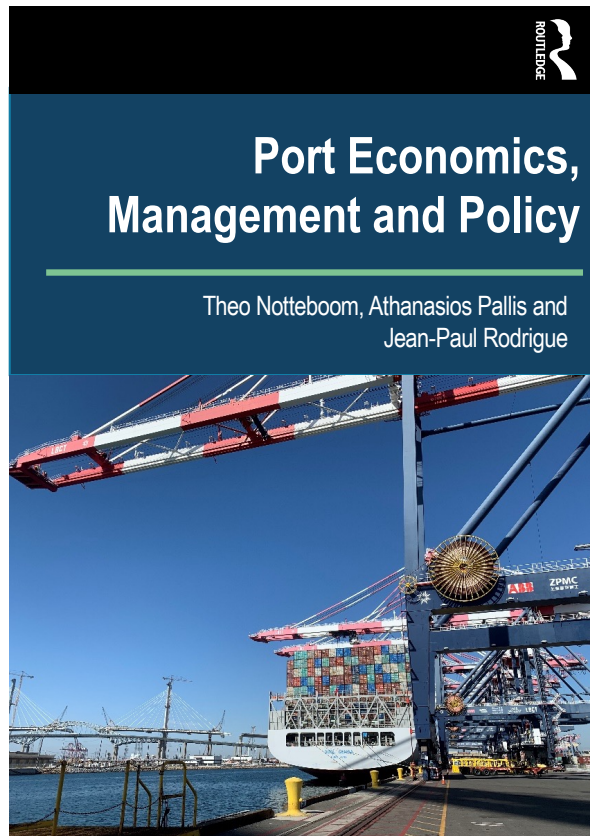


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Port Governance Regionalization: Types, Drivers, Impediments & Implications of Port Authorities Mergers

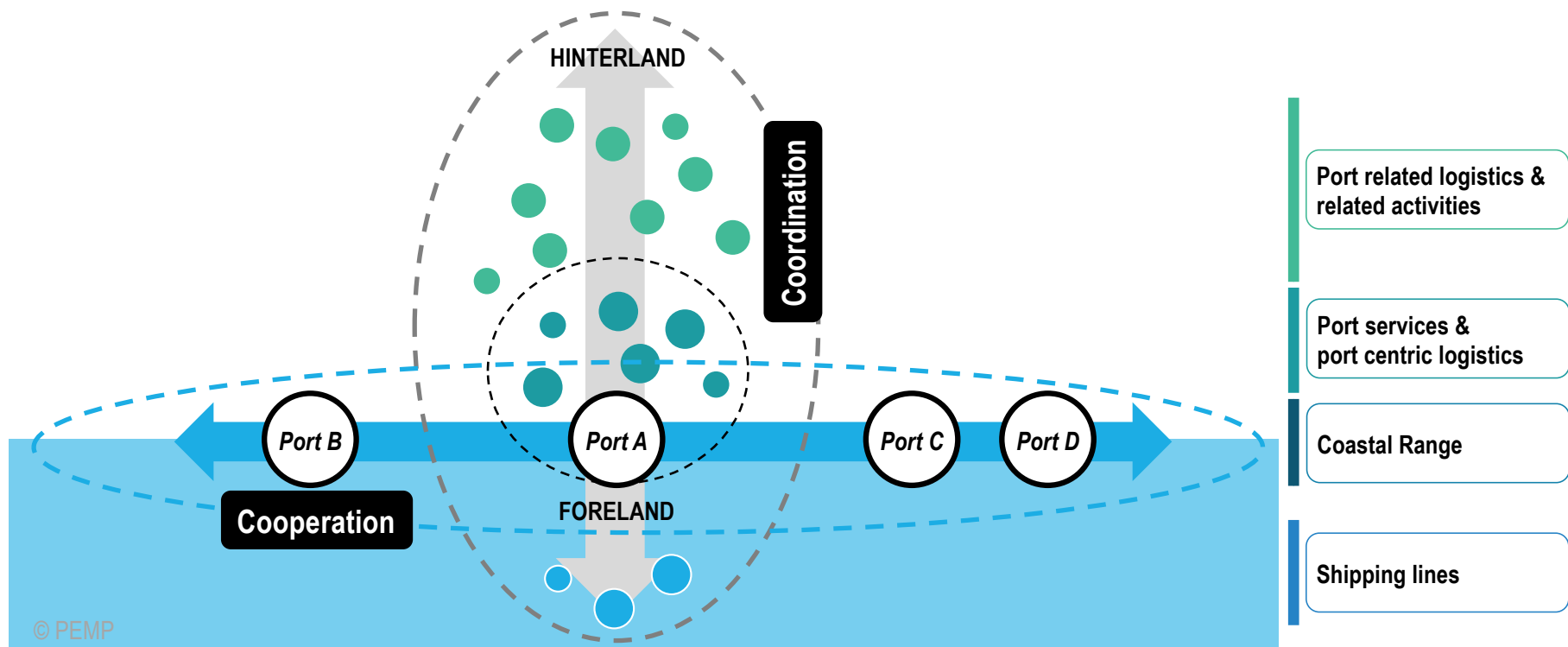
Dr. Theo Notteboom, Professor, Ghent University, Belgium and University of Antwerp, Belgium.

Dr. Thanos Pallis, Professor, University of Piraeus, Greece.

Dr. Jean-Paul Rodrigue, Dept. of Global Studies & Geography, Hofstra University, Hempstead NY.

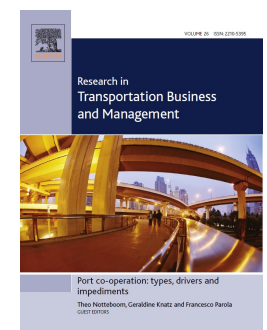
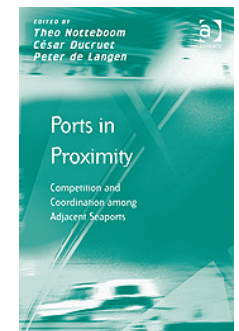
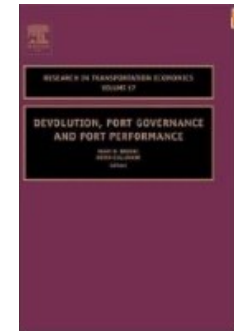
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Port Cooperation and Coordination



Background

- **Co-operation, integration and co-ordination** are much researched themes in mainstream economic and management literature
- Some edited volumes touch upon the theme of port authority co-operation/integration and (national) port coordination in quite a few country-focused chapters.
 - RTE Special Issue on “*Devolution, port governance and port performance*” (Brooks & Cullinane, 2007)
 - “*Ports in proximity*” (Notteboom, Ducruet and De Langen, Ashgate 2009)
 - RTBM Special Issue on “*Revisiting Port Governance and Port Reform*” (Brooks, Cullinane & Pallis, 2017)
 - RTBM Special Issue on Port Cooperation: Types, drivers and impediments (Notteboom, Knatz, Francesco Parola, 2017)
 - Etc..



Introduction

- Multiplication of port integration schemes in various forms:
 - **Port authority mergers or acquisitions**
 - Similar port sizes: North Sea Port, CMP, Hamina-Kotka;
 - Various port sizes: Zhejiang port group, Liaoning port group, Italian port system authorities, Vancouver Fraser Port Authority, Rotterdam-Dordrecht, Valenciaport, etc..);
 - Comprehensive (regional) port authority **alliances** (HAROPA, PNW Seaport Alliance between Seattle and Tacoma, etc..);
 - **Port authority internationalisation** (e.g. Antwerp in Oman, India, West Africa..; Rotterdam in Oman, Brazil, etc..; Qingdao port group; etc..)
 - **National or regional commissions** and committees aimed at coordinating port development and policy advice
 - **Wide range of formal and informal cooperation schemes** among ports in specific domains (e.g. environment, safety, etc..) or for specific projects
- We focus on far-reaching forms of port authority cooperation, i.e. port authority mergers

Observation 1: few international examples of far-reaching cross-border mergers between port authorities

- Examples: CMP (Sweden/Denmark), North Sea Port (Belgium/the Netherlands; 2018)
- Administrative and 'mental' borders (national, provincial, & even local borders) hinder cooperation:
 - Port governance models might differ;
 - Cross-border cooperation not easy to match with national or regional port policy;
 - Local/regional/national reflex in terms of socio-economic effects;
 - Little experience on how to reach a fair cross-border distribution of costs and benefits of co-operation.



Port Mergers: Port of Copenhagen-Malmö (PCM)



Observation 2: (government-led) pendulum from centralised to decentralised and re-centralised national port systems

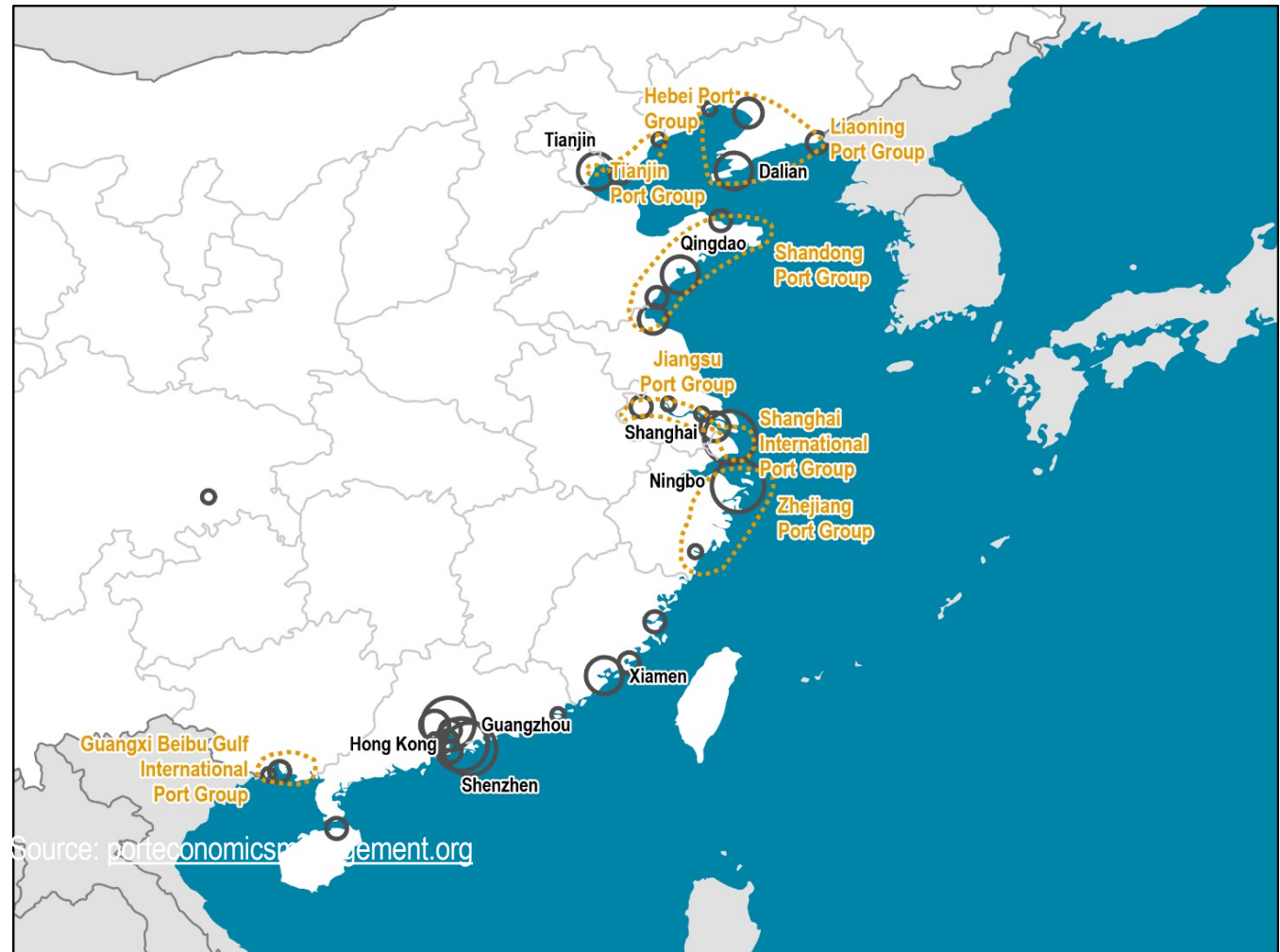
- Example China: Three distinctive phases in port governance reform:
 - First phase (1979–1984): centrally planned economic system with strongly centralised decision-making.
 - Second phase (1984-2004): process towards decentralisation
 - Third phase (2004-..): Port Law of 2004 (further decentralisation of port governance + corporatisation of port authorities)
- Recent process of re-centralisation at provincial level (top down):
 - Drivers: capacity situation and fear for destructive competition
 - Large provincial port groups are being formed and are becoming more international



Italian Port System Authorities



Port Reform and Integration in Mainland China



Observation 3. Despite some governance-related regionalism in port co-operation: regional diversity in mergers among ports with similar governance structure



Port Authority Mergers in the Rhine-Scheldt Delta

Observation 4: Triggers/drivers of port co-operation/integration schemes differ significantly (not only on an inter-regional level, but also intra-regional)

- **Top down:** mostly political (compulsory versus voluntary nature)
- **Bottom-up:** market pressure, inter-firm ties (global terminal networks, vertically integrated carriers) and common threats or market challenges
- **Financial:** government perspective vs. port authority perspective



Observation 5: A lot of failed co-operation/co-ordination attempts

- Examples of regions with multiple attempts to fully integrate ports:
 - **Only failed attempts:** LA - Long Beach, Houston – Galveston;
 - **Many failed attempts & finally merger:** Dalian–Yingkou–Jinzhou, Seattle – Tacoma, Zeeland Seaports – Ghent, Antwerp – Zeebrugge
- Main reasons for failure:
 - Local rationality (political and commercial) combined with top-down government ‘interference’ without legal imposition (strong factor in ‘Hanseatic’ tradition)
 - Initiators had no decision power, e.g. LA/Long Beach: business groups, port users or elected officials took initiatives to merge, but not port administrators + limited stakeholder involvement
 - No clear business case: internal (e.g. financial, development potential) or external (towards port users & broader port community)
 - No clear win-win (e.g. co-operation undermines further development of one of the ports)
 - More believe in expanded co-operative efforts to address the ports’ common issues while retaining independent jurisdictions.
 - PEOPLE
- A failed merger is not necessarily bad: the failure may force each port to behave more strategically, which can enhance performance.



Observation 6. Often difficult to present a clear ‘unique value proposition’ for the customer base: what does a merger bring to the port users?

- Many cooperation initiatives are supposed to be **market-based** (i.e. following a strong business case)
- Potential effects for market players: higher efficiency, better logistics integration, better land management, bigger investment opportunities, ..
- .. but do port mergers actually lead to more competitive port dues and concession fees and an overall better service?



Observation 7. No agreement on whether ports need to be complements to have a successful co-operation

- Complementarity or substitutability among ports (in terms of scale, specialization, geographical and nautical features, customer base, etc..) as starting point for co-operation
- Forcing ports to go for **specialization** can increase commercial risks and makes the choice for customers less rich
- Few examples of far-reaching co-operation schemes among ports that only focus on one cargo segment (e.g. containers or dry bulk)



Conclusions and afterthoughts

- Same port-related issues and challenges can be found around the world
- Some level of regionalism in port co-operation schemes due to differences in (port) governance, business culture and local market environment
- Sustainability and energy transition becoming a driver for port integration
- Maybe we are too pre-occupied with horizontal (port-port) co-operation as a panacea, while vertical cooperation might deliver more value



Port Economics, Management and Policy

Theo Notteboom, Athanasios Pallis and
Jean-Paul Rodrigue



Thank you for your attention!

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