Synthesis and conclusion: Mega-ships and City Port dialogue

Posted on **17 June 2016** by **Bruno DELSALLE**

Megaships – both cargo and passenger, with their different characteristics – constitute a new reality for our ports, requiring them to make efforts to adapt to this new dimension. This scenario facing ports and port cities might well be described as disruptive.

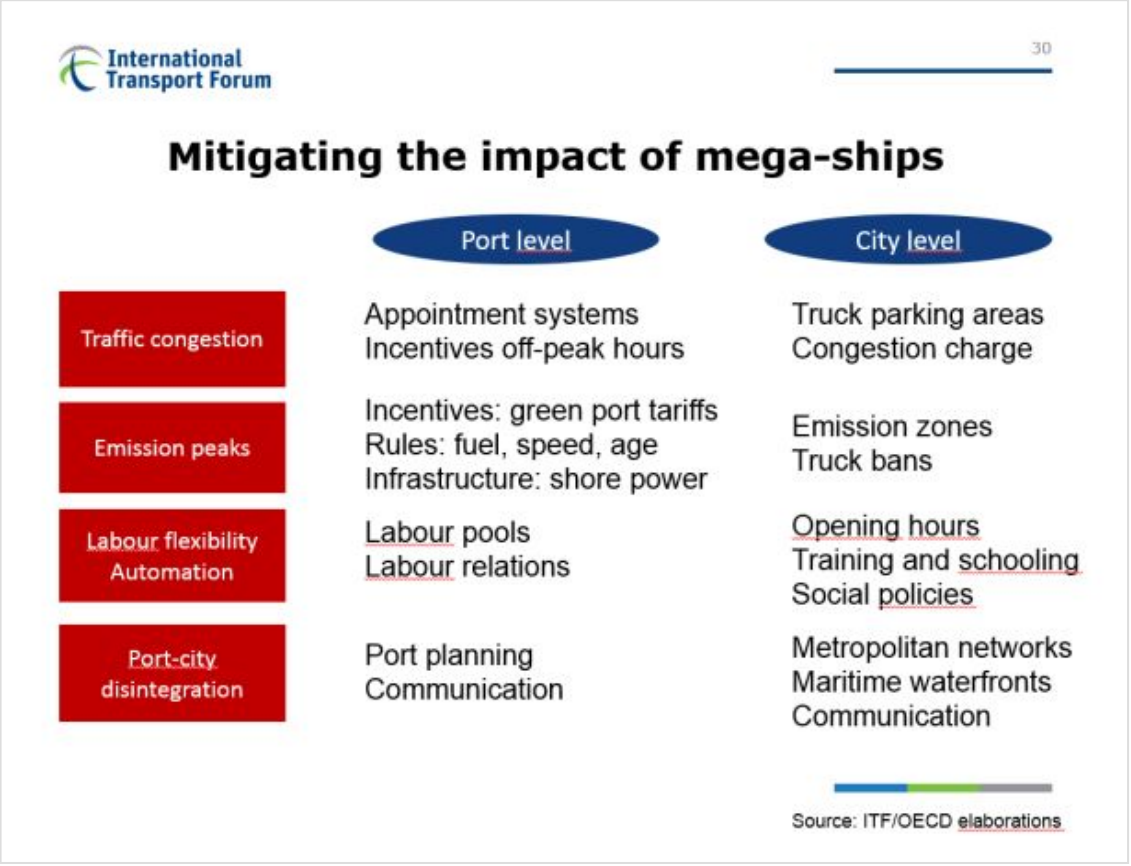
Market logic

What can we say of this new reality, and what response can we recommend? There are arguments, certainly, for considering megaships as a natural market phenomenon, with the positive aspects which they evidently possess. There are some therefore in favour of maintaining a “laissez-faire, let them come” attitude to their presence and effect in the world shipping market; letting the shipping companies’ relations with the existing port supply continue unaltered, letting the ports compete with one another, if they wish, to capture this attractive new demand segment. This will require investment in infrastructure and an aggressive pricing policy. The play of free competition will provide a response to the challenges of megaships, say the defenders of this policy – always in the name of the market.

However, things are not so simple. This position is strongly contested by some business sectors of the marine transport value chain. Their critical attitude is also based on the cry of market logic; but obviously – in their view – on a more genuine logic. First and foremost they question the economic model underlying megaships, since it is based on a lack of real competition and a dominant position held by a few players, the megaship owners, which will completely distort the relation between supply and demand. Ports will be forced to accept abusive conditions, obliged to invest in order to adapt their infrastructure entirely at their own risk, and exposed to an unlimited risk in the volatility of the megaship-client. Thus the economic model underlying megaships is anti-economic, because it implies ruinous investment in extending port capacity without the slightest rational estimate of the demand which would make such investment economically and socially profitable, both in terms of amortisation of capital and of covering operating costs sustainably. Finally, they question the economic model of megaships from the point of view of the shipping companies which operate them. The available statistics show that the supply of capacity is continuing to increase out of step with the market, and well above the expected future levels of real demand. In view of all this, they warn of the risk that we are facing yet another speculative bubble.

Externalities

To these business arguments are added the critical observations made by fora such as the ITF (International Transport Forum) of the OECD, analysing the dynamic imposed on ports and port cities by the arrival of megaships and warning of the expensive externalities which they provoke and which will have to be met by cities, ports and communities. Foremost among these they stress the environmental externalities, more specifically local emissions of contaminants. One city, Barcelona, has already warned of the urgent need to regain control of the situation. Questions are also raised as to the supposed efficiency in economies of scale derived from the size of megaships. These might be achievable if occupancy were optimised, however this is not the case at present nor is it expected to occur in the foreseeable future. The costs, fuel consumption and carbon footprint per TEU transported could therefore spiral, which is another cause for concern. The impact of the externalities associated with megaships on the urban tissue of port cities is also criticised, namely the impacts they will force on territories due to port extensions. These include the provision of new logistical areas and transport corridors, as well as increased traffic densities, congestion and peaks in local emissions of contaminants. The sharply intermittent nature of port activity will have the same effect on the demand for labour, implying an undesirable and conflictive scenario of precarious employment. In terms of the economic efficiency of port infrastructure, the result will be one of overcapacity – unused when no megaship is in port and vulnerable to withdrawal of calls by these vessels.



Turning more specifically to the problem of air quality, the experience of Barcelona could easily be transferred in the near future to other port cities. The population and public opinion are highly sensitive to this problem, a fact which is very influential in municipal policy. The epidemiological studies promoted or inspired by the World Health Organisation (WHO) over the last thirty years have produced scientific evidence of the

effects on public health of certain contaminants emitted or promoted mainly by traffic (NOX, NO2, PM10, PM2.5, O3 etc.), with calculations of the number of premature deaths attributable to this pollution. In Europe the estimated number of deaths is more than 432,000 per year; in Spain, around 25,000. Social pressure and the discipline of European legislation are obliging the town halls to adopt drastic measures through local air quality plans; they are imposing traffic restrictions and penalising the use of diesel due to its high production of critical contaminants (PMs and NO2). Such regulations have a direct impact on megaship port operations. It is necessary to think about providing an alternative power supply in ports for ships to use, with the minimum possible emissions of critical contaminants. The logical first choice is natural gas, but that implies new investment in infrastructure, which will certainly be costly. How is it to be financed? Who will pay in the long term? More questions to be considered in negotiations between port cities and megaship companies.

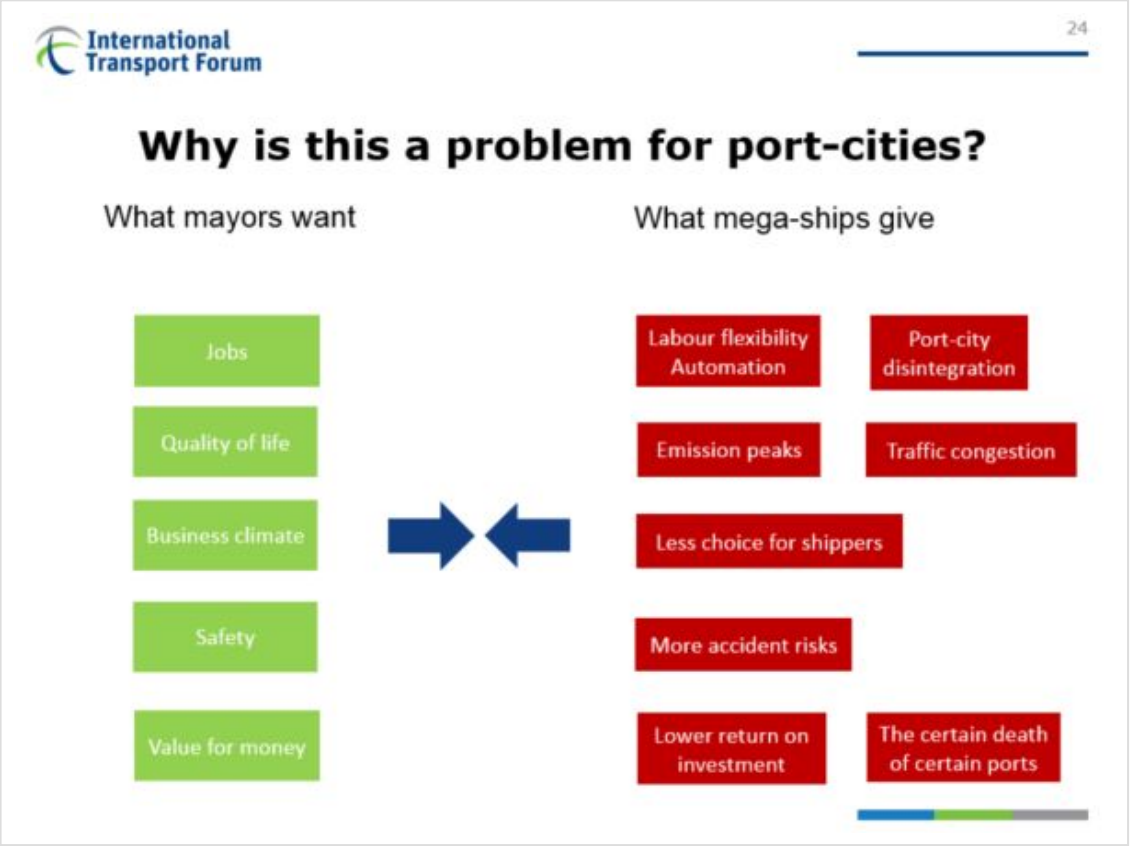
Another area of impact, which combines with this growing sensitivity of public opinion towards certain aspects, has to do with the reduced quality of life suffered by port city residents as a consequence of the impact on their city's cultural identity of the urban "banalisation" caused by excessive mass tourism, converting the city – or parts of it – into a sort of theme park. Citizen discontent with these impacts (very often associated with megaships) has increased to the point where it is appearing in election manifestos, and subsequently in the political programmes of newly-elected city councils. The case of Barcelona is well-known, but it is not the only one. A similar case has occurred recently in Mexico in the port city of Cozumel, and further cases are expected. Malaga offers experiences in the prevention of such impacts by avoiding excessive concentration of certain business profiles.

Port-City Dialogue: the practical need for a common position.

The number and magnitude of the contradictions identified are evidence of the urgent need to coordinate dialogue between Port and City to enable them to construct a shared response to the challenges presented by megaships. It is a need common to both parties. Either alone is, and will remain, incapable of responding to the entirety and the complexity of the proposed scenario. For practical reasons it is essential to build stable but flexible frameworks of dialogue and governance to reinforce synergies and cooperation between port and city. This dialogue must develop so as to produce a common vision and a common strategy.

This collaboration is especially important in the areas of strategic, territorial and city planning. It must address subjects – vital for both parties – like planning of port intermodal and transport infrastructures for connectivity with the hinterland, or planning movement flows with demand peaks, which will very often require separate solutions. Another aspect is the urban design of public spaces on the port-city interface and pedestrian corridors between the city and recreational or leisure facilities around the port. Malaga, the host city of these AIVP days, provides an example of good practices in this respect, and also of pursuing coordination between the urban agenda and the requirements of port activity and infrastructure.

Considering that cities, in principle, will strongly resist charging costs to their budgets (taxpayers' money) to satisfy the requirements imposed by megaship operators, port-city dialogue and cooperation will be indispensible to forge a common position from which to negotiate such thorny questions as who pays for the extra costs of adapting infrastructure and equipment, or those arising to port and city from megaship operations and port use.



Port-city dialogue and a common position will also be essential in negotiating with megaship operators to obtain reasonable guarantees of loyalty and commitment. The risk has already been noted, and confirmed in some cases, of megaship companies demanding expensive adaptations in ports and then – once these have been implemented at the price of large investments and opportunity costs to the port city – turning their backs and withdrawing service from the port.

Can there be a "Barcelona model" for port city dialogue with megaship companies?

Some cities are more vulnerable than others to the risks described above. In general, however, almost all are vulnerable to a greater or lesser degree. The case of Barcelona is different, even exceptional, as it presents a much lower vulnerability to these risks. Its consolidated status as a tourist destination clearly guarantees that visitors will continue to arrive by ship, whatever happens. This position of strength allowed it to start to raise criticism of certain undesirable effects of megaships. It is possible that Barcelona, thanks to the alignment of social pressures with the vision of its local government, may open discussions with megaship companies on the controversial questions mentioned above on reasonable, balanced terms. If that were to happen, it could provide a valuable precedent of negotiation in this field, which would certainly help other port cities. That is why Barcelona's experience is so important. In the 1990s, its policy of expanding tourism earned the city international recognition which led people to talk about the "Barcelona model" in this sense. Perhaps in today's circumstances a new "Barcelona model" may appear, but now in terms of "rationalising tourism", starting with the "deconstruction" of some excesses.

The urban agenda, megaships and the opportunity for global dialogue.

We are seeing the existence of a serious conflict between the dynamics imposed on port cities by megaships and the dynamics of the cities themselves towards sustainability.

In October this year, the United Nations is holding “Habitat III – United Nations Conference on Housing and Sustainable Urban Development” in Quito (Ecuador). World conferences on urban settlement are held once every twenty years. At this third conference a call will be launched for a New Urban Agenda, linked with the Agenda against Poverty 2030 set by the Sustainable Development Goals (agreed in September 2015) and the Energy and Climate Agenda 2050 agreed at COP 21 in Paris. These three agendas together are defining a world-wide consensus between countries inspired by a new paradigm, with a new vision of the world economy reoriented towards eliminating carbon. In the service networks and infrastructure of cities, increasing importance is being given to their resilience and therefore to risk decentralisation, flattening of demand curves and efficient dimensioning of capacities. All this goes directly against the dynamic of megaships.

This urban agenda promotes greater concern for the quality of life of the city’s inhabitants, paying special heed to reducing contamination and congestion levels. It also shines a light on the issue of the sustainability of municipal finances and good investment planning to guarantee profitability in both economic and social terms. This also appears to conflict with the dynamic that megaships may introduce into port cities.

To continue with these contradictions, the urban agenda also includes concern to preserve the cultural diversity and the idiosyncrasy of every urban environment.

We are living through a historic moment in world governance. The globalisation of the economy has been accompanied by evidence and international awareness of the global scale of certain problems, such as climate change, energy security and the fight against poverty. There is an interaction between the global plane of problems, visions and strategies, and the local scale where all of these take concrete form and solutions have to be found. The challenges raised by megaships for port cities are an exceptional example of this interaction, occurring at an unfortunate moment.

The international shipping industry, to which the megaship companies belong, is one of the least regulated in our globalised economy – to a surprising degree. And as we have seen, it is port cities which suffer from this situation. Some organisations present at this meeting (like Transport & Environment) are calling for the inclusion of sea transport in

binding global and European agreements on emissions reduction.
It is appropriate to mention a few final global considerations, in the context of the Sustainable Development Goals and thinking of developing countries with scarce resources and a tremendous need for investment in basic services (e.g. health, education, sanitation, roads and energy). I am thinking specifically of Africa, the continent where so many hopes for development in the next decade are concentrated. It is therefore important to insist on the risks faced by port cities when they receive abusive demands by megaship companies, requiring huge investments which turn out to be ruinous due to the lack of loyalty by those companies when it suits them to withdraw their service.

Citizens in the Port-City Dialogue: the importance of creating social capital.

Returning to the context of port-city dialogue, an increasingly important role is played by the relationship between the port and the city's inhabitants and social groups. Both are gaining influence in the public decisions of city governments. Again, the recent, progressive experiences of Barcelona are indicative of a trend which is becoming generalised, although in varying ways and with gradually increasing intensity.
By the same token, to open the way to this port-city dialogue which citizens are demanding, it is essential to promote links between the port and the city's inhabitants. They must become familiar with every aspect of the port, its history, cultural identity, socio-economic benefits, infrastructure, environmental impacts, etc.
Apart from practical considerations, this will help to normalise a relationship which historically was one of symbiosis, but which – unfortunately – has gradually changed to distance, then indifference and finally incomprehension. This distancing may have been motivated, in part, by modern city planning of the second half of the twentieth century, which recommended specialist zoning and compartmentalisation by use, breaking the capillary interaction in which the city's inhabitants moved. Physical barriers were created between city and port by high volume roads providing links for motorised traffic between specialist zones, but isolating them for pedestrians. This form of city planning also ended by creating mental (emotional and intellectual) barriers. By rediscovering the old, diverse, mixed, complex, compact city, today's urban planning promotes familiarity among the population with the overall urban metabolism of which they are part, including the services and infrastructure which sustain the community. This is an opportunity, in every sense, for familiarisation of the inhabitants with the port
Such familiarisation can generate business opportunities, especially in the retail and leisure sectors, associated with the public spaces of the port environs. For some ports it is a way of achieving funding and economic sustainability. Malaga and its port have opted for this concept, in which they have invested heavily.
At the same time the risks present in citizen empowerment must not be ignored, if it is not accompanied to a sufficient degree by knowledge, information, firmness and commitment with regard to the port's situation. Any potentially controversial issue may descend into a superficial public debate between "owners", or into demagogy. This conflictive scenario lends itself to adverse, self-interested political exploitation; or may inhibit the proactivity of the political leaders who should be promoting the project. The predictable result, in either case, will be the cutting of the initiative – provisionally or definitively. Notwithstanding all these aspects, this scenario, which is a sign of the times, can also be seen as fundamentally positive, in that it shows that citizens are becoming more exacting in requiring political authorities to account for their actions and properly legitimise projects which will have an economic, environmental or territorial impact.

In any case, the correct response is to go for a process of more two-way dialogue and learning – in short, for more social capital. Understanding of this concept of “social capital” is the key to orienting the construction of frameworks for citizen dialogue, in the context of the port-city relationship. For all these reasons the “Port Centre”, an institution promoted by AIVP, provides the most suitable tool for constructing or developing citizen dialogue. There are quite a number of “Port Centre” experiences among AIVP members which have already achieved a degree of maturity, to the point where we can now talk about “second generation” Centres. There has also been a strong interchange of knowledge on the subject, thanks to networking through AIVP.

At the AIVP Days in Malaga, a wealth of ideas was presented through mature, enriching experiences of public dialogue and citizen debate. The ports of San Diego, Leghorn, Guadeloupe and Quebec are good examples of different ways of constructing this dialogue, and form a rich fund of social capital for the AIVP network. It is therefore especially positive and symbolic that this meeting closed with the signature of the “Port Centre” initiative by the Port of Quebec.

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