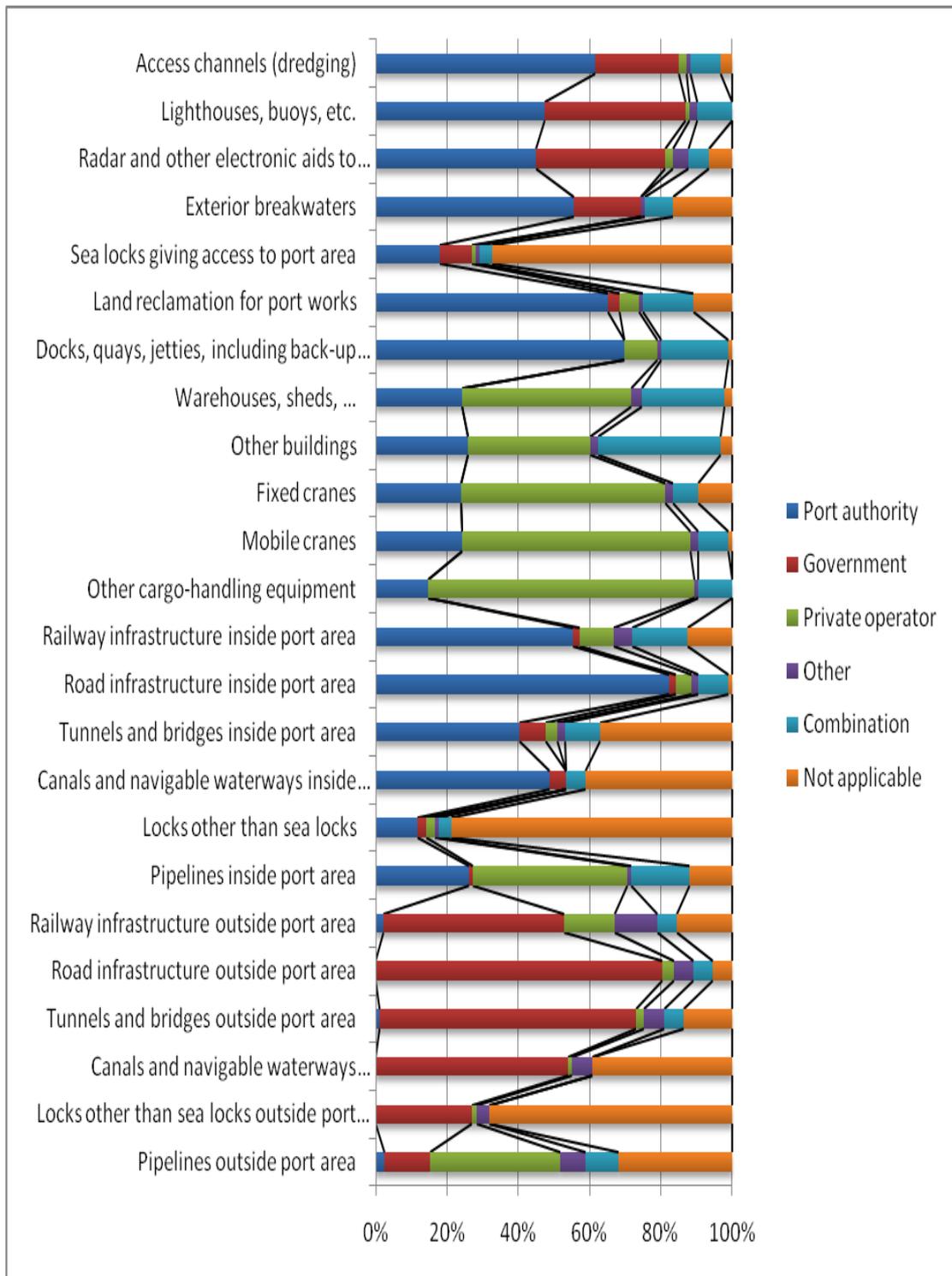


Figure 37: Financial responsibilities for maintenance of the main capital assets that constitute a port

The general conclusion that can be drawn from this analysis is that, in most cases, the port authority bears a relatively very important, if not the most important, financial responsibility for the capital investment, administration, operation and maintenance of the capital assets that constitute a port. To confirm this conclusion in full, the monetary value of the different types of capital assets would need to be assessed. This will obviously differ from port to port, but it is clear that the financial responsibility of port authorities is generally more important than that of private operators which only play an

important role for investment in superstructure. As regards transport infrastructure outside the port area government generally assumes a higher financial responsibility.

5.1.2. RESULTS DIFFERENTIATED PER REGION

Figure 38, Figure 39 and Figure 40 give the regionally differentiated results respectively for capital investment, administration and operation and maintenance. On these diagrams only the financial responsibilities of port authorities are shown, in percentage against the total of which the category 'not applicable' has been deducted to get better comparable data. If a given capital asset is not applicable for an entire region then that region's column does not appear in the diagrams.

The diagrams confirm first of all the general picture, i.e. that port authorities mainly have financial responsibility for capital assets related to maritime access, terminal-related infrastructure and transport infrastructure inside the port area. The financial responsibility for superstructure is limited, with the exception of port authorities in Anglo-Saxon region and – to a lesser extent – in the New Latin region. Financial responsibility is virtually non-existing for transport infrastructure outside the port area. This is true for capital investment, administration and operation and maintenance. More specifically, the diagrams show that generally more port authorities from Anglo-Saxon and New Latin regions bear financial responsibility for capital investment, compared to their colleagues in other regions. Next come port authorities from Latin, New Hanseatic and Hanseatic regions. The differences are less outspoken for administration and operation and maintenance, but port authorities from Anglo-Saxon and New Latin regions continue to lead, followed very closely by port authorities from Latin regions and then from Hanseatic and New Hanseatic countries.

5.1.3. RESULTS DIFFERENTIATED TO SIZE OF PORTS

Figure 41, Figure 42 and Figure 43 bring the results differentiated to size respectively for capital investment, administration and operation and maintenance. Also on these diagrams only the financial responsibilities of port authorities are shown, in percentage against the total of which the category 'not applicable' has been deducted to get better comparable data. If a given capital asset is not applicable for a size category then that category's column does not appear in the diagrams.

These diagrams also confirm the general picture, i.e. that port authorities mainly have financial responsibility for capital assets related to maritime access, terminal-related infrastructure and transport infrastructure inside the port area. The financial responsibility for superstructure is however still prominent for small ports and – to a lesser extent – medium-sized ports. Financial responsibility is virtually non-existing for transport infrastructure outside the port area. This is true for capital investment, administration and operation and maintenance. More specifically, the diagrams show that generally more small port authorities are bearing financial responsibility for capital investment than medium-sized and large port authorities. More small port authorities bear responsibility for administration, operation and maintenance but here they are closer to large port authorities. There are relatively less medium-sized port authorities that bear financial responsibility for these categories of investment.

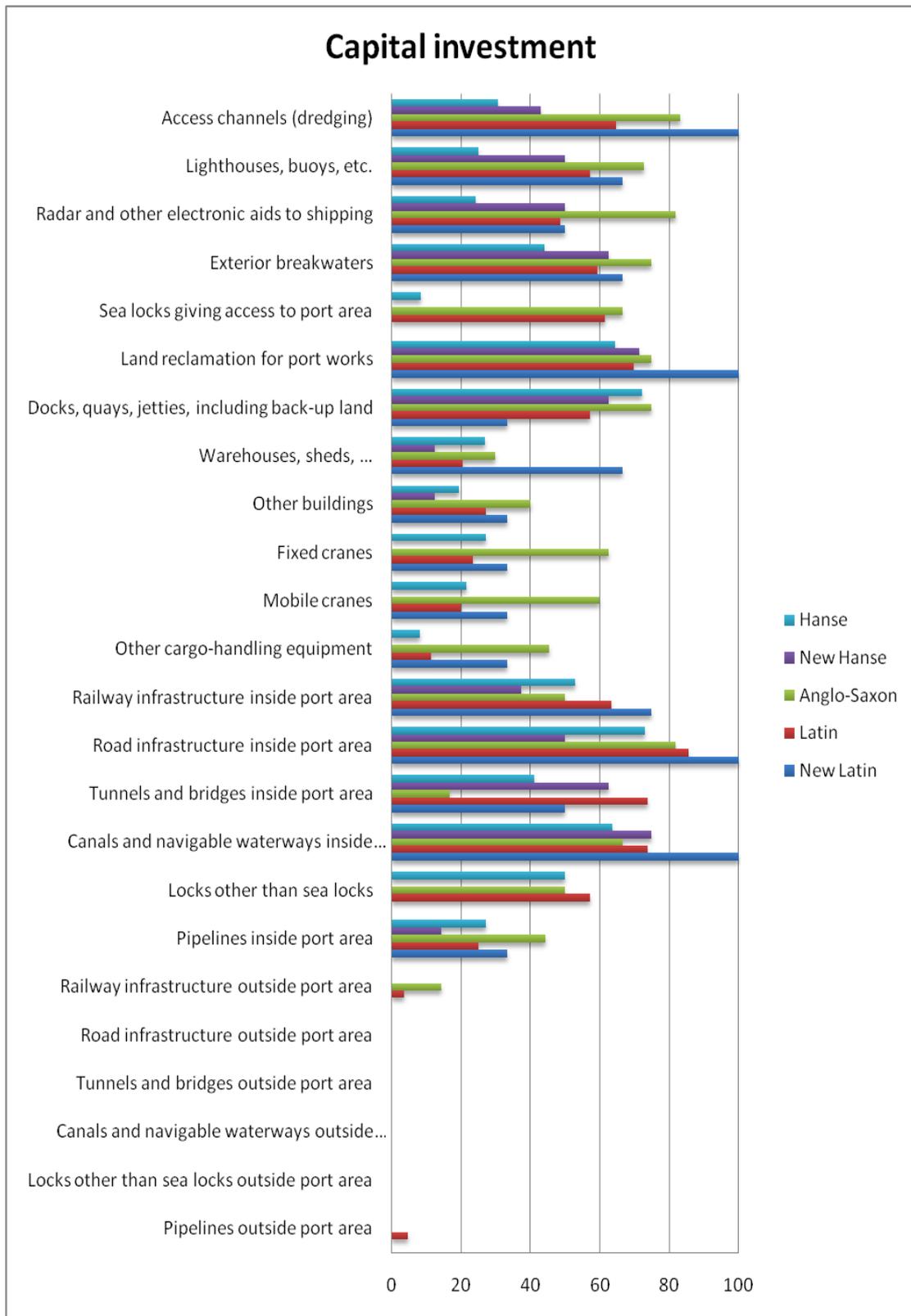


Figure 38: Financial responsibility of port authorities for capital investment in the main capital assets that constitute a port – differentiated to region

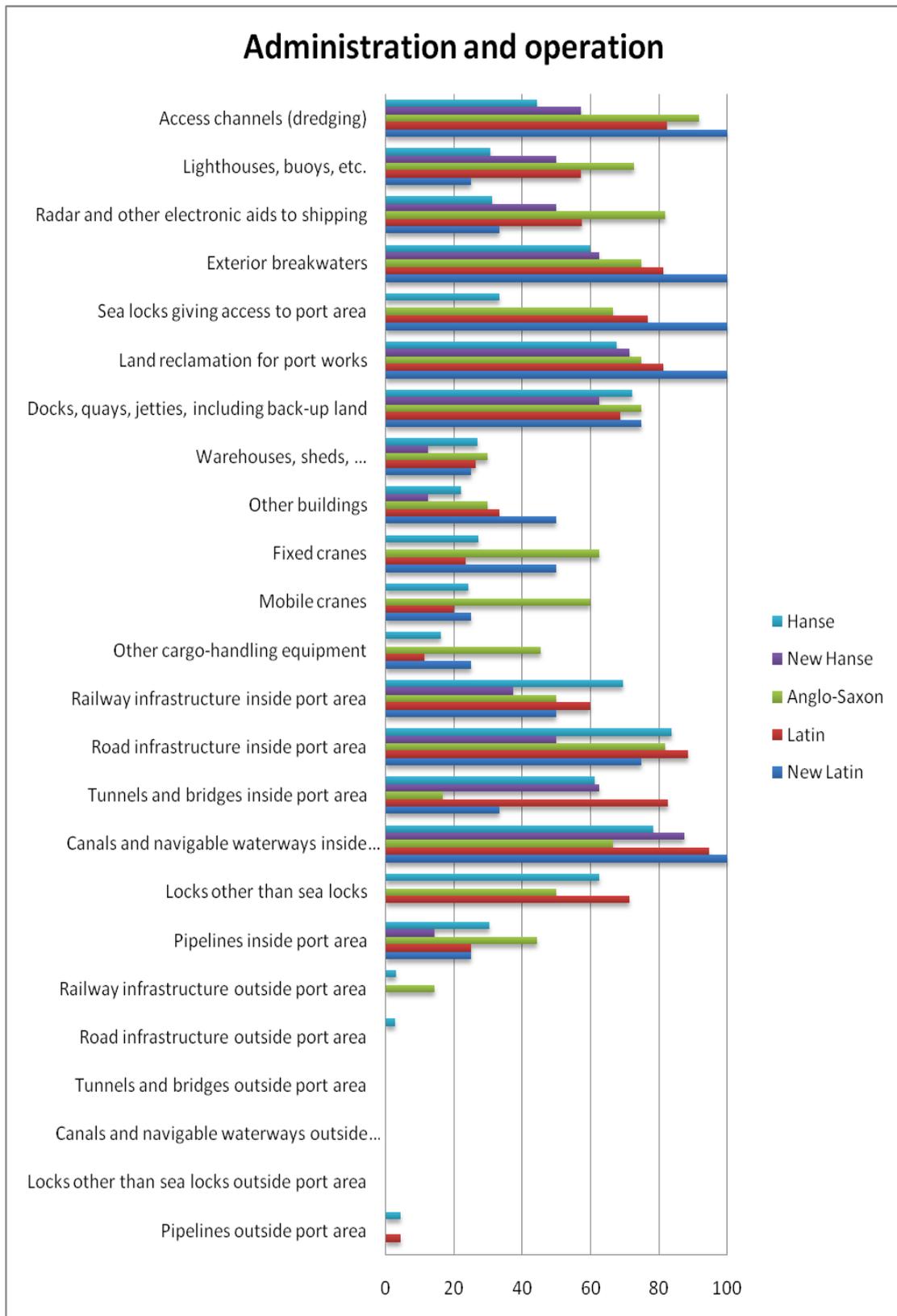


Figure 39: Financial responsibility of port authorities for operation and administration of the main capital assets that constitute a port – differentiated to region

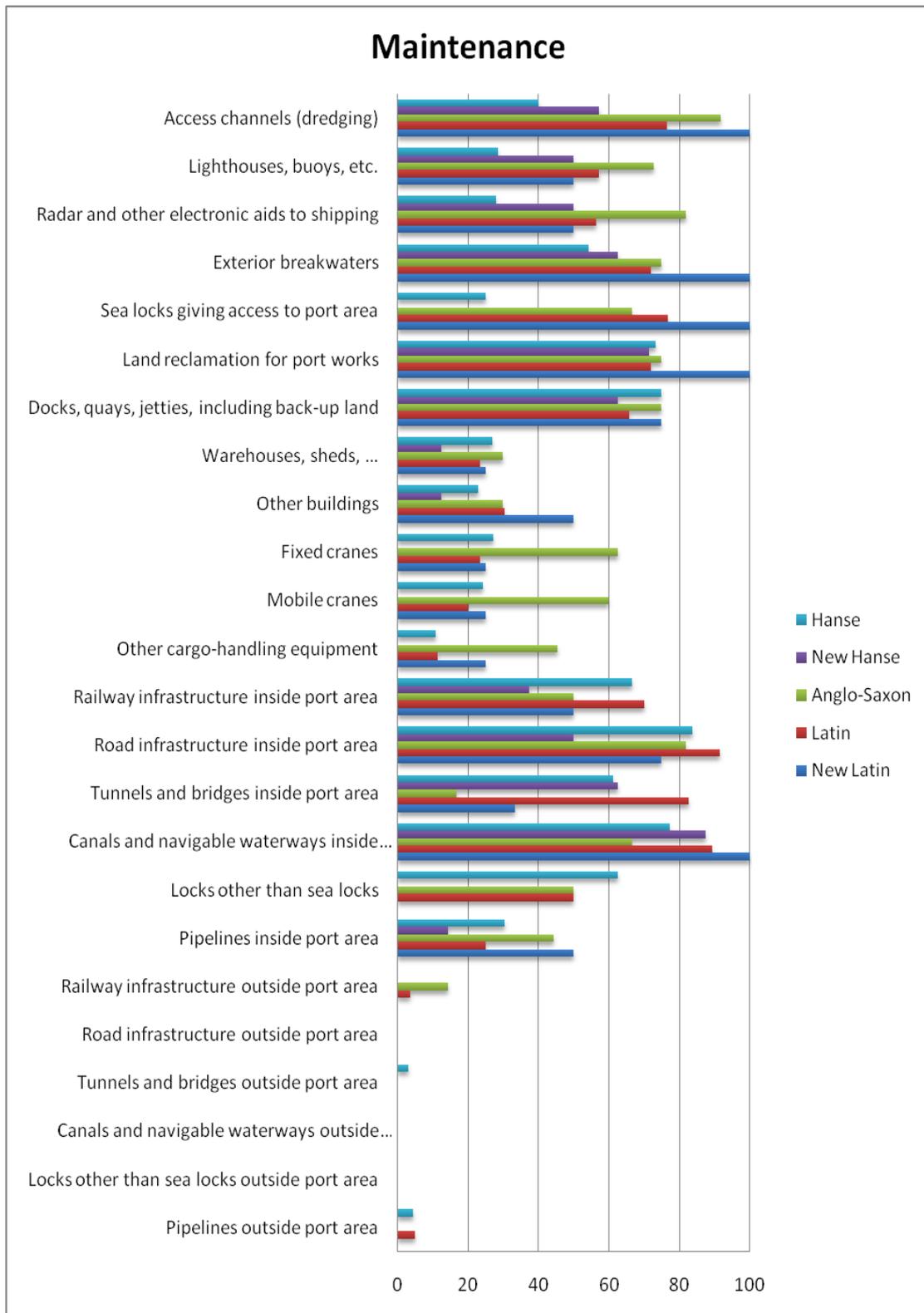


Figure 40: Financial responsibility of port authorities for maintenance of the main capital assets that constitute a port – differentiated to region

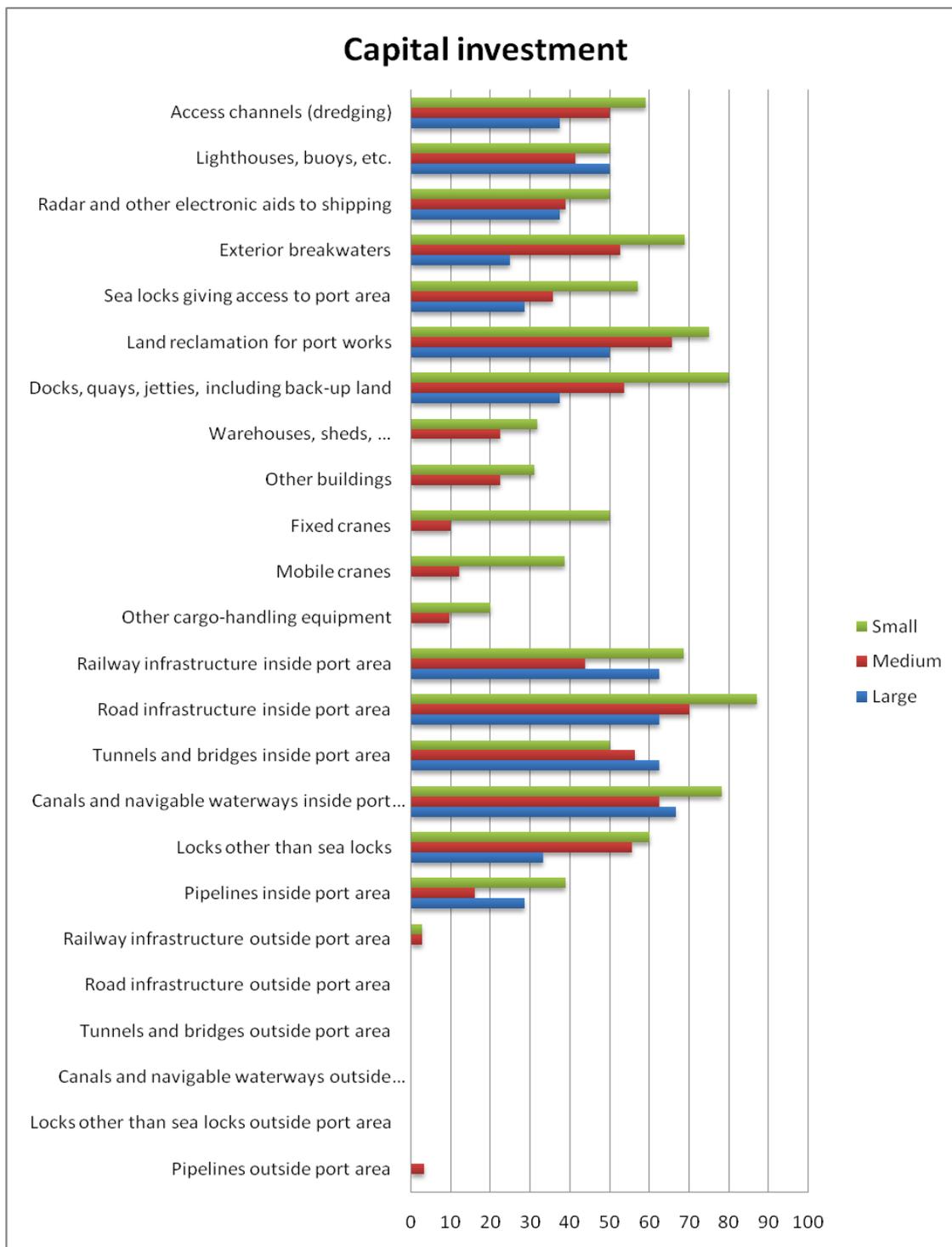


Figure 41: Financial responsibility of port authorities for capital investment in the main capital assets that constitute a port – differentiated to size

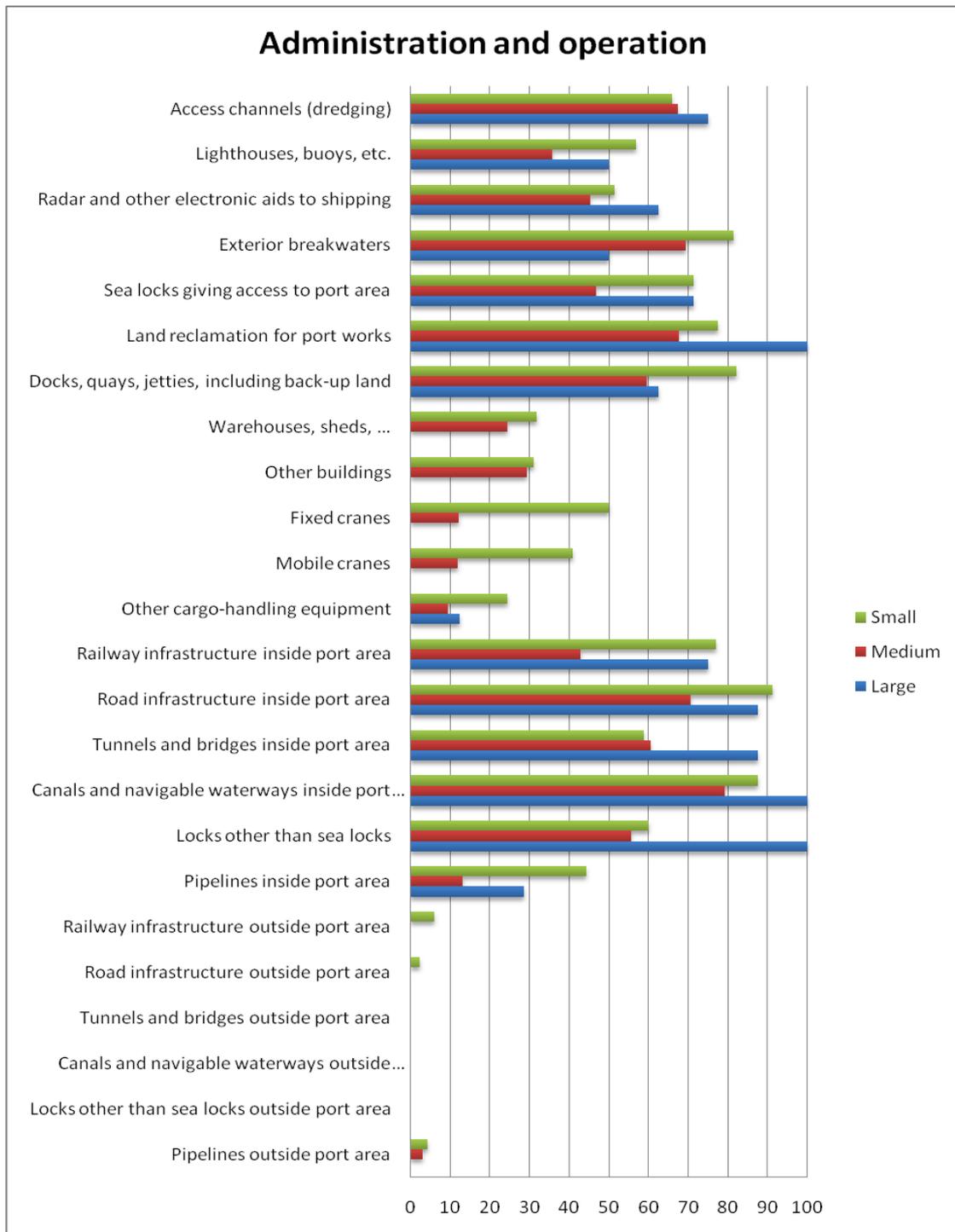


Figure 42: Financial responsibility of port authorities for operation and administration of the main capital assets that constitute a port – differentiated to size

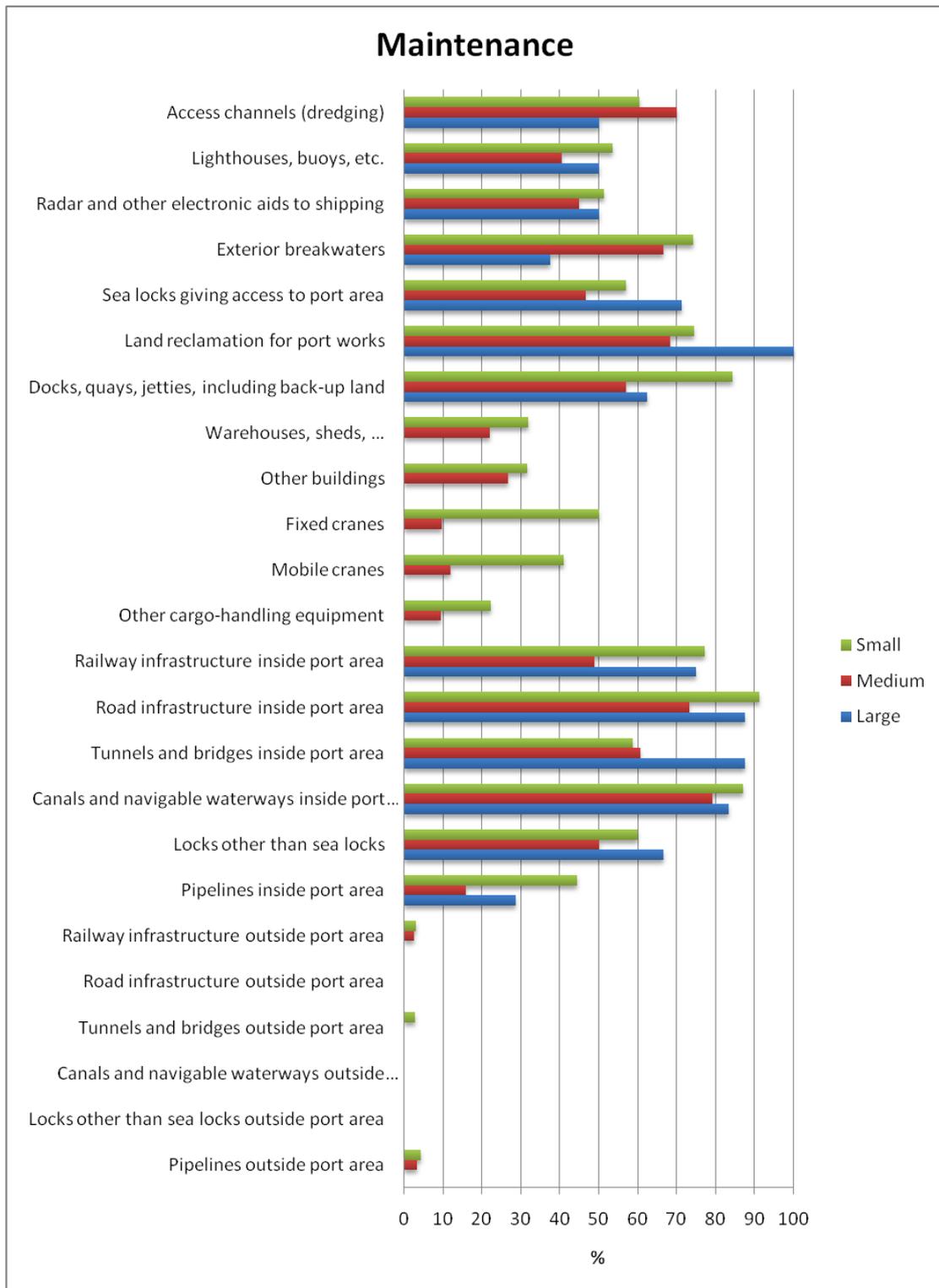


Figure 43: Financial responsibility of port authorities for maintenance of the main capital assets that constitute a port – differentiated to size

5.2. ACCOUNTING

Port authorities were asked to report on the use of accounting principles that are customary for regular undertakings. Figure 44 illustrates first of all that over 82,3% of the responding port authorities maintain accounts that are separate from the entity that owns the port authority (e.g. state, city). This broadly corresponds with the fact that 86% of the responding port authorities have their own legal personality (see section 4.3). In 62,3% of the cases these accounts are kept according to international accounting standards. The accounts are almost always audited by an external auditor. The annual accounts (balance sheet, profit and loss account and cash flow report) are usually published. 58,9% of the responding port authorities report to have an internal analytical accounting process, which is often of the activity-based costing type. Finally, 81,4% of the responding port authorities have to provide for depreciation.

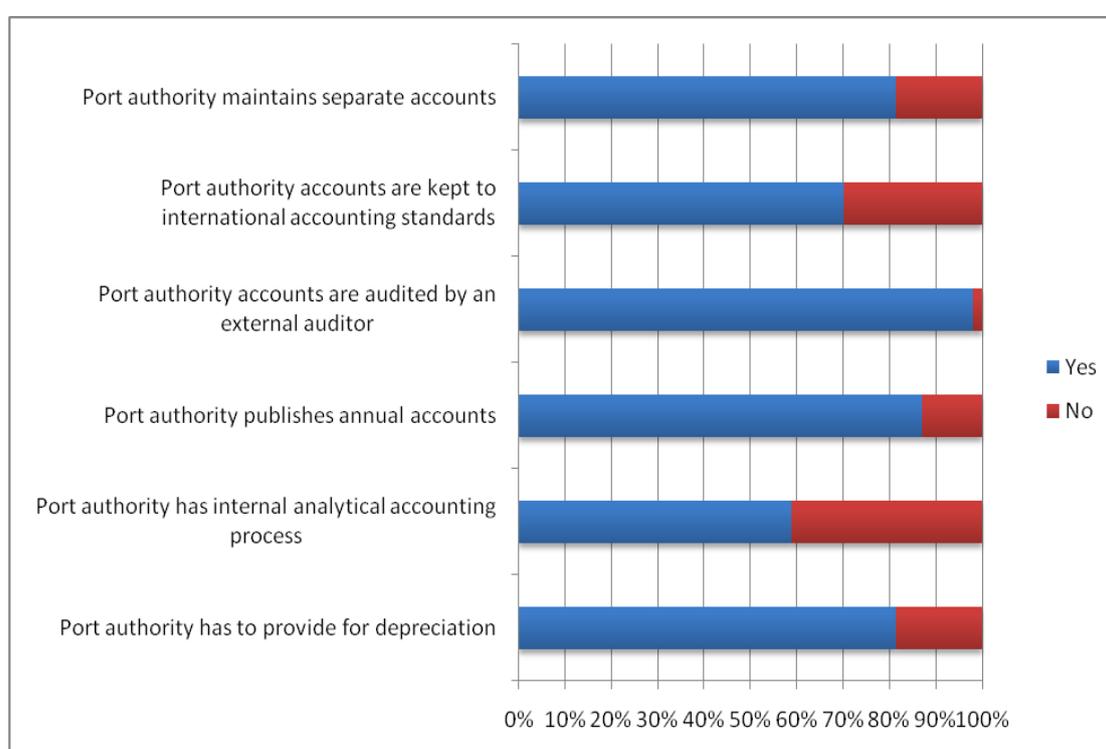


Figure 44: Use of accounting principles

From Table 27 it appears that port authorities in Anglo-Saxon countries are fewer in maintaining separate accounts, but this has to do with the fact that many UK ports are self-owned (either privately or in the form of trusts), so their accounts cannot be 'separate'. Another remarkable fact is that only one third of the port authorities in New Latin countries makes annual accounts public.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Separate acc.	82.3%	83.7%	87.5%	64.3%	80.6%	100.0%	80.7%	78.3%	100.0%
Intl. standards	63.2%	61.1%	57.1%	55.6%	72.4%	50.0%	61.9%	63.9%	66.7%
External audit	98.0%	93.0%	100.0%	92.9%	86.1%	100.0%	94.2%	87.0%	100.0%
Public accounts	86.9%	88.4%	87.5%	92.9%	91.7%	33.3%	84.6%	89.1%	88.9%
Internal system	58.9%	58.1%	25.0%	42.9%	72.2%	66.7%	50.0%	65.2%	77.8%
Depreciation	81.4%	73.2%	100.0%	91.7%	80.0%	100.0%	82.0%	77.3%	100.0%

Table 27: Use of accounting principles – differentiated results

5.3. OPERATING INCOME AND COSTS

As a general comment on the operating income and cost picture, it should be mentioned that considerably less port authorities filled in the related questions concerned (91 out of 116). Some port authorities stated they were not in a position to disclose information for reasons of confidentiality.

Figure 45 visualises the operating income profile based on the average of all responding port authorities. Income from general port dues clearly forms the most important source of operating income, followed by income from land lease or similar. Income from services is the third most important category.

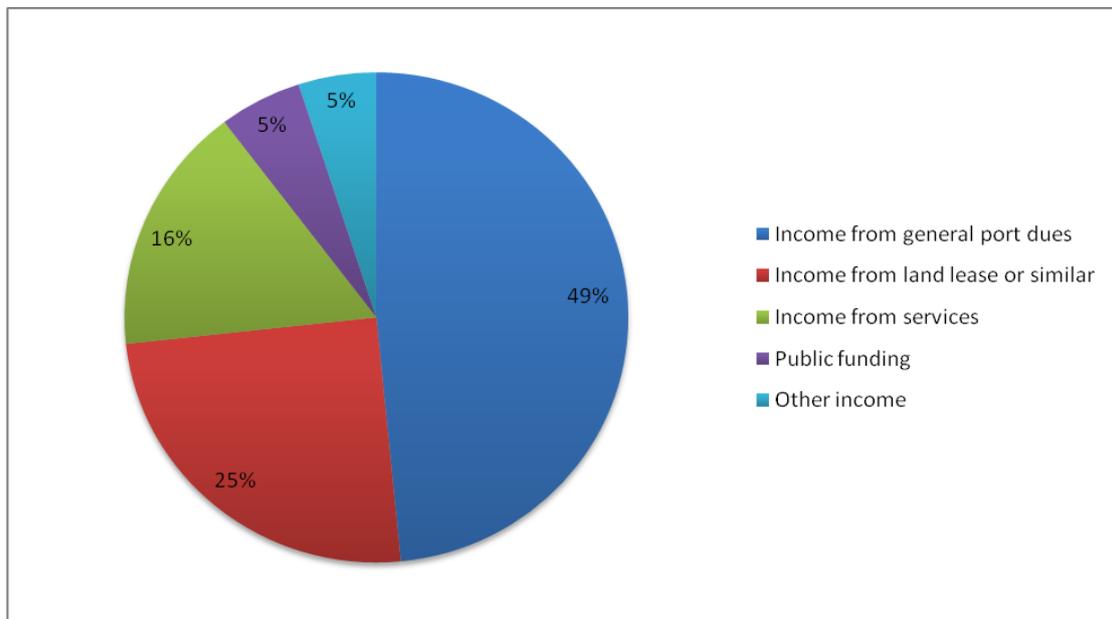


Figure 45: Average operating income profile

Income from public funding and other income are relatively minor categories. The sources of public funding are government at various levels including the EU (cohesion and regional funds). The category ‘other’ often includes financial income and income generated by the sale of assets. Sometimes it also includes income from what are actually services, e.g. parking fees, marina fees, sale of electricity and water etc.

Port dues form a significantly higher percentage of operating income in New Hanse and Anglo-Saxon countries (Table 28). The revenue from land lease is relatively lowest in Anglo-Saxon and New Latin port authorities. The revenue from services is relatively highest in the Anglo-Saxon and New Latin region. The latter has the highest percentage of public funding but this is exclusively the case for port authorities in one particular country that is not member of the EU. The EU-based port authorities report to have no public funding at all. Port authorities in Anglo-Saxon countries report virtually no public funding either. The percentage of port dues' income decreases with the size of the port whereas the percentage of land lease income increases. Large port authorities also have a higher percentage of public funding in their operating income than others.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Port dues	48.4%	46.4%	60.3%	66.7%	41.5%	48.3%	52.4%	44.8%	43.8%
Land lease	24.8%	29.1%	23.7%	11.2%	28.7%	7.4%	20.9%	28.0%	31.9%
Services	16.4%	13.1%	14.9%	17.2%	19.2%	21.1%	15.9%	18.2%	7.8%
Public	5.3%	4.6%	2.3%	0.4%	6.8%	16.9%	5.3%	4.8%	8.9%
Other	5.0%	6.9%	9.0%	4.5%	3.8%	6.4%	5.4%	4.3%	7.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 28: Average operating income profile – differentiated results

Figure 46 gives the operating cost profile based on the average of all responding port authorities. Personnel costs clearly stand out as the most important cost category, followed by services and other goods, and depreciation. Other costs mainly include financial costs, such as loan interests, accruals for doubtful debtors, taxes and exceptional costs. In some cases, this category also includes rent and land lease and costs related to operations such as dredging and towage.

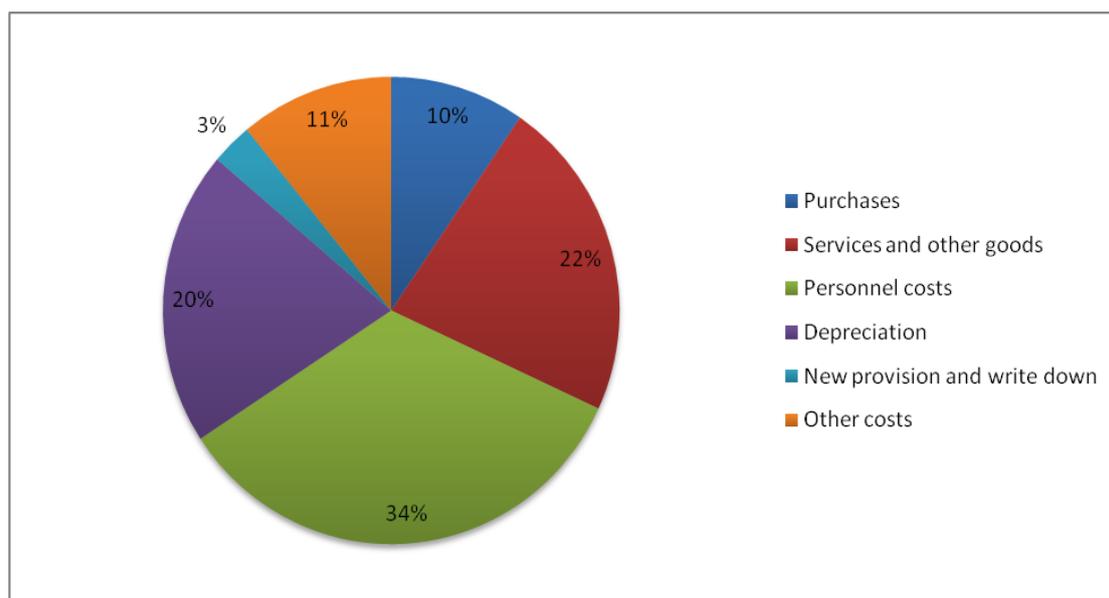


Figure 46: Average operating cost profile

The general operating cost profile can be found more or less back in the profile of Hanseatic and Latin port authorities (Table 29). The cost profile of port authorities from the new regions is different, with a stronger proportion of services and other goods and, in the case of New Hanse, a higher percentage of depreciation. Anglo-Saxon port authorities have a considerably higher percentage of personnel costs and significantly lower percentage of depreciation costs. Differentiated according to size, one notes that small and medium-sized port authorities more or less correspond to the general picture. Large port authorities have a higher percentage of other costs.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Purchases	9.5%	11.1%	7.0%	15.2%	7.7%	1.3%	11.2%	7.0%	12.7%
Services / goods	22.4%	19.9%	32.8%	19.6%	21.4%	36.9%	21.4%	25.2%	12.1%
Personnel costs	33.8%	31.6%	22.4%	44.1%	35.8%	28.0%	35.2%	32.6%	33.0%
Depreciation	20.4%	22.7%	28.3%	12.4%	19.4%	20.4%	19.2%	21.0%	24.0%
Provis. / write d.	2.8%	3.0%	4.2%	1.3%	3.1%	2.8%	2.4%	3.6%	0.8%
Other	10.9%	11.7%	5.3%	7.3%	12.7%	10.7%	10.5	10.7%	17.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 29: Average cost profile – differentiated results

5.4. PORT CHARGES

From the previous section it is clear that a port authority principally obtains its operating income from the following categories of charges:

- General port dues, which cover ship, cargo, berthing and/or passenger dues that are levied to ships calling at the port to cover the general usage of the port.
- Land lease or similar charges, which cover income from land given in lease or concession to cargo handling operators and other land users.
- Service charges, which cover income from specific services provided by the port authority including technical-nautical services, cargo handling services (including lease of equipment), passenger services and any other ancillary services.

Specific subsections will address the legal nature, calculation basis and autonomy of port authorities for these different categories of income charges, including the ability to cross-subsidise between them. It should be noted that only those charges that are effectively applied by port authorities are considered here. Charges applied by other parties (e.g. terminal operators, technical-nautical service providers) are not addressed.

5.4.1. LEGAL NATURE

Figure 47 compares the legal nature of port charges. Port charges can be taxes, i.e. unilaterally imposed public charges which are independent of whether use is made of a public service; retributions, i.e. public charges which are related to the use of a public service; or simply prices, i.e. charges for a commercial service. The graph shows that for a majority of port authorities general port dues have a public nature, either in the form

of taxes or retributions. The public nature decreases for other income charges, i.e. land lease or similar charges, technical-nautical service charges and ancillary service charges. It is virtually non-existing for cargo handling service charges. It remains however remarkably high for passenger service charges.

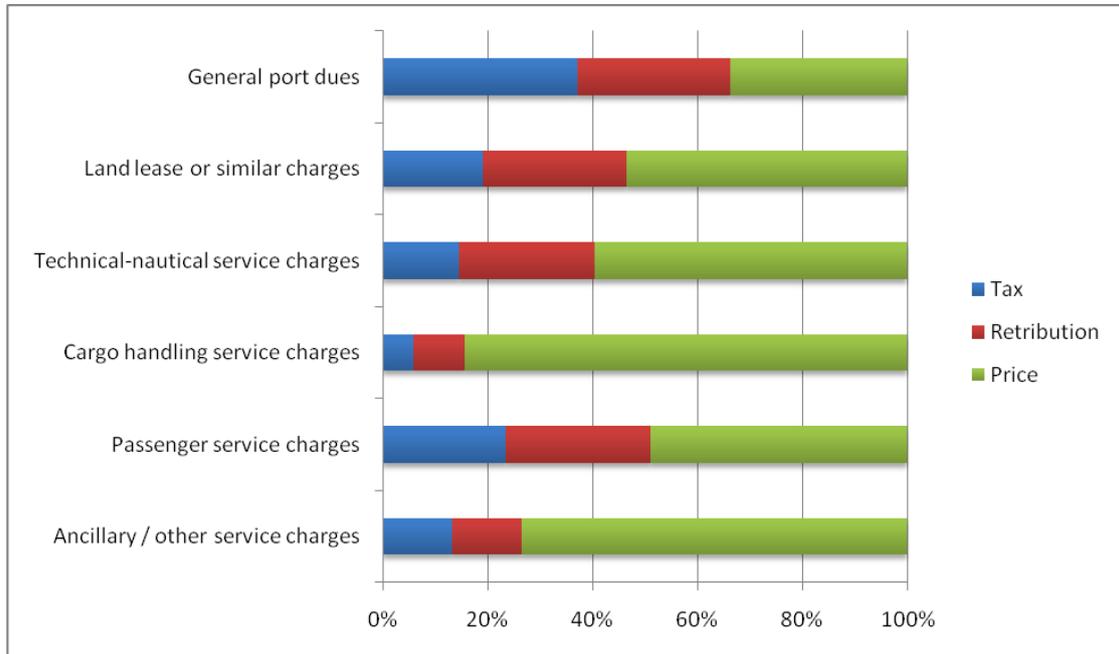


Figure 47: Legal nature of income charges

Taking into account that the previous section made clear that general port dues on average constitute the highest source of the operating income of the port authority (see Figure 45), the differentiated analysis of the legal nature will focus only on these general port dues. Figure 48 demonstrates that general port dues are mostly considered taxes in the Latin region. The other extreme is the Anglo-Saxon region where general port dues are mostly considered as prices.

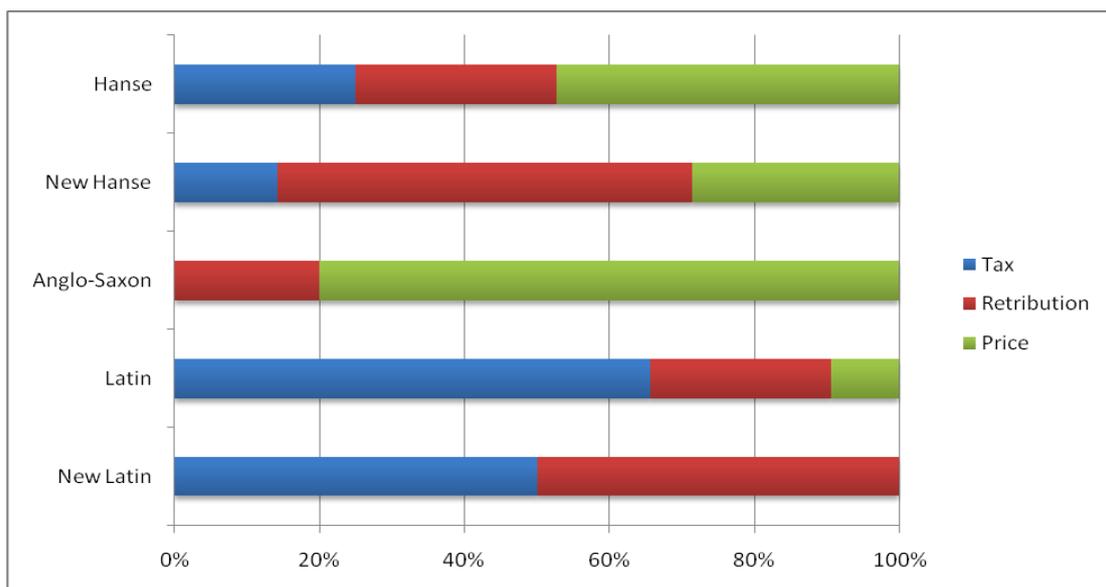


Figure 48: Legal nature of general port dues – results differentiated to region

The price nature is more prominent with large ports, whereas the tax nature manifests itself more in medium-sized ports (Figure 49). This is no doubt influenced by the fact that half of the medium-sized port authorities are from the Latin region.

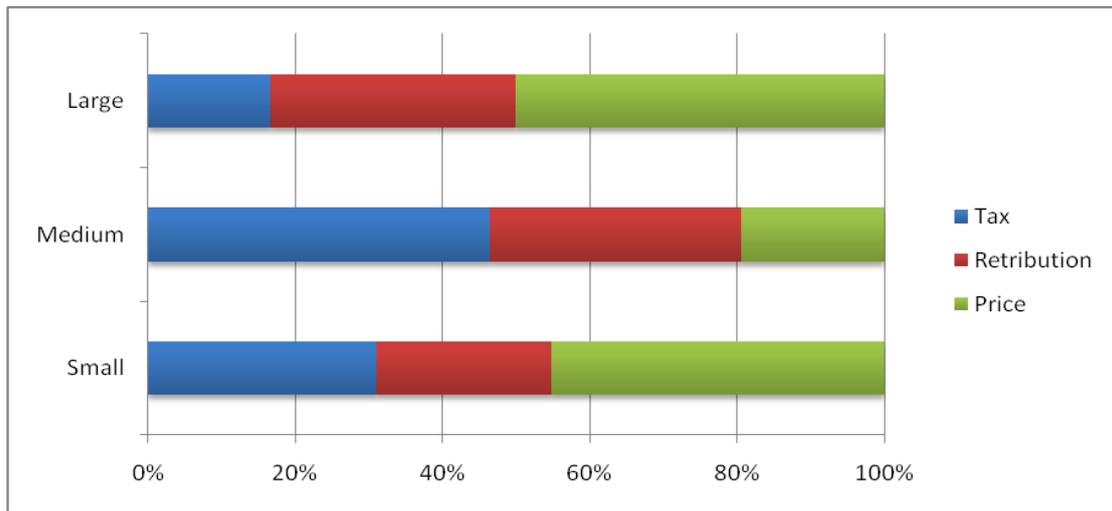


Figure 49: Legal nature of general port dues – results differentiated to size

5.4.2. CALCULATION BASIS

5.4.2.1. General

Port authority income charges can be based on a public tariff or can be negotiable. Figure 50 shows that most port authorities use a public tariff, especially for general port dues, passenger service charges and technical-nautical service charges.

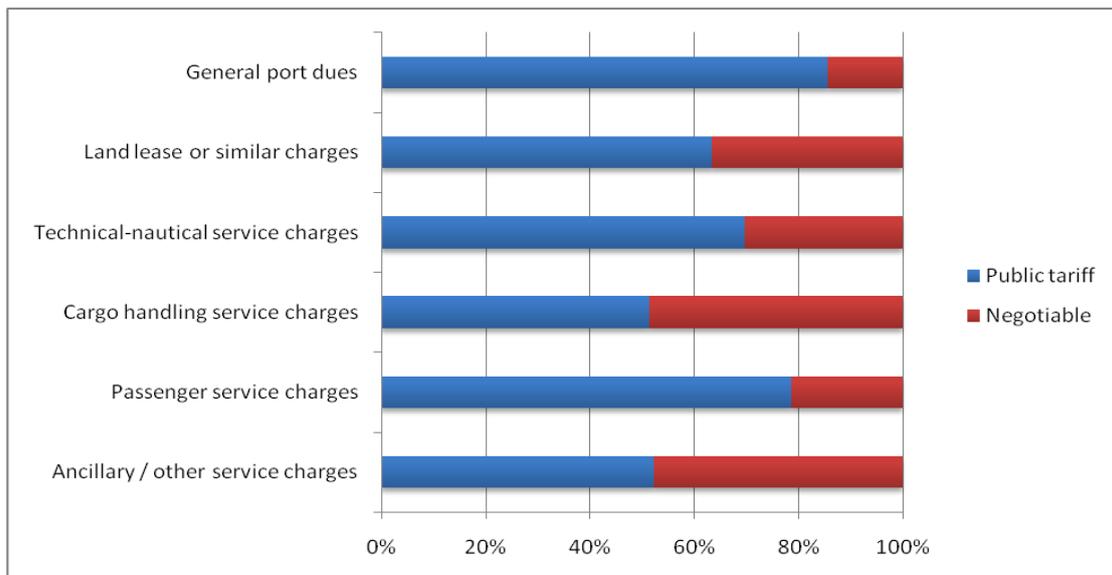


Figure 50: Basis of port charges

When looking at the differentiated results for general port dues only, it is clear that for port authorities in Latin and New Hanse countries these are always based on public tariffs. General port dues in Anglo-Saxon and New Latin countries are relatively speaking least based on a public tariff (Figure 51).

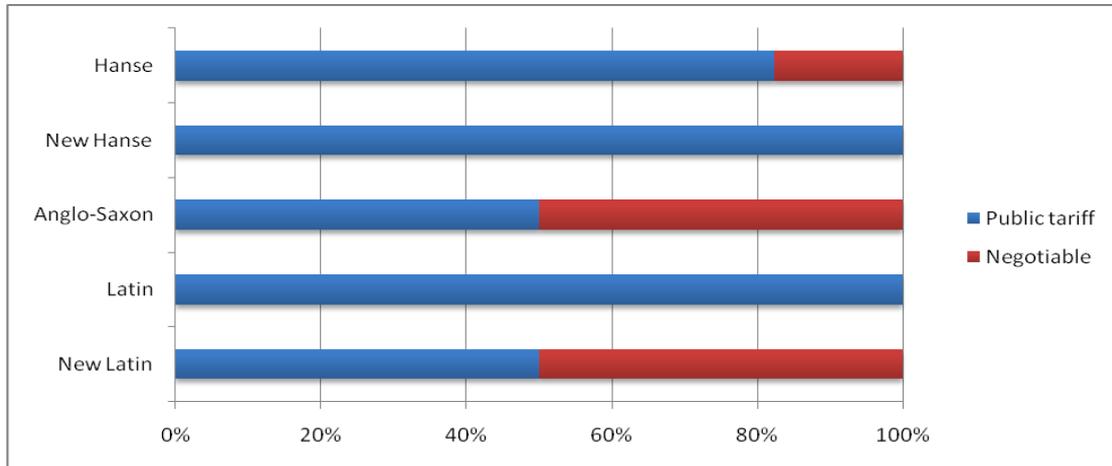


Figure 51: Calculation basis of general port dues – differentiation to region

Differentiation to size learns that all large port authorities that participated in the survey use a public tariff, followed by medium and small port authorities (Figure 52).

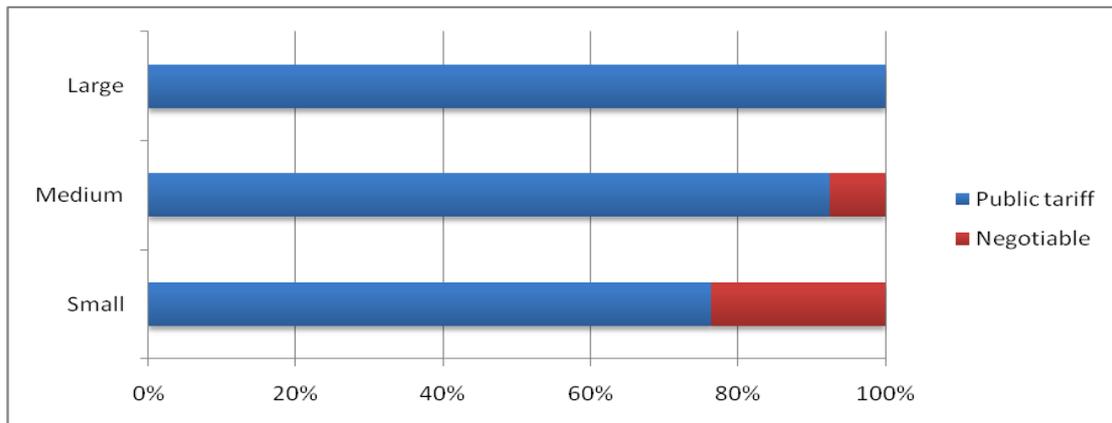


Figure 52: Calculation basis of general port dues – differentiation to size

5.4.2.2. General port dues - rebates, penalties, exemptions and promotions

Even if general port dues are mostly calculated on the basis of a public tariff, port authorities do apply rebates, penalties or exemptions. These are usually based on general policies (included in the public tariff), e.g. rebates for regular shipping lines, rebates for ‘clean’ ships, penalties for ‘dirty’ ships, exemptions for war vessels etc. In addition, port authorities can apply promotions, these are usually applied on a more ad-hoc commercial basis, e.g. to attract new shipping lines, to maintain valued shipping lines etc.

Almost three quarters of the responding port authorities apply rebates, more than half also apply exemptions (Figure 53). Penalties occur less frequent. Almost half of the responding port authorities furthermore apply more commercially-based promotions,

which somehow contradicts the overall picture that general port dues are not frequently negotiable, at least not officially.

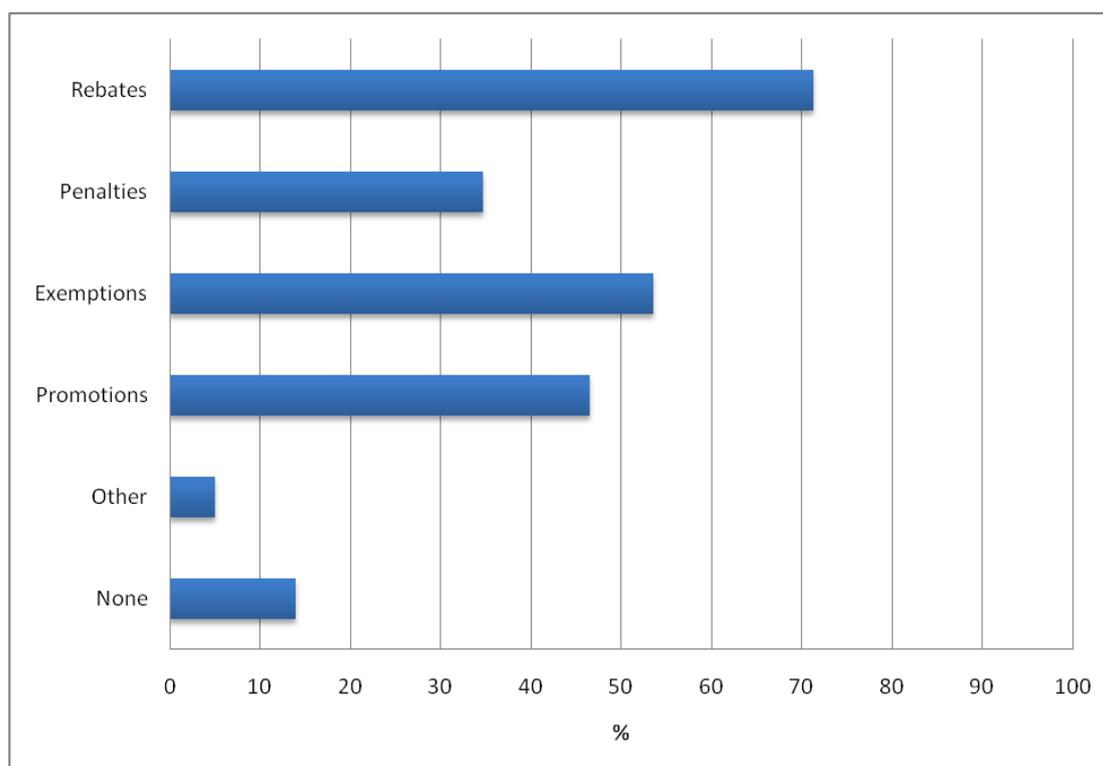


Figure 53: General port dues – rebates, penalties, exemptions and promotions

The differentiated results in Table 30 illustrate that relatively less Anglo-Saxon port authorities apply rebates, penalties and exemptions. This is probably due to fact that, more than elsewhere, general port dues in this region have the legal status of prices and are more calculated on a negotiable basis. Port authorities managing large ports are generally applying rebates etc. more often. Port authorities that never diverge from the basic level of general dues are relatively more frequent in Latin countries and medium-sized ports.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Rebates	71.3%	85.4%	100.0%	41.7%	60.0%	66.7%	72.9%	63.6%	100.0%
Penalties	34.7%	39.0%	28.6%	8.3%	40.0%	33.3%	31.3%	31.8%	66.7%
Exemptions	53.5%	39.0%	85.7%	33.3%	68.6%	66.7%	41.7%	63.6%	66.7%
Promotions	46.5%	48.8%	14.3%	41.7%	45.7%	83.3%	41.7%	50.0%	55.6%
Other	5.0%	7.3%	0.0%	8.3%	2.9%	0.0%	8.3%	0.0%	11.1%
None	13.9%	9.8%	0.0%	16.7%	20.0%	16.7%	10.4%	20.5%	0.0%

Table 30: General port dues – rebates, penalties, exemptions and promotions – differentiated results

5.4.3. AUTONOMY

5.4.3.1. Setting the level, collecting and benefiting from port charges

Port authorities were asked to indicate whether they themselves or a government agency set the level of the charges for the services they provide, whether it is them or a government agency that collects the charges and whether it is them or a government agency that is the final beneficiary of the charge. Figure 54 shows that most port authorities have the autonomy to set the level and collect port charges and are also the main beneficiaries of these charges. Government agencies however play a relatively significant role in setting the level of port charges, especially the level of general port dues.

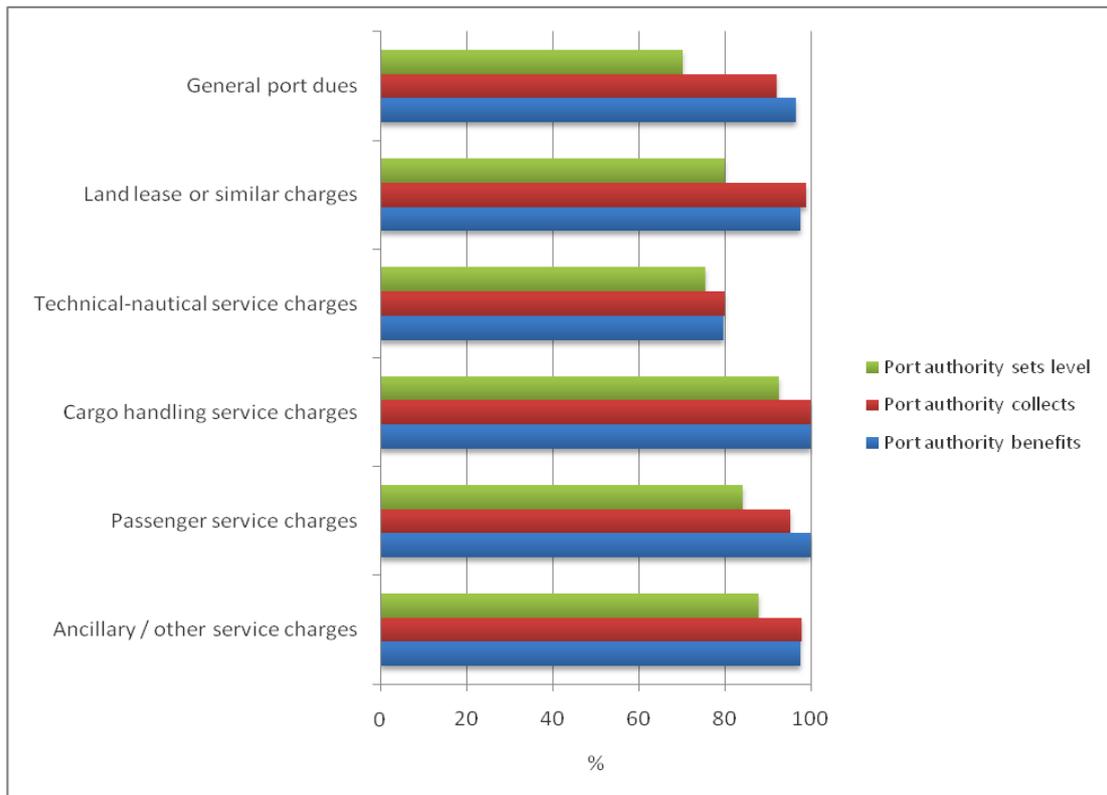


Figure 54: Port authority setting level, collecting and being final beneficiary of port charges

When differentiating results for the most important category of income charges, i.e. general port dues, one notices that Latin port authorities are relatively speaking the fewest to have autonomy in setting the level of general port dues (Figure 55). It is also in this region that one finds the highest number of port authorities that do not collect the general port dues themselves but have to leave this to a government agency. Some New Latin port authorities are not even final beneficiaries of the general port dues. Anglo-Saxon port authorities form the other side of the spectrum and are fully autonomous in setting the level, collecting and benefiting from general port dues.

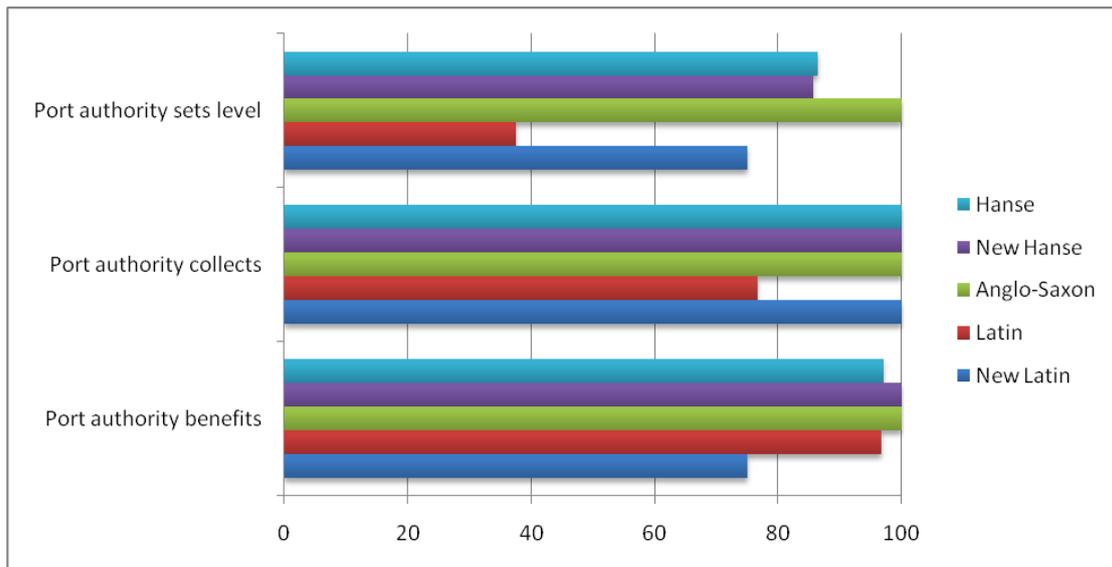


Figure 55: Port authority setting level, collecting and being final beneficiary of general port dues – results differentiated to region

Differentiation to size, shows that, relatively speaking, small port authorities have the highest autonomy in setting the level of general port dues and all autonomously collect and are final beneficiaries from them (Figure 56).

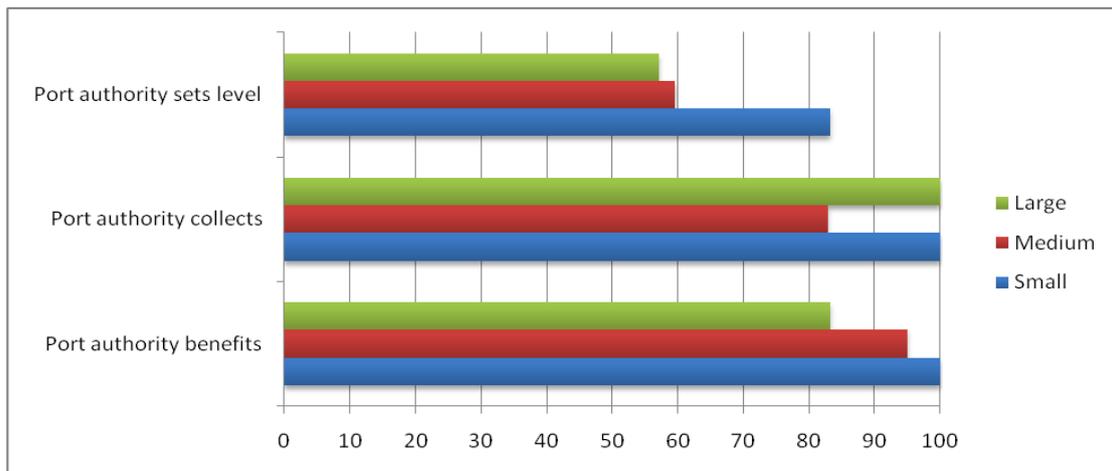


Figure 56: Port authority setting level, collecting and being final beneficiary of general port dues – results differentiated to size

5.4.3.2. Cross-subsidisation

69% of responding port authorities state that they can cross-subsidise between the different sources of operating income, meaning they can for instance use income generated from general port dues for purposes other than those that would benefit the general usage of the port. Slightly more Hanseatic and Anglo-Saxon port authorities have this ability whereas it is least occurring for New Latin port authorities. Relatively more small port authorities have the ability (Figure 57).

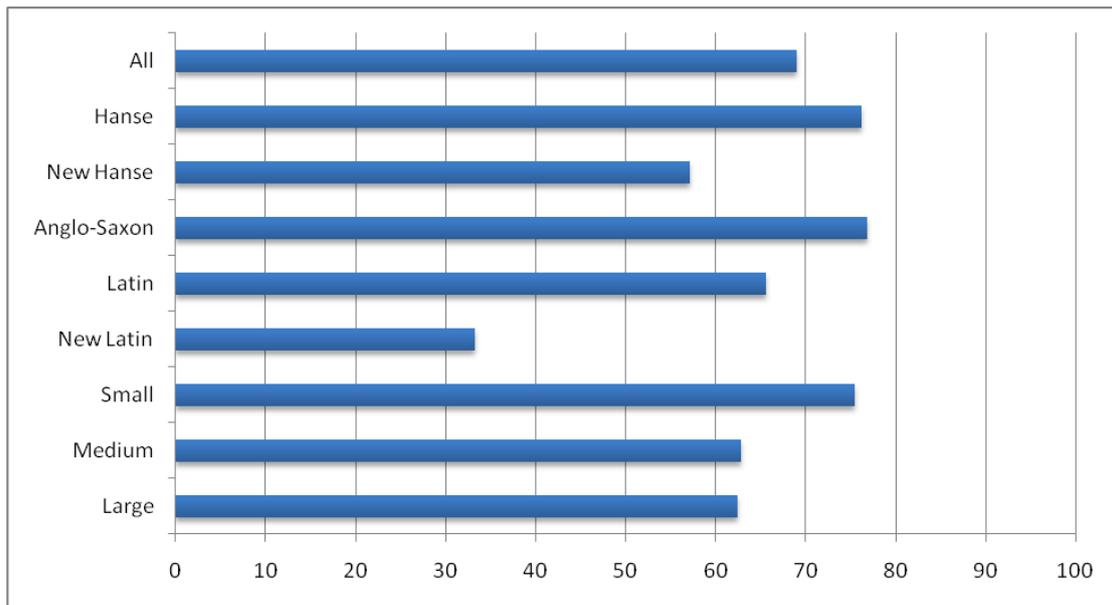


Figure 57: Ability to cross-subsidise between different sources of income – total and differentiated results

5.5. TAXATION

Figure 58 shows that most port authorities are subject to one or more types of taxation, VAT scoring the highest, followed by local taxes and income tax.

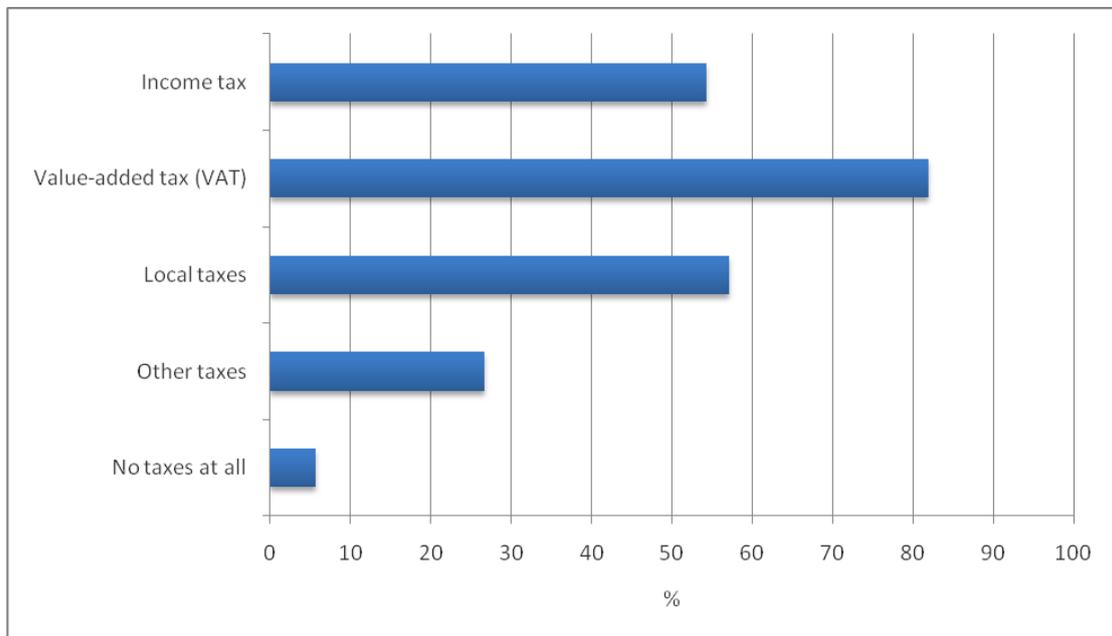


Figure 58: Port authorities subject to taxation

Relatively speaking, more Anglo-Saxon port authorities are subject to all kinds of taxation, especially income taxation and local taxes (Table 31). The highest percentage of port authorities that are subject to no taxes at all can be found in Hanseatic and Latin countries. These are all small or medium-sized ports.

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
Income tax	54.3%	45.2%	57.1%	73.3%	57.1%	50.0%	49.0%	60.9%	50.0%
VAT	81.9%	85.7%	100.0%	86.7%	80.0%	33.3%	77.6%	82.6%	100.0%
Local taxes	57.1%	40.5%	57.1%	80.0%	68.6%	50.0%	46.9%	63.0%	80.0%
Other taxes	26.7%	16.7%	71.4%	46.7%	14.3%	66.7%	18.4%	34.8%	30.0%
No taxes	5.7%	9.5%	0.0%	0.0%	5.7%	0.0%	6.1%	6.5%	0.0%

Table 31: Port authorities subject to taxation – differentiated results

5.6. GENERAL FINANCIAL AUTONOMY

Apart from port charges, the financial autonomy of port authorities was also analysed in terms of decision-making regarding new investments in capital assets, setting of wages, terms and conditions of service of port authority staff, the allocation of annual financial results and the requirement to meet certain financial targets (e.g. rates of return, dividends to the owner).

Figure 59 demonstrates that most port authorities have autonomy with regard to remuneration, terms and conditions of service for their own staff, but that the situation is more divided when it comes to autonomously deciding about capital investments and allocating financial results. Less than half of the responding of port authorities do not have to meet certain financial targets, such as rates of return of dividends to the owner.

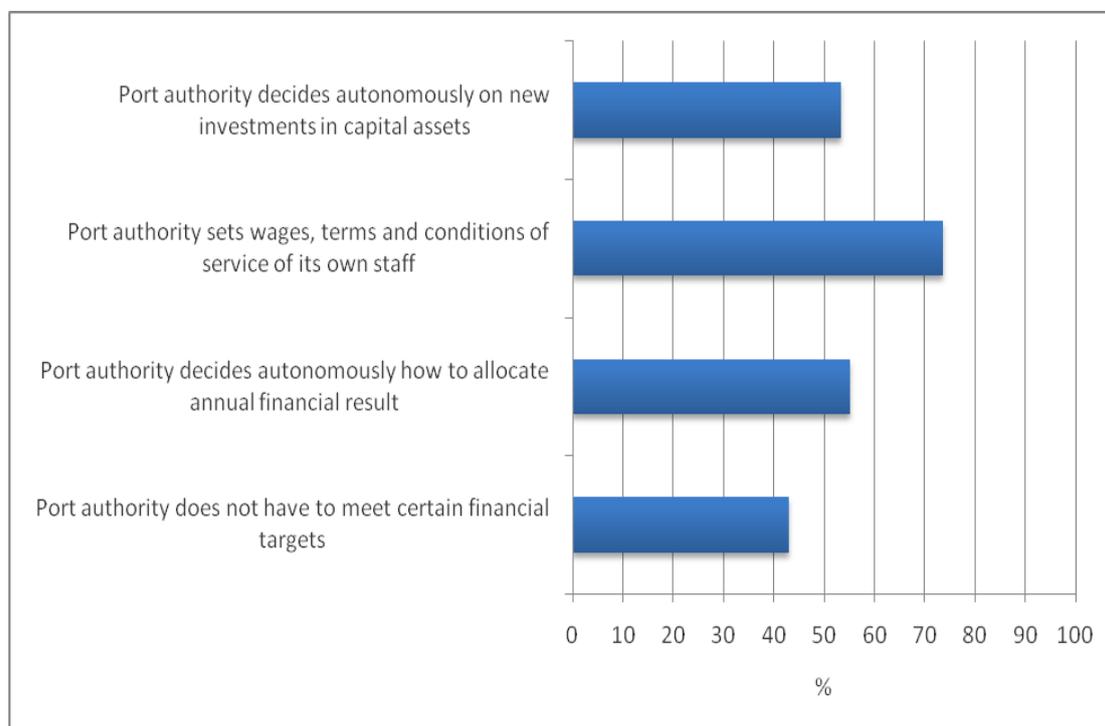


Figure 59: Financial autonomy of port authorities

The differentiated results show that most New Hanse and Anglo-Saxon port authorities have generally high autonomy, whereas port authorities in other regions have limited autonomy. Somewhat surprising is that large port authorities seem to generally have less autonomy (Table 32).

	All	Hanse	New Hanse	Anglo-Saxon	Latin	New Latin	Small	Medium	Large
New investments	53.3%	50.0%	100.0%	93.3%	34.3%	33.3%	56.0%	55.6%	30.0%
Wages and staff	73.6%	83.3%	100.0%	93.3%	44.4%	100.0%	82.0%	71.7%	40.0%
Financial result	55.2%	47.6%	85.7%	80.0%	51.4%	33.3%	52.0%	63.0%	33.3%
No financial target	42.9%	40.5%	71.4%	28.6%	41.7%	66.7%	36.0%	55.6%	20.0%

Table 32: Financial autonomy of port authorities – differentiated results

Port authorities were finally asked to list any other financial restrictions and/or conditions that apply to them. The answers were varied and included: requirements that yields have to cover costs, requirements that borrowing in excess of certain amounts must have the approval of government, binding targets set by government in budgets (such as return on invested capital, turnover per employee, customer satisfaction and interest on loans from government), a government commissioner that has to verify that the port authority is sufficiently self-supporting to properly execute the tasks that it has been assigned, respecting budget limits, expenditure limits (for instance for promotion, use of car, representation costs etc.), maximum level of debt and borrowing limits, requirements that all capital expenditure must be financed from the profit of the port authority.

5.7. SUMMARY CHAPTER 5

The financial capability of a port authority is one of the key governance factors that determine the extent to which the port authority can achieve its objectives and optimally perform its functions.

The results of the survey show that, in most cases, the port authority bears a very important, if not the most important, financial responsibility for the capital investment, administration, operation and maintenance of the capital assets that constitute a port. To confirm this picture in full the monetary value of the different types of capital assets would need to be assessed. Taking into account regional and size-related differences, most port authorities bear financial responsibility for maritime access (at least partly), terminal-related infrastructure and transport infrastructure within the port area. The private sector mainly assumes financial responsibility for superstructure, which is again an indicator that most European ports converge towards the landlord model. Government bears in most cases the principal financial responsibility for transport infrastructure outside the port area. On average, port authorities from Anglo-Saxon and, to a lesser extent, New Latin regions bear relatively more financial responsibility than their colleagues in other regions.

The average operating cost profile of port authorities shows that personnel costs rank highest, followed by purchase of services and goods and depreciation of investments.

The cost profile of port authorities from the new regions is different, with a stronger proportion of services and other goods and, in the case of New Hanse, a higher percentage of depreciation. Anglo-Saxon port authorities have a considerably higher percentage of personnel costs and significantly lower percentage of depreciation.

General port dues form the most important source of operating income for port authorities, next to income from land lease and income from services. Public funding generally forms only a very limited part of the operating income. The revenue from land lease is relatively lowest in the Anglo-Saxon and New Latin region. The income charges that port authorities apply often have a public nature, either in the form of taxes or retributions, and they are mostly based on public tariffs. This is especially the case for general port dues.

The autonomy of port authorities with regard to port charges, especially where it concerns setting the level of charges, differs according to regions and is especially low for port authorities from the Latin region. Port authorities from the Anglo-Saxon region have relatively the highest autonomy with regard to port charges. The same picture emerges for the overall financial autonomy of port authorities. Small port authorities often seem to have relatively more financial autonomy than large ones.

Finally, as indicators of corporate behaviour, it can be concluded that most port authorities apply generally used accounting principles and make their financial accounts public. The taxation picture is more different. Whilst most of the responding port authorities are subject to VAT, only about half of them are subject to income tax or local taxes. Port authorities from the Anglo-Saxon region are most frequently subject to income tax, whereas port authorities from the Hanse region are least.

To draw full conclusions, the financial profile of individual port authorities would require a much more in-depth analysis. The response rate to the survey was also lowest on the financial questions, partly due to confidentiality reasons. Nevertheless, the overall picture points at a fundamental weakness. Whilst most port authorities apparently have to bear heavy financial responsibilities regarding investment and personnel, many do not seem to be full master over their income. This is especially the case for Latin port authorities and, to a lesser extent, port authorities in the new regions, which are marked by a rigid public nature of port charges and lack of financial autonomy.

6. CONCLUSIONS

The fifth edition of the ESPO 'Fact-Finding Report' has brought together a wealth of information on the governance of European seaports. This concluding chapter aims to identify some general patterns by regrouping the main findings into seven indicative categories: devolution, corporate governance, operational profile, functional autonomy, functional pro-activeness, investment responsibility and financial autonomy.

6.1. DEVOLUTION

The term 'devolution' is used here in the broad sense, to identify to which extent port management has been privatised, decentralised and/or corporatised.

The findings of the survey confirm first of all that the vast majority of port authorities in Europe are publicly owned. The main exceptions are to be found in the Anglo-Saxon region, where, especially in the UK, some of the larger ports were fully privatised in the 1980s and 1990s. In this region, further privatisations are currently under discussion. Privately owned and managed ports can be found on the continent as well, but this mainly concerns a limited number of smaller, industrial ports. On the continent, there are presently no reforms envisaged which would involve systematic privatisation of port authorities. Privatisation and liberalisation of operational services is however on-going in several countries (see 6.3).

The Hanseatic and Latin regional traditions of, respectively, local and centralised port governance are still very much present on the continent today. Taking into account that most port authorities in Europe proportionally belong to either one of these traditions, the difference between both translates itself in a north-south duality, which not only involves simple ownership differences, but covers many other governance elements, especially functional and financial autonomy (see 6.4 and 6.7). Port authorities in the 'new' regions are generally marked by central government ownership or control and would therefore be closer to the Latin tradition, although there are differences. It is significant that most port authorities that participated in the survey confirm that, regardless of their ownership or dominant level of control, they maintain the most intense contacts with local government. Several port authorities in the Latin region are furthermore seeking greater autonomy from central government, pressing for reforms in a bottom-up manner. In the Hanse region one detects a kind of opposite movement, whereby national governments want to obtain a closer grip on port governance. The various top-down initiatives aimed at stimulating closer co-operation between (neighbouring) ports and selecting 'ports of national interest' is a good illustration. Although current reforms do not immediately point at substantial changes in the Hanse-Latin constellation, there may be developments in the longer term which could make the opposition between the two big traditions more vague.

Most port authorities participating in the survey have their own legal personality, which generally takes a 'commercialised' or 'corporatised' form. Corporatised port authorities have share capital that is owned in part or in full by government. Regional comparison highlights that corporatised port authorities, including privately owned corporations,

occur most frequent in the Anglo-Saxon and 'new' regions. Some of the larger port authorities in the Hanse and Latin region have taken on a corporatised form as well and on-going reforms indicate that more may follow in the near future. The European Union could have an indirect influence in this process, as the reform case of Finland illustrates..

6.2. CORPORATE GOVERNANCE

There is a difference between being corporatised in form and actually following principles of corporate governance that are customary in private undertakings. On the basis of the survey, this can be assessed from various perspectives, including the objectives port authorities have, their organisational structure, transparency of procedures, the use of corporate accounting principles, and taxation.

Port authorities pursue very different economic and non-economic objectives. The diversity is to some extent linked to the regional governance traditions, but not entirely. Port authorities in the Anglo-Saxon are most outspoken in pursuing typical 'corporate' objectives, such as maximisation of profit.

The analysis of the organisational structure of port authorities shows that political influence varies between the regions, but is substantial everywhere, with the exception of the Anglo-Saxon region (mainly UK). Political influence is especially visible through the appointment of top management executives and the composition of supervisory bodies. Although the role of the latter mostly seems to correspond with the usual role of a board of directors, indications are that in some cases it gets involved in more daily management decisions, therefore limiting the discretionary powers and autonomy of management. The question remains whether, given the strong degree of public ownership of European port authorities, political influence can or should be absent at all.

The use of public selection procedures to contract port land out to terminal operators can be seen as an indicator of transparency. Most port authorities use such procedures, although this is often conditional, e.g. only for plots of land that are of strategic interest. The use of public selection procedures is most widespread in the Latin and 'new' regions and also more commonly used by medium-sized and large port authorities. This is another area where EU law and policy may implicitly have a harmonising influence. Transparency can also be related to the existence of corporate social responsibility (CSR) policies, the use of integrated management systems (IMS) and the involvement of stakeholders in port development masterplans. Whereas the latter is common practice for most port authorities, the former two occur less frequent.

Most port authorities that have their own legal personality follow generally applied accounting principles and make their annual financial accounts public. The picture is very different for taxation, whereby only about half of the responding port authorities are subject to income tax.

It can be concluded that the overall picture in terms of application of corporate governance is mixed, especially in the traditional Latin and Hanse regions. The size of the port authority often stands out as a distinguishing factor. Port authorities in the Anglo-Saxon region are most outspoken in corporate behaviour. Port authorities in the new regions tend towards corporate behaviour, but not quite on all accounts.

6.3. OPERATIONAL PROFILE

The customary way to classify port authorities in operational terms is to distinguish between 'landlord ports', 'tool ports' and 'service ports', depending on whether, respectively, port authorities are not involved in (cargo-handling) operations at all, operate superstructure and related services or provide full operations in an integrated manner. The survey results show that most port authorities, at least those on the continent, converge to the landlord model. These port authorities mainly pulled out of cargo-handling services, both on board ship and on shore, and re-focused their role on landlord and regulatory aspects. On-going reform processes, especially in Latin, New Latin and New Hanse countries, confirm this trend. Port authorities generally do maintain certain operational activities, but these concentrate mainly on the provision of those ancillary services that are to the benefit of the entire port community, such as provision of public utilities and dredging. Some important regional differences however exist, with notably Anglo-Saxon port authorities being much more involved in the provision of cargo-handling and also technical-nautical services. Equally, smaller port authorities remain generally more involved in the provision of these kind of services.

6.4. FUNCTIONAL AUTONOMY

The landlord function can be considered as the principal function of contemporary port authorities. Nevertheless, only about half of the responding port authorities actually own the port land they manage. Most port authorities are not able to sell port land, unless with restrictions. The landlord function therefore translates itself essentially in the ability to contract land to third parties, which most port authorities can do and which forms the most important governance tool they have at their disposal. Hanseatic and Anglo-Saxon port authorities enjoy relatively more autonomy when it comes to land ownership and contracting out of port land than their colleagues in other regions.

This same north-south duality applies to the regulatory function. Whereas port authorities in the Anglon-Saxon, Hanse and – to some extent – New Hanse region generally incorporate the harbour master's office, this is usually a distinct entity in the Latin and New Latin regions.

6.5. FUNCTIONAL PRO-ACTIVENESS

Functional pro-activeness can be assessed at the level of the port authority's own port(s) and beyond.

The 'own port' dimension covers pro-active fulfilment of the traditional landlord and regulatory functions as well as the community manager function, which is pro-active by nature. As regards the landlord function, it appears that many port authorities in Europe are trying to optimise the use of scarce land via the inclusion of throughput specifications, environmental performance targets and other clauses in terminal contracts. They are also increasingly using the terminal awarding process in view of a broader environmental compliance of port activities and a sustainable development of

the port. Apart from the regular commercial exploitation and administration of port land, almost half of the responding port authorities also engage in urban real estate management and environmental land management. The former is especially typical for port authorities in the Latin region. On the regulatory side, most port authorities issue their own regulations in the field of safety, security and environment, but generally do not go beyond mere transposition of legal requirements. This somehow contrasts with the fact that half of the responding port authorities do claim to go beyond legal requirements in implementing and developing actions to enhance sustainability. The actual community manager function appears to be well-rooted in the functional profile of port authorities. Both the economic dimension of this function, which focuses on facilitation of the port community and the solving of various kinds of bottlenecks, and the societal dimension, which focuses on external stakeholders, is very much present and many port authorities assume a leadership role in both. Latin port authorities are among the most pro-active in this field.

As regards the 'external' dimension, there are currently few port authorities that transpose their functions beyond their own borders, whether this concerns investment in hinterland networks, investment in other ports, export of regulatory and other expertise etc. Mainly larger ports seem to actively develop initiatives beyond their own perimeter.

6.6. INVESTMENT RESPONSIBILITY

The results of the survey show that, in most cases, the port authority bears a very important, if not the most important, financial responsibility for the capital investment, administration, operation and maintenance of the capital assets that constitute a port. To confirm this picture in full the monetary value of the different types of capital assets would need to be assessed. Taking into account regional and size-related differences, most port authorities bear financial responsibility for maritime access (at least partly), terminal-related infrastructure and transport infrastructure within the port area. The private sector mainly assumes financial responsibility for superstructure, which is again an indicator that most European port authorities converge towards the landlord model. Government bears in most cases the principal financial responsibility for transport infrastructure outside the port area. On average, port authorities from Anglo-Saxon and, to a lesser extent, New Latin regions bear relatively more financial responsibility than their colleagues in other regions.

6.7. FINANCIAL AUTONOMY

General port dues form the most important source of operating income for port authorities, next to income from land lease and income from services. If present at all, public funding forms only a very limited part of the operating income. The revenue from land lease is relatively lowest in the Anglo-Saxon and New Latin regions. The income charges that port authorities apply often have a public nature, either in the form of taxes or retributions, and these are mostly based on public tariffs. This is especially the case for general port dues. The autonomy of port authorities with regard to port charges, especially where it concerns setting the level of charges, differs according to regions and is especially low for port authorities from the Latin region. Port authorities from the

Anglo-Saxon region have relatively the highest autonomy in this respect. The same picture emerges for the overall financial autonomy of port authorities. Small port authorities often seem to have relatively more financial autonomy than large ones.

A fundamental weakness thus appears. Whilst most port authorities apparently have to bear heavy investment responsibilities, many do not seem to be full master over their income. This is especially the case for Latin port authorities and - to a lesser extent - port authorities in the new regions, which are marked by a rigid public nature of port charges and lack of financial autonomy.

6.8. CONCLUDING OBSERVATIONS

The conceptual basis of this report was built on the hypothesis that a ‘renaissance’ of port authorities would enable them to face multiple and ever-changing economic and societal challenges. At the same time, a series of governance factors were identified that would determine whether port authorities remain mere ‘conservators’ or take on a higher profile as ‘facilitators’ or ‘entrepreneurs’.

The survey findings indicate that ‘renaissance’ ambitions do exist in most cases, but that diversity in governance frameworks indeed either limits or enables those. Most port authorities somehow converge towards the ‘facilitator’ type, with only few venturing into ‘entrepreneurial’ activities. The latter is more typical for port authorities in the Anglo-Saxon region, which – especially in the UK – are in many ways closest to commercial undertakings, and large port authorities, mainly from the Hanse region.

This already illustrates that differences in governance frameworks are mainly regionally determined. The survey confirms that the traditional Hanse, Latin and Anglo-Saxon frameworks still explain most of the governance diversity in Europe. Port authorities in the ‘new’ regions situate themselves somewhere in between the main traditions, although a strong central government influence would make many of them more affiliated with the Latin tradition. Taking into account that, proportionally, most port authorities in Europe belong to either the Hanse or Latin tradition, the difference between both translates itself in a north-south duality which not only involves simple ownership differences, but covers many other governance elements, especially functional and financial autonomy, which is typically more limited in the south. Whilst this may prevent Latin port authorities more from achieving their objectives and investment responsibilities, it somehow paradoxically does not always appear to be a constraint for functional pro-activeness. Although current reforms do not immediately point at substantial changes in the Hanse-Latin constellation, there may be developments in the longer term which could make the opposition between the two traditions more vague.

The size of the port authority may to some extent explain governance diversity as well, especially where it comes to corporate governance, the operational profile as well as functional pro-activeness.

Finally, one should take into account that European Union law and policy potentially have an implicit or explicit harmonising influence on port governance. European competition law in any case implies that port authorities engaged in economic activities have to be considered as undertakings, regardless what their legal form or ownership is.

REFERENCES

- Baltazar, R. and Brooks, M.R. (2007), Port governance, devolution and the matching framework: a configuration theory approach, in Brooks, M.R. and Cullinane, K. (eds), *Devolution, port governance and port performance*, Elsevier, Amsterdam: 379-403.
- Brooks, M.R. and Cullinane, K. (2007), Governance models defined, in Brooks, M.R. and Cullinane, K. (eds), *Devolution, port governance and port performance*, Elsevier, Amsterdam, 405-435.
- Commission of the European Communities (1977), *Report of an enquiry into the current situation in the major community sea-ports drawn up by the Port Working Group*.
- Commission of the European Communities (1986), *Report of an enquiry into the current situation in the major community sea-ports drawn up by the Port Working Group (revised and enlarged in 1986)*.
- Commission of the European Communities (2001), *Reinforcing quality services in Sea ports – A key for European transport – COM(2001)35*, European Commission, Brussels.
- Commission of the European Communities (2007), *Communication on a European ports policy – COM(2007)616*, European Commission, Brussels.
- De Langen, P. (2004), Governance in seaport clusters, *Maritime Economics and Logistics*, 6: 141-156.
- De Langen, P.W. (2007), Stakeholders, conflicting interests and governance in port clusters, in Brooks, M.R. and Cullinane, K. (eds), *Devolution, port governance and port performance*, Elsevier, Amsterdam: 457-477.
- De Langen, P.W. and Choouly, A. (2004), Hinterland access regimes in seaports, *European Journal of Transport and Infrastructure Research*, 4(4): 361-380.
- De Monie, G. (2004), Mission and role of port authorities after privatisation, *Paper presented at the ITMMA PPP Seminar*, Antwerpen.
- Delwaide, L. (2007), Reflections on the future of port authorities, *Paper presented at the ESPO 2007 Conference*, Algeciras.
- Dooms, M. and Verbeke, A. (2007), Stakeholder management in ports: a conceptual framework integrating insights from research in strategy, corporate social responsibility and port management, *Paper presented at the LAME 2007 Annual Conference 2007*, Athens.
- European Sea Ports Organisation (1996), *Report of an enquiry into the current situation in the major Community seaports (revised and enlarged in 1996)*, ESPO, Brussels.
- European Sea Ports Organisation (2005), *Factual report*, ESPO, Brussels.
- European Sea Ports Organisation (2008), *Governing 21st century ports, Proceedings of the ESPO 2008 Conference*, Hamburg.
- European Sea Ports Organisation and Institute of Transport and Maritime Management Antwerp (2008), *The awarding of seaport terminals in Europe – Results from the ITMMA survey commissioned by ESPO*, ESPO / ITMMA, Brussels / Antwerp.
- Goss, R.O. (1990), Economic policies and seaports: 3. Are port authorities necessary?, *Maritime Policy and Management*, 17(4): 257-271.
- Grosdidier de Matons, J. (1997), Is a public authority still necessary following privatisation?, *Paper presented at the Cargo Systems Port Financing Conference*, London.
- Heaver, T., Meersman, H., Moglia, F. and Van de Voorde, E. (2000), Do mergers and alliances influence European shipping and port competition?, *Maritime Policy and Management*, 27(4): 363-373.
- Institute of Shipping and Logistics (2006), *Public financing and charging practices of the seaports in the EU*, ISL, Bremen.

- Notteboom, T.E. and Rodrigue, J.-P. (2005), Port regionalisation: towards a new phase in port development, *Maritime Policy and Management*, 32(3): 297-313.
- Notteboom, T.E. and Winkelmann, W. (2001), Structural changes in logistics: how will port authorities face the challenge?, *Maritime Policy and Management*, 28(1): 71-89.
- Notteboom, T.E. and Winkelmann, W. (2001), Reassessing public sector involvement in European seaports, *International Journal of Maritime Economics*, 3:242-259.
- Suykens, F. (1988), Op weg naar een Europese havenpolitiek? in *Liber Amicorum Lionel Tricot*, Kluwer, Antwerp: 493-498.
- Suykens, F. and Van de Voorde, E. (1998), A quarter of a century of port management in Europe: objectives and tools, *Maritime Policy and Management*, 25(3): 251-26.
- Van der Lugt, L. and De Langen, P.W. (2007), Port authority strategy: beyond the landlord – a conceptual approach, *Proceedings of the 2007 LAME Conference*, Athens (CD-Rom).
- Van Hooydonk, E. (1996), *Beginselen van havenbestuursrecht*, Die Keure.
- Verhoeven, P. (2006), Port management reform in Europe: is there a role for the EU?, in Notteboom, T. (ed), *Ports are more than piers – Liber Amicorum presented to Prof. Dr. Willy Winkelmann*, De Lloyd, Antwerpen, 35-55.
- Verhoeven, P. (2009), European ports policy: meeting contemporary governance challenges, *Maritime Policy and Management*, 36(1): 79-101.
- Verhoeven, P. (2010), A review of port authority functions: towards a renaissance?, *Maritime Policy and Management*, 37(3): 247-270.
- Verhoeven, P. and Vanoutrive, T. (2011), Analysing European port governance, *Forthcoming – paper to be presented at the EconShip conference in June 2011*.

OVERVIEW OF FIGURES

Figure 1: Representativeness of the survey sample versus the total population, in % of the total volume of cargo handled	22
Figure 2: Differentiation of the number of responding port authorities according to region	24
Figure 3: Differentiation of the number of responding port authorities according to size	25
Figure 4: Economic objectives of port authorities	27
Figure 5: Land ownership and ability to sell and contract land to third parties.....	29
Figure 6: Types of contractual arrangements to award port land to third parties	31
Figure 7: Use of public selection procedure to contract land out.....	32
Figure 8: Clauses generally applied in major contractual arrangements	34
Figure 9: Strategic partnerships and direct investments with other ports – all ports	35
Figure 10: Strategic partnerships and direct investments with other ports – large ports.	36
Figure 11: Port authorities issuing own regulations	38
Figure 12: Export of regulatory expertise.....	39
Figure 13: Direct provision of operational services in ports	40
Figure 14: Port authorities directly providing operational services in ports – regional comparison.....	41
Figure 15: Direct provision of operational services in ports – size comparison	42
Figure 16: Indirect involvement of port authorities in provision of port services.....	43
Figure 17: Port authorities providing services outside own port area(s)	44
Figure 18: Stakeholder involvement in port development masterplans.....	46
Figure 19: Involvement of port authorities in actions / initiatives that benefit the entire port community.....	47
Figure 20: Involvement of port authorities in bottleneck-solving benefiting the entire port community.....	47
Figure 21: Operation of port community IT systems.....	49
Figure 22: Port authority involvement in provision of training and educational programmes	49
Figure 23: Port authority involvement in societal integration initiatives.....	50
Figure 24: Frequency of contacts with government.....	51
Figure 25: Number of ports for which the port authority is responsible	54
Figure 26: Ownership of port authorities	56
Figure 27: Legal form of port authorities	57
Figure 28: End responsibility for appointing the top management executive of the port authority.....	62
Figure 29: Employment status of the top management executive of the port authority	63
Figure 30: Mandate of the top management executive of the port authority	64
Figure 31: Average number of staff employed by port authorities, in FTE.....	65
Figure 32: Average composition of the supervisory / governing body, in number of people.....	67
Figure 33: Background of the chairman of the supervisory / governing body of the port authority.....	69
Figure 34: Entity taking the final decision to appoint the chairman of the supervisory or governing body of the port authority	70
Figure 35: Financial responsibilities for capital investment in the main capital assets that constitute a port	74

Figure 36: Financial responsibilities for administration and operation of the main capital assets that constitute a port	75
Figure 37: Financial responsibilities for maintenance of the main capital assets that constitute a port	76
Figure 38: Financial responsibility of port authorities for capital investment in the main capital assets that constitute a port – differentiated to region.....	78
Figure 39: Financial responsibility of port authorities for operation and administration of the main capital assets that constitute a port – differentiated to region	79
Figure 40: Financial responsibility of port authorities for maintenance of the main capital assets that constitute a port – differentiated to region.....	80
Figure 41: Financial responsibility of port authorities for capital investment in the main capital assets that constitute a port – differentiated to size	81
Figure 42: Financial responsibility of port authorities for operation and administration of the main capital assets that constitute a port – differentiated to size.....	82
Figure 43: Financial responsibility of port authorities for maintenance of the main capital assets that constitute a port – differentiated to size	83
Figure 44: Use of accounting principles.....	84
Figure 45: Average operating income profile.....	85
Figure 46: Average operating cost profile.....	86
Figure 47: Legal nature of income charges.....	88
Figure 48: Legal nature of general port dues – results differentiated to region	88
Figure 49: Legal nature of general port dues – results differentiated to size.....	89
Figure 50: Basis of port charges	89
Figure 51: Calculation basis of general port dues – differentiation to region	90
Figure 52: Calculation basis of general port dues – differentiation to size	90
Figure 53: General port dues – rebates, penalties, exemptions and promotions.....	91
Figure 54: Port authority setting level, collecting and being final beneficiary of port charges	92
Figure 55: Port authority setting level, collecting and being final beneficiary of general port dues – results differentiated to region	93
Figure 56: Port authority setting level, collecting and being final beneficiary of general port dues – results differentiated to size.....	93
Figure 57: Ability to cross-subsidise between different sources of income – total and differentiated results	94
Figure 58: Port authorities subject to taxation.....	94
Figure 59: Financial autonomy of port authorities	95

OVERVIEW OF TABLES

Table 1: Hypothetical typology of port authorities	17
Table 2: Comparison of regional and size differentiation – number of responding port authorities	25
Table 3: Economic objectives of port authorities – differentiated results	28
Table 4: Land ownership and ability to sell and contract land to third parties – differentiated results	30
Table 5: Types of contractual arrangements to award port land to third parties and existence of specific legislation – differentiated results	31
Table 6: Use of public selection procedure to contract land out – differentiated results	32
Table 7: Freedom to set durations of contractual arrangements – differentiated results	33
Table 8: Engagement of port authorities in urban real estate and environmental land management	34
Table 9: Organisational aspects of the regulatory function – differentiated results	37
Table 10: Port authorities issuing own regulations – differentiated results	38
Table 11: Presence of CSR policy, IMS and port development masterplan – differentiated results	46
Table 12: Involvement of port authorities in actions / initiatives that benefit the entire port community – differentiated results	48
Table 13: Involvement of port authorities in bottleneck-solving for the benefiting the entire port community (leadership) – differentiated results	48
Table 14: Port authority involvement in societal integration initiatives (leadership) – differentiated results	50
Table 15: Frequency of contacts with government (weekly contacts) – differentiated results	51
Table 16: Ownership of port authorities – differentiated results	56
Table 17: Legal form of port authorities – differentiated results	58
Table 18: End responsibility for appointing the top management executive – differentiated results	63
Table 19: Employment status of the top management executive – differentiated results	64
Table 20: Mandate of the top management executive – differentiated results	65
Table 21: Average number of staff employed by port authorities, in FTE – differentiated results	66
Table 22: Number of staff employed by port authorities, in % - differentiated results ..	66
Table 23: Average composition of the supervisory / governing body of a port authority, in number of people – differentiated results	68
Table 24: Average composition of the supervisory / governing body of a port authority, in % - differentiated results	68
Table 25: Background of the chairman of the supervisory or governing body – differentiated results	70
Table 26: Entity taking the final decision to appoint the chairman of the supervisory or governing body – differentiated results	71
Table 27: Use of accounting principles – differentiated results	85
Table 28: Average operating income profile – differentiated results	86
Table 29: Average cost profile – differentiated results	87
Table 30: General port dues – rebates, penalties, exemptions and promotions – differentiated results	91
Table 31: Port authorities subject to taxation – differentiated results	95
Table 32: Financial autonomy of port authorities – differentiated results	96

