

# **Port Policies amidst Economic Crisis**

*(strategies to face the future)*

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# General Secretariat of Ports & Port Policy

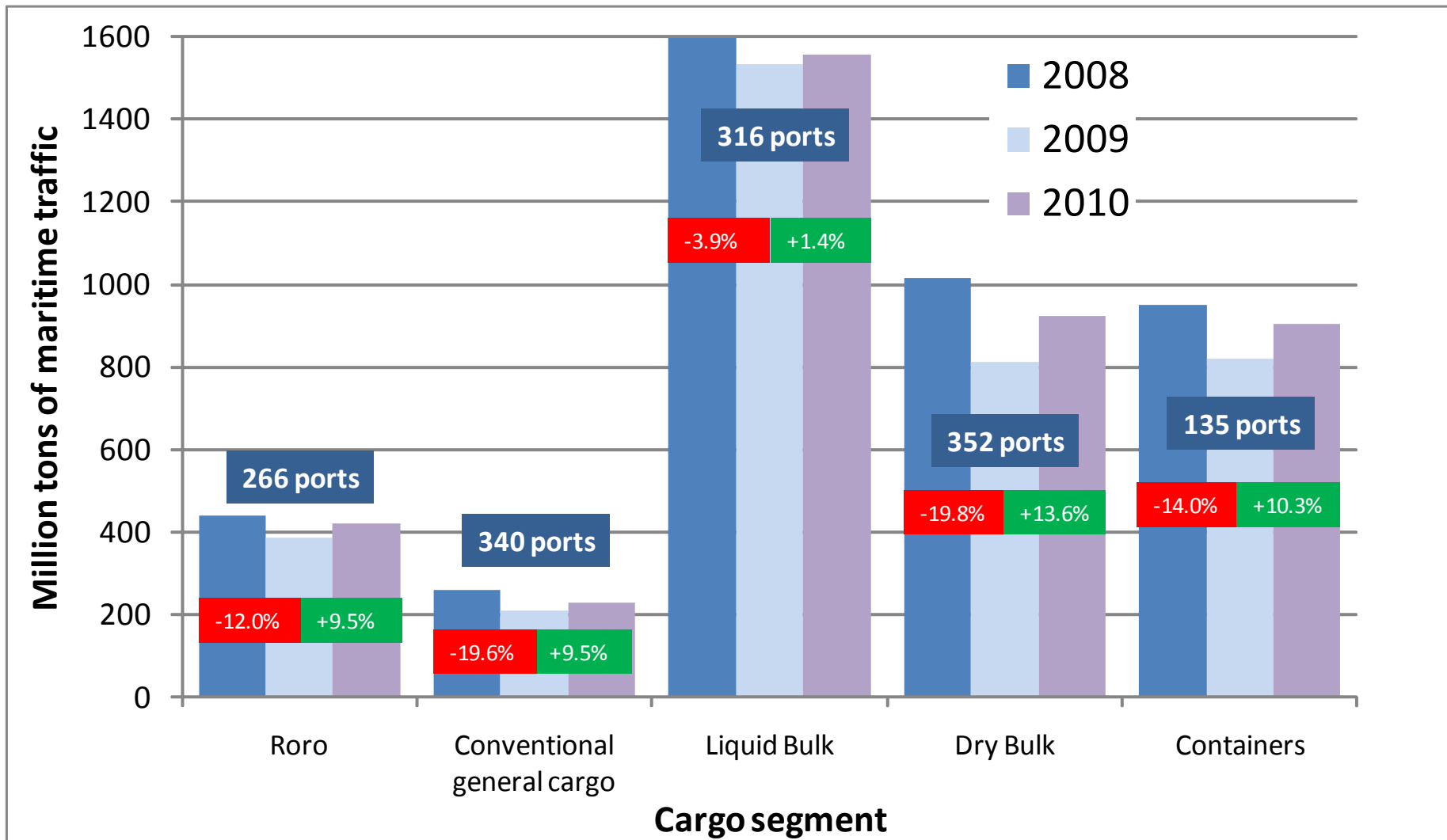
*(my current responsibilities)*

- Design & monitoring the implementation of a national port policy aiming to the development of modern port infrastructure
  - to meet the requirements of passengers, ships & cargoes.
- Responsibility for the smooth operation of the Port Development and Planning Committee.
  - general planning, monitoring, and implementation of port level programs;
  - allocation of public financial resources and mobilisation of private ones.
- 889 ports (12 'big' ones are corporate entities)

# Ports & the Economic crisis

*(European port traffic 2008-2010: -5.2%)*

Source: ESPO Statistics



# Total European port throughput in 2011

*(Some reasons to smile again)*

Source: ESPO Statistics

Year	Total througput	Change
2008	4.26 billion tons	
<b>2009</b>	<b>3.76 billion tons</b>	<b>-11.7%</b>
2010	4.04 billion tons	+7.4%
Jan-Sep: 2011 vs. Jan-Sep 2010		+2.6%

EU seaborne foreign trade : 1.118,2 billion € (2009)

# Structural economic shifts

(the 'derived demand' effect)

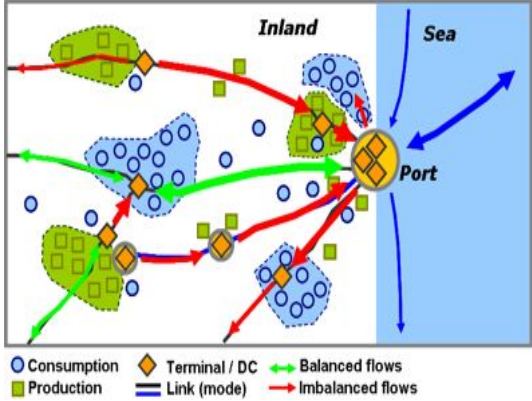
- Shifts in the **Global Economy**
  - Globalisation & the new role for emerging economies
  - Cargo shipments via European ports to increase
  - Growing demand for EU products in emerging markets
- Shifts in the **EU economy**
  - Industrial production in Europe set to change, shift to services and high added-value products
  - Strengthening of the internal market: *exchanges*
  - Public funding constrains – particularly in the Med

# Shifts in logistics and ports

(internal forces request change)

1. **Bigger - more sophisticated ships**
  - for inter-continental trades
  - for all sectors (cargo, cruise, etc..)
  - for intra-EU exchanges
2. **International terminal operators**
  - consolidation vs. market openness
3. **Supply Chain integration**
  - co-ordination, cooperation, vertical and horizontal integration
  - Information technologies and smarter IT apps, linking carriers, ports, shippers and customers
4. **Operational and Spatial Expansion**
  - foreland and hinterland regionalisation
5. **Environmental & societal pressures**
  - Local/global & operational/shipping related

# In pictures:



# 1. Importance of reducing barriers to private entry

- Allow newcomers for faster implementation of new technologies and business models
  - Increase competition &
  - Guarantee investments
- Entry barriers in seaports:
  - **regulatory** (limitation; discrimination; provisions in agreements; state guarantees; economic rents)
  - **geographical** (locational)
  - **economic** (Absolute cost advantage ; switching costs; Sunk costs)
- More complex than in the past



# Greek Ports Reforms

## (in progress)

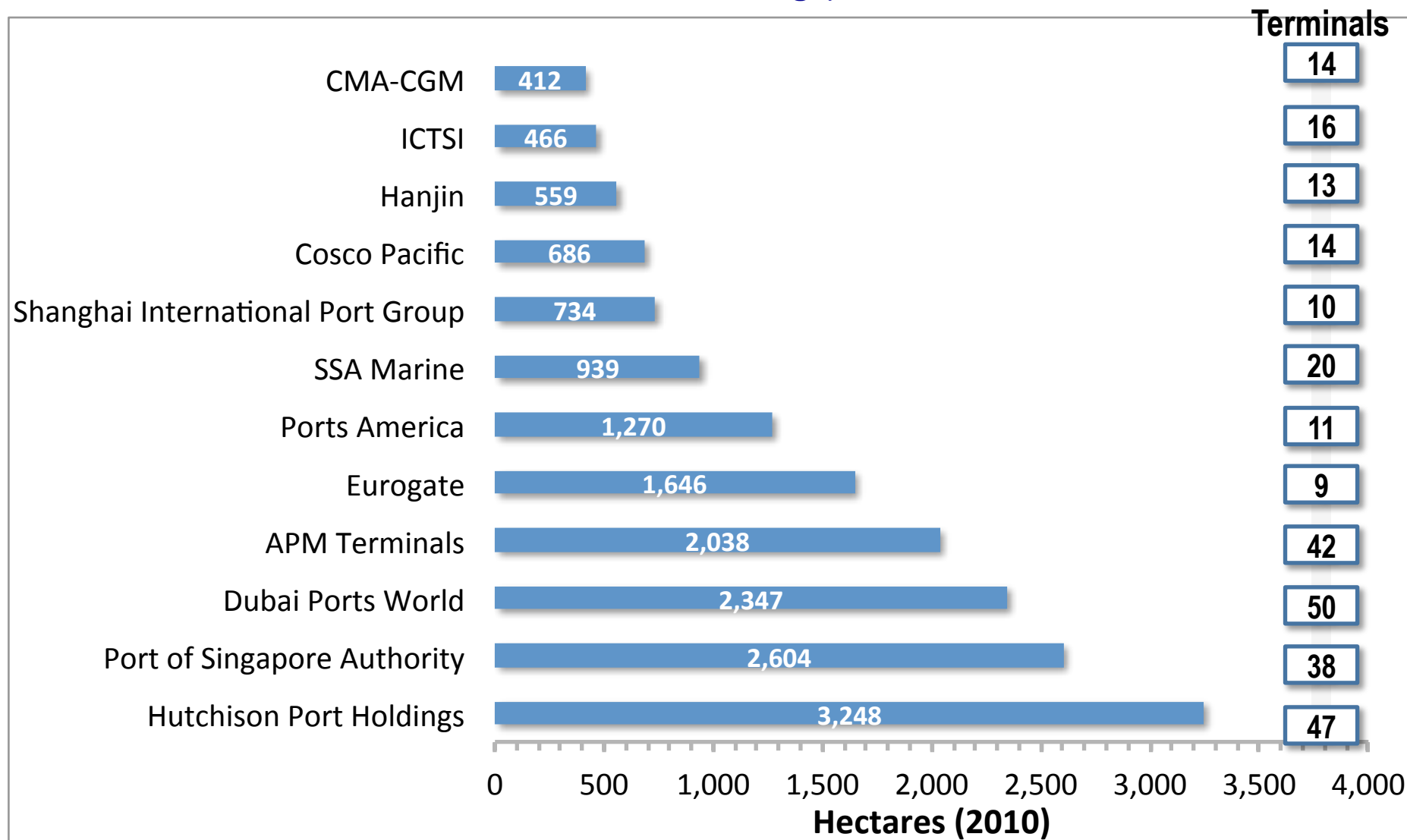
- Two major reform projects are underway
  - Project “Poseidon”: increase entry to the 12 major ports (Sociétés Anonymes)
  - Project “Nereides”: increase entry to all other Greek ports
- **Goals:**
  - **Transform Port Authorities to Landlord & regulatory Authorities**
  - **Provision of port services may be offered by privates under concession agreements**
  - **Attract Foreign Direct Investments**

# Key topics in port-policy discussions

- 1) What are the objectives & the role of the 'new' Port Authorities?
- 2) Which awarding procedures to follow?
  - How to determine concession duration?
  - How to determine concession fee?
  - How to determine (throughput) guarantees?
  - Should we give performance incentives?
- 3) What is the efficient scale of a terminal / port to concession?
  - Should we bundle small ports before introducing private entry?

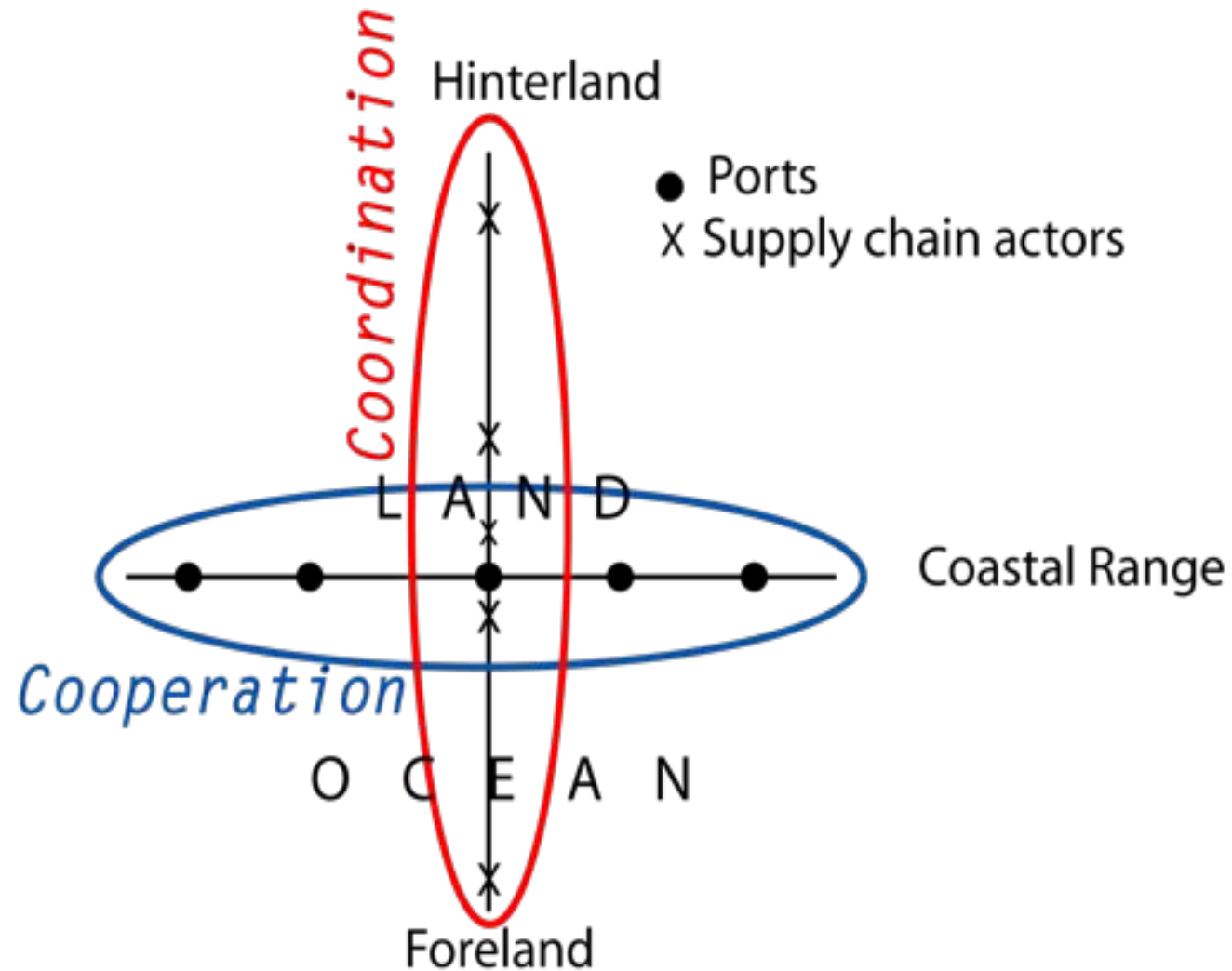
# Acknowledging market concentration

(example. Containers – Terminals & Hectares Controlled by the 12 Largest Port Holdings)



Source: Rodrigue and Notteboom, 2011

## 2. Promote Port Cooperation



# Typology of Port Cooperation Activities

ACTIVITY	FORMAL	INFORMAL
<b>Marketing and Business Development</b>	<ul style="list-style-type: none"> <li>• Joint advertising and promotional activities</li> <li>• Establishing a joint marketing agency</li> </ul>	<ul style="list-style-type: none"> <li>• Seeking joint clients</li> <li>• Exchange of experts</li> <li>• Promote the use of each other's facilities</li> </ul>
<b>Operations</b>	<ul style="list-style-type: none"> <li>• Common training agreements</li> <li>• Joint application of new communications technologies</li> <li>• Port development planning</li> <li>• Partnerships with other actors</li> <li>• Joint development of similar operating practices</li> </ul>	<ul style="list-style-type: none"> <li>• Information exchange on terminal management</li> <li>• Sharing of information on port development</li> <li>• Exchange of experts</li> <li>• Joint studies</li> </ul>
<b>Administrative</b>	<ul style="list-style-type: none"> <li>• Port representatives participating in other ports</li> <li>• Joint investments in hinterland infrastructure</li> <li>• Joint management of port expansion</li> <li>• Formation of (inter)national cooperative organizations</li> </ul>	<ul style="list-style-type: none"> <li>• Technical assistance in port management</li> <li>• Common positions at international fora</li> </ul>
<b>Regulatory</b>	<ul style="list-style-type: none"> <li>• Joint environmental protection initiatives</li> <li>• Coordinated investment: safety &amp; security</li> </ul>	<ul style="list-style-type: none"> <li>• Information sharing on environmental programs</li> </ul>

# Port Cooperation in Europe

- **Acknowledgement of cooperation**

*“Cooperation between ports and especially between those close to each other is most welcome, as it can lead, inter alia, to specialisation in cargo or ship types, and organisation & pooling of hinterland transport facilities. It would certainly lead in many cases to an improvement in output”*

EPP Communication - 18.10.07

**Vs.**

- **Limits to co-operation**

- Concentration in the cargo handling market
- EU Treaty rules on competition impose limits on co-operation between ports / between port operators
- Relations with neighbouring non-EU ports

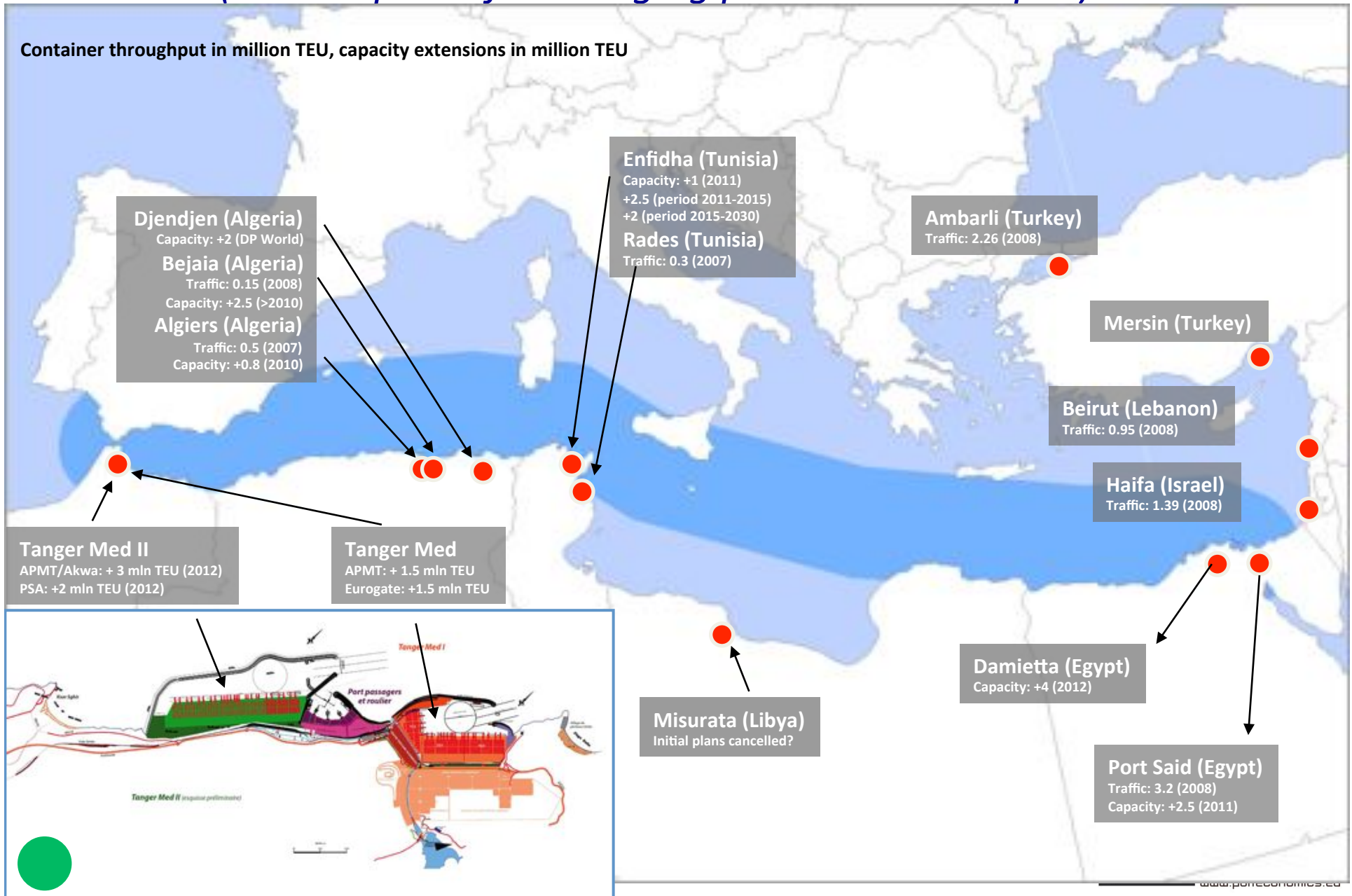
# Thinking European

(One continent, ± 1200 commercial ports)

- Container **traffic** at major EU ports: >50 million TEUs per year (and growing...)
- Merchant **Ship calls** in EU ports: > 850.000 per year
- **Passengers** in EU ports: > 400.000.000 per year
- Number of **enterprises in EU ports**: >9 000  
(maritime + non maritime, logistics, steel, marine equipment, petrochemical, cars etc)
- 500.000 **Jobs** (direct-indirect)
- Industrial **clusters around the port**



# Acknowledging Major developments in non-EU Med ports (also: impact of a changing political landscape?)





### 3. Integration in the grand EU network design



- Trans-European Transport Networks
- Intra-EU seaborne trade (SSS)
- Regional development policy

# Finance basic infrastructure

- Comprehensive Network Seaports I – Passengers:
  - $\pm 400.000$  pax / year
- Comprehensive Network Seaports II – Freight
  - $\pm 2.400.000$  tonnes / year for bulk cargo (dry and liquid) or
  - $\pm 1.300\ 000$  tonnes / year for non-bulk cargo (RoRo, containers and other cargo)
- Comprehensive Network Seaports III – Accessibility (territorial cohesion)

# ..to bring the positive effects of cooperation

- **Target:**
  - inter-operability
  - inter-connection
  - complementarity of modes
- **Advance supply-chain development via hinterland integration (distribution centres, logistics etc).**
- **Might help:**
  - Freight & passenger traffic flows
  - Customer needs
  - Inter-connectivity and accessibility of the regions
  - Territorial, economic and social cohesion
  - Efficiency and equity
  - Ecological issues

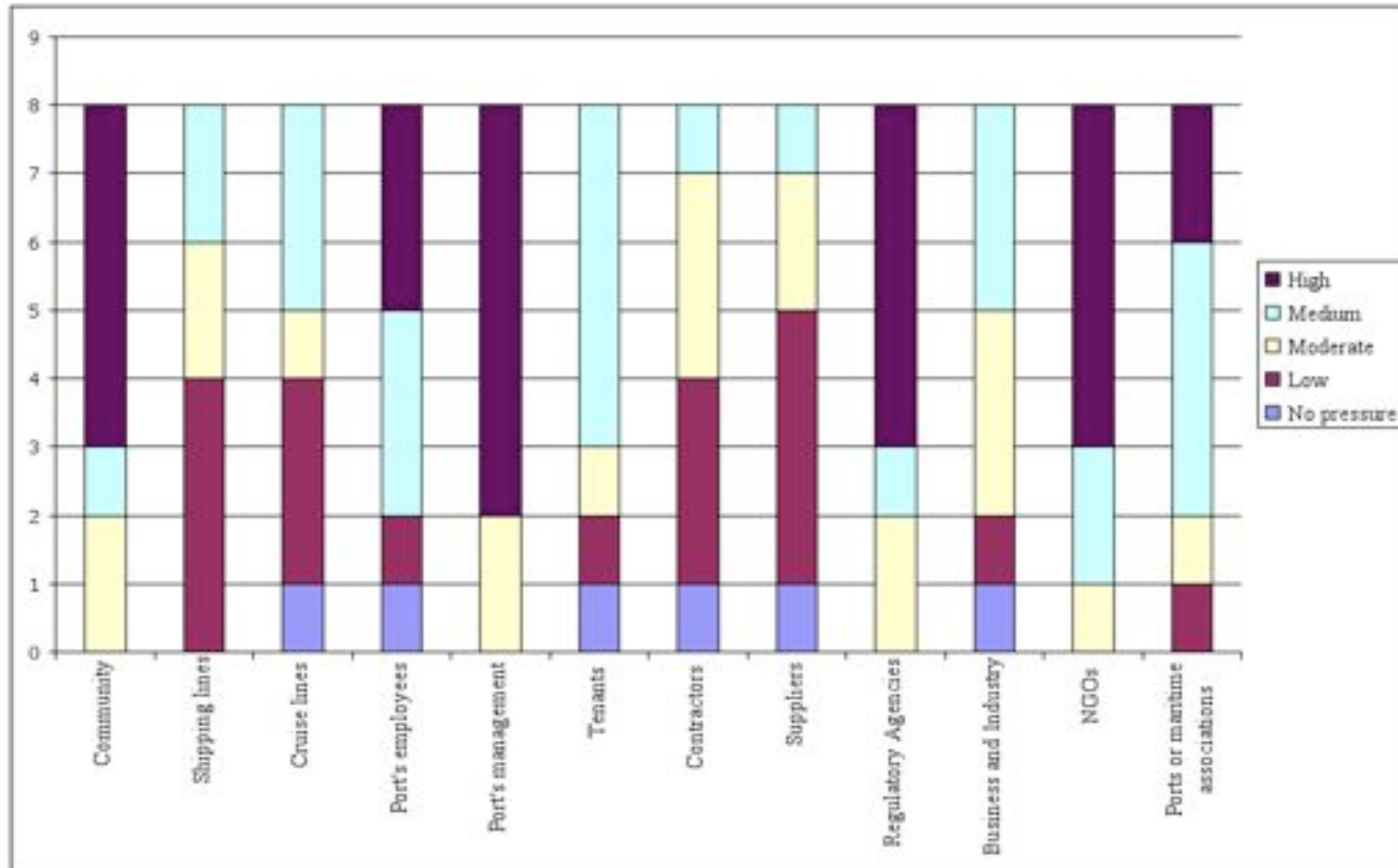
# 4. Address the Long List of 'Green' Issues (to be ready in the post-crisis period)

- **Cargo Handling operations**
  - Land take
  - Congestion
  - Noise
  - Emissions
- **Port maintenance /expansion activities**
  - inland expansion
  - maritime expansion (dredging)
  - management of disposal
- **Recreational activities**
- **Port Refuge**



# A port's 'license to operate' is associated to its environmental performance than before

(Level of Stakeholder Interest in Port Environmental Performance)



Source: Adams, Pallis, Wakeman, 2010)

# Several Environmental Challenges are *Local*



- Port area
- Tenants & Operators
- Port-City links
- Stakeholders
- Risk and cost
- Political & market uncertainties

# Conflict between port needs and the application of 'green rules'

- **Difficulties in carrying out a specific project**
  - Conditions: agreement between port promoters and authorities that the impact on the local area is adequately catered
  - Large number of competent authorities don't carry out the assessment process in a rapid, simple & transparent manner
- **Lack of integration between transport & environmental policies**
  - i.e. Promotion of SSS (environmentally friendly) vs.
  - Environmental legislation impedes certain necessary infrastructural works in ports

## 5. Importance of Societal Integration

- Port actors need to take initiatives to sustain co-habitation with local communities
  - focus on avoiding negative (pollution, congestion, etc.)
  - stimulating positive externalities (soft values).
- Seaport is part of a wider (coastal) ecosystem where it has a variety of environmental interactions with the outside.



Kids visiting the port



"Sometimes after work I'm visiting the docks" -

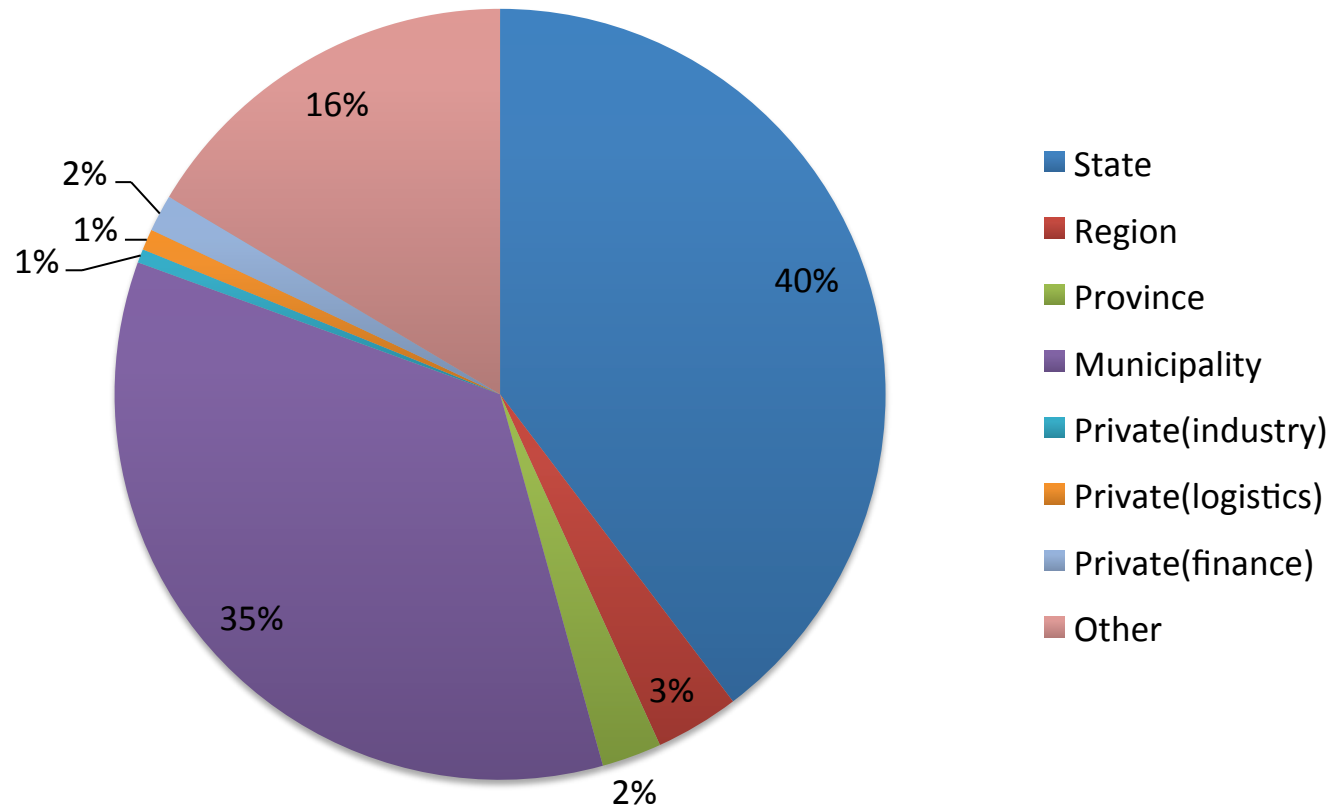
A Port Photo collection





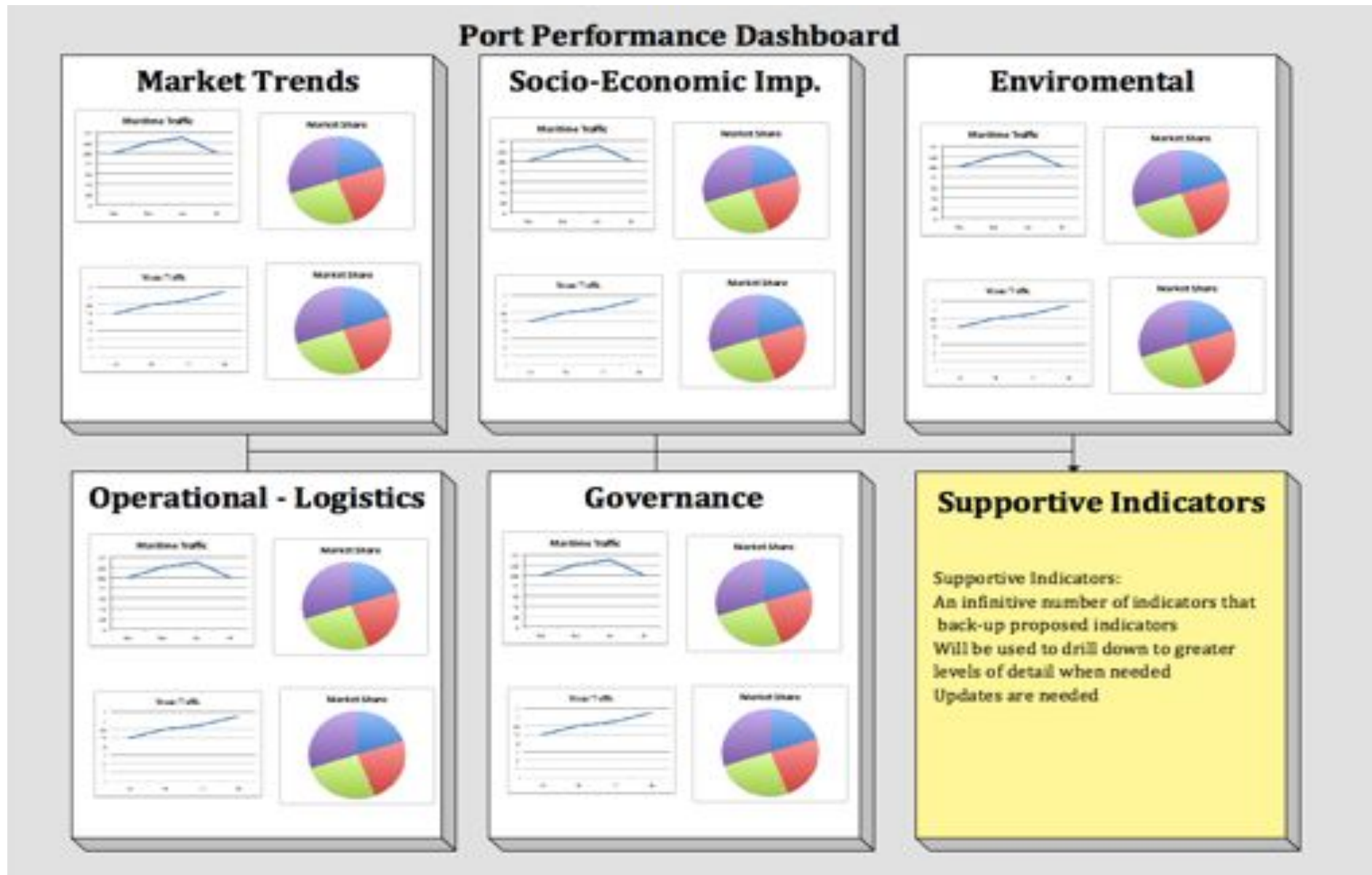
# Conclusion (1/2): It is not a question of ownership but one of strategy

## Ownership of port authorities in Europe (2011)



Source: ESPO, 2011

# Conclusion (2/2): Focus and monitor Port Performance (beyond productivity)



**Grazie per la vostra attenzione!**

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***More about ports @***

