

Ports' twin challenges: rising competition and rising concern about negative local impacts

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MISSION:

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"To foster a deeper understanding of the role of transport as a key to economic growth and of its impact on the environmental and social dimensions of sustainability."

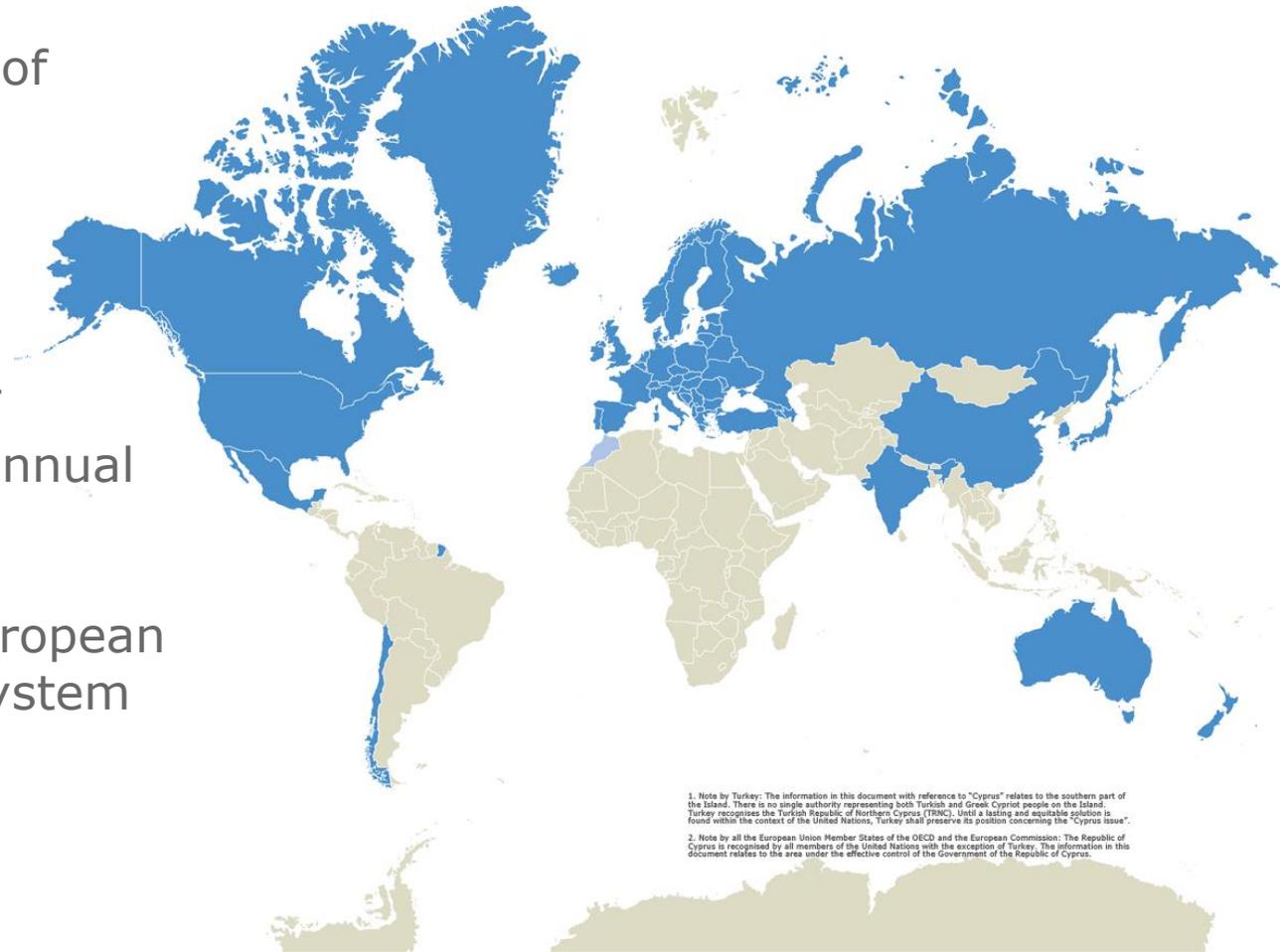
Intergovernmental Organisation

54 member countries of
which 21 non-OECD

Housed by OECD

Council of Ministers of
Transport, rotating annual
presidency

Legal instruments: European
Multilateral Quota System
(Road Freight)



1. Note by Turkey: The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

2. Note by all the European Union Member States of the OECD and the European Commission: The Republic of Cyprus is recognized by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

Think Tank

Evidence-based research
and analysis

Data and statistics

Identification of
best-practice policies

Institutionalised in OECD/ITF
Joint Transport Research Centre
(JTRC)



Port competition intensifies -1/3

- ❑ The industrial organisation of maritime-based freight transport has changed, because of:
 - containerisation, larger vessels,
 - expanding hinterlands
 - ❑ Consequence for ports: reduced scope for specialisation, fewer port calls, more overlap of hinterlands → more competition
 - ❑ Reinforced by more commercial governance approaches.
→ ease of access to port and hinterland a major issue for port viability
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Port competition intensifies – 2/3

- ❑ Concentration, vertical and horizontal integration along global supply chains (coordinate, synchronise, reduce costs):
 - ❑ **Top 20 shipping lines controlled 26% of TEU slot capacity in 1980; in 2007: 81%.**
 - improves efficiency in cargo movement
 - reduces ports' bargaining power vis-à-vis shippers and shipping companies (ports themselves have not been very active in vertical integration)
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Port competition intensifies – 3/3

- ❑ Weakening position of ports: ‘replaceable element in the chain’ (even if switching costs remain large)
 - ❑ Focus on performance and cost of the entire chain: not under port control – good performance and low cost necessary but not sufficient.
 - ❑ Rising relevance of hinterland transport costs (costs 5 to 30 times as much per ton, depending on mode).
 - ❑ Port capacity in itself not a major constraining factor in general.
 - ❑ Port regionalisation (inland distribution centres) increases pressure on inland networks.
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Rising concerns about local impacts

- ❑ Trade growth leads to increased throughput in many ports:
 - concern over negative local impacts, notably pollution and congestion, and land-use disruptions;
 - concentration of traffic in megaports leads to concentration of negative impacts, meeting with strong local resistance
 - ports' actions not always effective nor in the general (non-local) public interest.
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Port responses

- ❑ Ports can influence inland access choices, e.g. through concession agreements that include modal split targets possibly including modal investments. But:
 - use of concessions is often constrained by prevailing very long run agreements with no clause for reopening
 - even with supporting public policy, success may be limited: policy can remove obstacles to better modal split but cannot create the market pull – the latter comes mainly through supply chain restructuring
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Local authority responses

- ❑ Negative local impacts are excessive in the sense that these (like those from other sources) are not disincentivized strongly enough (e.g. through prices).
 - ❑ Resistance increases with growing role of port in local economy (successful port in good economic times) as well as in times of economic crisis.
 - ❑ Stakeholders' interests (namely terminal operators and labour unions) need to be accounted for to make policy possible.
 - E.g. PierPass program in LA/LB managed to spread port traffic over the day and reduce congestion, but main costs were borne by truckers (a weakly organised set of stakeholders)
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Higher level authority responses

- ❑ Local authorities are not very powerful compared to the global conglomerates running supply chains.
 - ❑ National and supranational approaches are needed, but these remain weak in the face of competition among ports and regions in the same port range.
 - ❑ Risk of piecemeal and opaque policy-making is real.
 - ❑ Any hope of co-operation among local and regional authorities in the same port range, towards coordinated stronger defence of land-use and environmental interests, avoiding excessive infrastructure investment?
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Thank you

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