



Changing public port management in the Hamburg-Le Harve range

J.C. van Ham

*Department of Transport Policy and Logistical Organisation,
Faculty of Technology, Policy and Management,
Delft University of Technology, Jaffalaan 5, 2628 BX Delft,
The Netherlands.*

Email: J.C.Ham@sepa.tudelft.nl

Abstract

Recent trends in trade liberalisation and globalisation of the world economy have a significant impact on seaborne trade and ports. As a results of these developments, the traditional view on public port management is changing. In the paper recent and anticipated developments in public port management in the Hamburg – Le Havre range are examined. The classification refers mainly to formal aspects and shows a wide variety in public port management. A closer look at the real situation shows differences in port policy even within the same institutional setting. So, the diversity in public port management not only concerns the institutional factors but also the pursued port policy. Additionally, the (future) European sea port policy is described. The purpose of the newly published 'Green Paper on Sea Ports and Maritime Infrastructure' by the European Commission, is launching a wide ranging debate on individual port issues and possible future policies. At the heart of this policy lies the introduction of market principles in infrastructure and the development of a uniform approach to ensuring that the full costs are charged to the users. Ultimately, a situation of free and fair competition must be achieved. The paper shows that a shift towards greater private participation in port activities, in particular those of a commercial nature, is already evident.



1 Introduction

Recent trends in trade liberalisation and globalisation of the world economy have a significant impact on seaborne trade and ports. As a result of these developments, the traditional view of ports being growth poles and instruments of regional planning shifts towards a more commercial approach. As the general economic interest loses weight, the port industry moves from a situation where predominantly public capital was used to a new situation where capital from different sources is generated to provide services. Over time, port authorities tend to restrict themselves more and more to the basic functions.

This paper examines the recent and anticipated developments in public port management in the Hamburg – Le Havre range. It starts with a description of the institutional and legal status of the major ports and their involvement in commercial activities. Additionally, the (future) European Sea Port Policy is discussed. In the conclusions, attention is paid to the possible effects of these developments on the port sector.

2 The institutional features of ports

2.1 Classification

From a formal point of view, at least four different types of port administration can be singled out [1]:

- **State-administered ports:**
the management of the ports is carried out solely by the state.
- **Municipally-administered ports:**
here the port's administrative services form an integral part of the municipality (or city-state) administration and are subject to the same laws and regulations. The budget is part of the municipality's budget.
- **Autonomously administered ports:**
this category includes both ports managed by a Port Authority, formally designed as such, and ports managed by a public body to whom the law grants a certain financial autonomy and independence. However, substantial differences may occur within this category.
- **Privately managed ports:**
these ports include private companies controlled by the public sector as well as private companies in the strict sense of the word.

2.2 Public port management in the Hamburg – Le Havre range

In the Hamburg – Le Havre range a wide variety of public port management can be observed.

2.2.1 Germany

German seaports are neither legally nor economically independent bodies; they mainly belong to the territorial authorities. There is no autonomous public body with the tasks of a port authority, but public functions related to the port are covered by different departments of the territorial authorities as part of their general administration. With the exception of maritime access outside the port area and hinterland connections, which is the responsibility of the Federal Government, responsibilities and investment exclusively are of the local authorities.

- Hamburg

The port of Hamburg, as well as the Bremen, belong to both 'Land' and municipality because regional government and city council coincide in these city states. Due to the fact that accounting of the port administration is part of the city's balance sheet, there is no separate port budget. Decisions regarding matters of port policy involve Senate or Parliament (budget-, regulations and act-approval), Ministry of Economic Affairs (infrastructure, traffic management) or other ministries within their administrative responsibilities (environment, safety).

Port administration in Hamburg is based on the Port Development Act from 1970. In this Act, a clear distinction is made between (public) investment in infrastructure and superstructure that is left to the private sector. This meant a change of policy for the Hamburger Hafen- und Lagerhaus Aktiengesellschaft (HHLA), an important stevedoring company that is fully owned by the city government [2]. The HHLA is supposed to compete on a free market basis with other companies without special privileges.

- Bremen

The institutional framework of the port of Bremen is very similar to that of Hamburg. Both from the legal and financial point of view the port administration depends on the municipal government of the City of Bremen, whose status as a city coincides with its status as a federal state.

Container terminals and most other terminals are managed by the Bremer Lagerhaus Gesellschaft (BLG) a stock company in which the majority is held by the city government. Loss making commercial operations took place on the account of the city of Bremen. Recently,



proposals were launched in order to split commercial operations and ownership. In the new situation BLG is solely responsible for commercial operations whereas the city of Bremen, being owner of the facilities, is not directly involved anymore [3].

2.2.2 The Netherlands

In the Netherlands, decentralised port management prevails; the ports of Amsterdam and Rotterdam being under municipal port management, smaller ports usually under (more or less) independent regional port authority. Port functions carried out by these bodies are restricted to the basic public tasks, involvement in commercial operations is limited. There is hardly any co-ordination of port matters on a national scale. Representatives of ports participate in an advisory port council that reports, on a voluntary base, to the Minister of Transport.

- Rotterdam

Since long the port of Rotterdam has been organised as a municipal port management. The close relationship between the municipal (port) administration and the port community and its entrepreneurial attitude has been part of the success of the number 1 port of the world [4].

At the moment the way the port is organised is under discussion. Early this year a committee published a report on the future administrative structure [4]. The main recommendation is to transform the port authority into a private company with a broader set of tasks. However, after winning the local elections by the socialist party, this is still a long way to go.

- Amsterdam

Like Rotterdam, Amsterdam also has a municipal port management. Since 1992 regionalisation of port management in the Amsterdam-area is on the agenda. A plan to integrate the port management in the region has been presented. According to the plan, regionalisation can be realised by creating a private development company in which all North Sea Canal ports participate. The municipal port management of Amsterdam has been given a main role in this company. In the Amsterdam city council, privatisation of the port has been a hot issue. Besides the question who will own the land in the port, fear of losing control over the socio-economic aims of the port was a hot issue. After long discussions it was decided not to privatise but give the port management more mandate. Simultaneously, some commercial services such as consultancy and a minor participation in specific port facilities will be sold.

2.2.3 Belgium

Decentralised port management and limited involvement in commercial activities is common in Belgium. Most ports are run as a department of the city Administration. The exception to the rule is the port of Zeebrughes, managed by a company called 'Maatschappij van de Brugse Zeevaartinrichtingen'. The co-ordination between the various ports is the task of the Flemish Port Commission that annually advises the Minister of Public Works in relation to port investment. Due to fierce competition between Zeebrughes and the other Belgian ports, the conditions (including institutional features) for fair competition are reviewed [5].

- Antwerp

Until 1997 the port of Antwerp had a municipal status meaning that the Antwerp City Council was in charge of deciding all matters regarding the port. Even now, when the Havenbedrijf Antwerpen has become more independent, it still regards regional economic objectives as a guideline. The main task of the port authority is to realise basic infrastructure that is granted to private companies. As a heritage of the past they still own some berth facilities in the older parts of the ports.

- Zeebrughes

The port of Zeebrughes has the legal status of a limited company (Shareholders: Flemish Community(62%), City of Bruges(34%) and private companies(4%)) but is subject to the supervision of the Minister of Public works and operates under the control of the ministry of Finance. The management is entrusted to a board of directors that has very wide powers.

2.2.4 France

Since 1965, the six major ports are so-called autonomous ports. They are managed and administered by a public body with legal status and financial independence. Such bodies, placed under the supervision of the Minister, have a considerable degree of independence in port management and administration, but rest largely under the State economic and financial control. The state provides the lion's share of the costs of access and breakwater infrastructures, quay and berths, the rest being the responsibility of the autonomous port.

Seventeen smaller ports are under direct State jurisdiction. The director of the port is a senior member of the French engineering body 'Points et Chaussées' and appointed by the Minister of Public Works. He takes care of port organisation, administration and infrastructures. The



other ports are administered by the Department, which controls the investment plan set out following government's guidelines.

- **Le Havre**

The principle of administrative and financial autonomy and the institution of the Port Autonome du Havre was applied to the port by decree in 1924. Today the Port Authority operates as a public body with industrial, commercial and administrative functions.

Contrary to other autonomous French ports (e.g. Marseille) the Port Authority has sold the berth equipment to terminal operators, who manage the operations in a complete independent way, paying only a lease for the area they use. Only the crane operators are still employees of the autonomous port and work for the terminal operators as their requirements are.

2.3 Concluding remarks

The classification refers mainly to formal aspects. A closer examination of the real situation shows that there are differences in port policy even within the same institutional setting. It is well known that very efficient port administrations are to be found in countries that apply opposite principles and philosophies (e.g. Hong Kong and Singapore). So, the diversity in public port management not only concerns the institutional factors but also port policy.

Two extremes of port policy can be distinguished. On the one hand, port management can envisage port activities as a public service. Here a pre-eminent role of government is prevalent also in regulating and in directly managing cargo handling. This type of public port management is often identified as tool- and/or serviceport. On the other hand, if port management is restricted to port planning and other matters of general interest such as safety, piloting and pollution control, then the role of port management can be described as 'landlord'.

Despite the wide variety of approaches to financing and control port facilities and services, the trend towards greater private participation in port activities is evident, particularly those of a predominantly commercial nature such as cargo handling. As a result, financing of port facilities for such purposes is increasingly becoming the responsibility of the private sector, while port authorities restrict themselves more and more to a 'landlord' role and the financing and operation of those facilities which are essential to the safe and efficient operation of the port as a whole. At the same time, there are indications that in future some



ports (e.g. Rotterdam [6]) may seek to develop a more active commercial role, in co-operation with private partners inside and outside the port.

It seems logical that countries organise their ports in a way that is appropriate to their general system of government. The type of port administration may reflect a different concept of the port and thus encourages public interference in financing and building port structures, in their organisation and in management of port services.

The problem of the dividing line between public sector and private sector acquires a special meaning when specific tasks are assigned to such co-ordinating and control bodies are to be defined. In order to formulate the basic functions of a public body, an overview of all those functions that contribute to the functioning of the port system, is needed. Moreover, these functions can apply to different territorial levels such as general (State, region and/or community), port area level and terminal level.

The existence or lack of specific bodies having supervision, promotion and control tasks may make it difficult to identify the financial flows addressed from public authorities to the ports. In this way institutional features bear great consequences that may distort fair competition between ports.

3 European seaport policy

The port sector has so far not been at the centre of the European transport policy debate. In the past, financing and charging for port and maritime infrastructure has been dealt with carefully given the variety of approaches at national level.

As regards State aid policy, the Commission has taken the view that public investment in infrastructure which is accessible to all users is not considered as State aid within the meaning of Article 92 of the EC Treaty. Such investments, being expenditures incurred by the State for planning and developing a transport systems in the interest of the general public. The same applies to navigation aids and other maritime infrastructure of benefit to the whole maritime community. On the other hand, where particular investment favours certain operators rather than others, they are considered to be aid.

As regards to the Trans-European Transport Network, the approach has been to assist port and port related actions of the common interest only with feasibility studies in order not to distort competition between ports.



Although not relevant for the ports in Hamburg – Le Havre range, the Cohesion and European Regional Development Fund have been used to support new and improved facilities for economic development.

In recent years, trends in port organisation and financing have led to calls for a new direction in EU policy. By publishing a 'Green Paper on Sea Ports and Maritime Infrastructure' in 1997, the European Commission launched a wide ranging debate on individual port issues and possible future policies [7]. The main objectives of such a policy should be, firstly to help increase port efficiency and improve port and maritime infrastructure by integrating ports into the multimodal trans-European network and, secondly, to meet the Community's responsibilities to ensure free and fair competition in the port sector.

It is suggested that the introduction of market principles in infrastructure, except maritime access and defence, would be the most effective remedy to avoid the risk of creating wasteful overcapacity and possible distortion of trade flows between Member States. Given the wide variety of port management, the European Union is to develop a more uniform approach to ensuring that the costs of ports and maritime infrastructure are charged to the users. Therefore, it will need charging practices, systems including transparency of port financing and development of State aid rules. Any new approach will have to be co-ordinated with the TEN-T and other financial support for infrastructure development.

4 Conclusions

Trends in trade liberalisation and globalisation of the world economy have a significant impact on public port management. In the Hamburg – Le Havre range, where not only the legal status of ports varies a lot but also port policy, port authorities restrict themselves more and more to a 'landlord' role.

This development is embraced by the (future) seaport policy of the European Union. The core of this policy is to introduce market principles in infrastructure and to develop a uniform approach to ensuring that the costs of ports are charged to the users.

Undoubtedly, as a result of the above mentioned developments free and fair competition in the port sector will increase. A shift towards greater private participation in port activities is already evident.



References

- [1] The European Parliament (Directorate General for Research), *European Sea Port Policy*, Luxembourg, 1993.
- [2] Stevens, H., *De institutionele positie van zeehavens. Een internationale vergelijking*, Delft, 1997.
- [3] Bremenports, *Strukturreform für die BLG* (press release Nov. 02, 1997), Bremen, 1997.
- [4] Klink, H.A. van, *Dutch perspectives on global trends in port management*, paper presented at the Conference on Seaport Policy in the 21.th Century, Antwerp, May 22, 1998.
- [5] Vlaamse Havencommissie /Sociaal-economische raad van Vlaanderen, *De sterkten en zwakten van de Vlaamse havens en van het Vlaamse havenbeleid*, Brussel, 1997.
- [6] Gemeentelijk Havenbedrijf Rotterdam, *Bedrijfsplan 1997-2000*, Rotterdam, 1996.
- [7] Commission of the European Communities, *Green Paper on Sea Ports and Maritime Infrastructure*, Brussels, 1997.