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

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MISSION:
“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)
Think Tank

Evidence-based research and analysis

Data and statistics

Identification of best-practice policies

Institutionalised in OECD/ITF Joint Transport Research Centre (JTRC)
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
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)
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.
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.
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
Local authority responses

- Negative local impacts are excessive in the sense that these (like those from other sources) are not dis-incentivized 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)
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?