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# **The Governance Model of the Portuguese Maritime Ports: What Future?**

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According to news published recently, *"the (Portuguese) government prepares to announce the creation of a new institutional body, in the domain of the Ministry of Economy, which will be responsible for making policy decisions and the organization of the port sector (...) this new public entity will outline all the maritime and political strategy, as an integrated perspective"*. In: Transportes em Revista, 15-05-2013.

Now that is a bit entrenched in the collective subconscious talking about sea and ports as part of the miracle(s) that must occur as to get out from economic and social torpor (terms that risk however to be trivialized by echoes reproduced within a growing number of players), one have to identify at first hand of what we are actually talking about.

When speaking of commercial ports we have to conceive a vision that is not limited to physical infrastructure, the superstructure formed by handling equipment and geographical space circumscribed at the boundaries of the port. Seaports are part of a global industry, whose multiple challenges ranges from geopolitical analysis of markets through the active management strategy demanding analytical capabilities, such as logistical network planning (allowing the distribution chain flows and to eliminate the friction of distance) and as far as the micro-analysis of the mechanisms of price formation.

In this sense we have to look at ports in the broader perspective of the global maritime market as a complex system in which a wide range of independent and rational agents act on the pretense of achieving dominance and, concomitantly, a greater market share. The emanation of strategic policies of a specific port thus cannot be traced in avoiding

the phenomena that result from the interaction and behavior produced between these agents.

A port is an organism that interacts with others which are close to him, and its sustainability is not only determined by operational issues but the resulting synergies from a conceptual three-dimension framework; which means operational, spatial and social dimensions. (Verhoeven, P. “ *A Review of Port Authority Functions: Towards a New Renaissance?* IAME - FINAL 18/05/09, Paper 2-34).

Because have been exactly the changes in this conceptualization (along with the changings about what is meant when we talk of public goods) that have determined the development of ports as interfaces sea / land / sea within the global supply chains, i.e., as nodes linking the markets of origin and destination. Therefore the role of Port Authorities (PA's) have evolved according to these changes while some of them (especially since the advent of containerization scale and weight that operators of these terminals have been taking in shaping port policies), was sent to the role of mere regulatory bodies putted aside from any action in terms of optimization of the process as well the assets, the ability to intervene in the performance of the logistics market, the promotion of intermodal transport systems or the interchange in the relations with hinterland.

This type of constraint is also supported by direct political dependence of port authorities, in relation to the different governments to take strategic decisions. The dispersion of responsibilities between various departments and ministries makes it difficult to develop a policy on intermodal transport, for example, and obliges the port authority to adapt its strategy in accordance with this assumption. The situation becomes even more complicated when one considers the involvement of local and regional authorities in drafting policies regarding the development of industrial and logistics poles and/or inland terminals (dry ports). In short, the power of a given port authority in the hinterland infrastructure development is limited.

It is suggested both by academic and unsuspected international entities that to trace port strategic policy requires to gather with its foremost stakeholders in a bottom-up perspective: agents (private and public) - port administrations - (preparation of ) port

master plan - (inserted in) macroeconomic policy goals, and not only the PA's, otherwise we will be looking at ports as single sites of loading and unloading alienated from the environment, namely the macroeconomic conditions, socio-economic trends and constraints of logistical networks ashore. Logistics markets to whom port belongs and from which cannot be separated.

According to the aforementioned article, and that justifies the adoption of this decision by the government, the Ministry of Economy affects political accountability to this industry rather than the previously existing in the PA's " *which took their decisions alone on the basis of the opportunities that were emerging*".

This recipe intended to increase competitiveness through a unified strategy does not pass the scrutiny of a deeper analysis: ports compete in the same market, the global marine market. As such, the ports (not necessarily belonging to the same national geographical entity), must compete openly for various competitive hinterland since the concept should not be seen as inter-port competition (from a national port system point of view) but yes between private agents that compete for market share, achieving scale and scope that will yield their investments and which results will be (eventually) propagated to final consumers.

In the current context of its competences a Portuguese port in accordance to the adopted National Landlord port model is practically confined to the role of regulator and provider of basic port services or those that are unattractive to the private sector. In fact, true commercial strength is displayed by terminal operators' (in alliance with ship-owners, when they are not themselves active in this field, see the case of APM Terminals, a subsidiary of Maersk ashore). This means that the drafting of strategies for customer loyalty and for attracting loads is the domain of private operators whose interests are not always in accordance with public policies set out.

Assign to "this new entity" a function of strategic planning for the port sector it is a disguised form of central governments to continue to intervene in the sector, including through the appointment of managers. Such political interference will distort the normal market functioning and inevitable disruptions that will be as harmful as the greater the

ignorance of the maritime chain - considering maritime chain as shipping, ports and logistics markets, and is a waste of resources. And why?

To begin with, what does is meant by "port strategy"? The competitive strategy of a port cannot be limited to acting only on port fees for the use of port infrastructure or to exercise rights over land tenure, this policy may become redundant if the prices charged by lessees remains unchanged or service lines do not call the port or terminal operators relocates elsewhere, as pointed out by ESPO (European Sea Ports Organisation) which illustrates this fact with the following sentence: "*Port authorities that confine their role to conserving port land and regulating nautical safety will be unable to make a difference*", (ESPO Manifesto for Port Authorities, Governments and the European Union , 2012-05-11).

From the reading of this document, prepared by an organization that brings together port authorities belonging to 27 EU countries totaling more than 800 ports, large and small - that is, an organization truly representative of the industry - stands the appeal addressed to the institutions and governments that shall create the conditions to ensure the autonomy of port management and prevent the proliferation of other agencies with responsibilities related to port governance, *ergo*, the corresponding duplication of bureaucracies and inefficiencies.

Advocating for an alien entity to define and implement an integrated ports policy seems to be counterproductive, constitutes a setback in the natural evolution of the European port system towards more "assertive" ports and does not correspond to the best practices that occur in the industry, especially if we compare the existing reality in other ports, particularly in northern Europe, once they must serve as benchmarking, something that has no added costs or difficulties for: just do the search!

This reductionist effort of skills and competences of PA's still collides with what many scholars propose as a more efficient administration of this type of strategic assets to a country and the conviction of some others (eg Delwaide, 2007) that assigns even a more predominant role of the capabilities and competences for PA's.

By capacity should we understand the potential of developing a marketing strategy that does not resume to institutional marketing but also to marketing of location as a way to promote among various stakeholders (local / regional / international), the assets other than only those linked to commercial operations (industrial tourism, actions to defend and promote sustainability, with schools and various entities, a proactive stance with regard to the licensing of new potentially polluting activities, expansion of port activities vis-à-vis environmental impacts and respective outcomes over urban areas), partnerships in areas of business and promoting research and investigation in conjunction with universities and polytechnics, i.e., relevant actions which are residual or non-existent at the realm of the Portuguese ports.

By competence should understand the possibility of acting in the foreland, by own or through partnerships, consortia or joint ventures with other PA's around the globe, something that has been undertaken by their peers of Rotterdam and Antwerp, as a way of attracting new customers, promote new routes and schedules, sell services related to port management, among others.

On the other hand, the World Bank (Port Reform Toolkit, Alternative Port Management Structures and Ownership Models, 2007), supports as crucial for the sustainability of port activity that *“the process of commercialization and the elimination of bureaucratic inefficiencies is to transform the port organization into a truly autonomous port authority”*.

This legal and underlying administrative framework of port governance as prefigures the World Bank, obeys to an independent management of a public good, with larger commercial amplitude, freer from government's corset and assigns to local and regional boards of directors a stronger accountability once a port must first be seen as pivotal in the development of the region in which it operates than just as a static macrostructure.

That said, the model of "commercialization" - or put another way - the adoption of a more commercial posture of a port should be the reformist strategy to be undertaken by the central government towards a port reform in the sense of giving to AP's a greater autonomy in the financial and administrative form and greater responsibility for their decisions and overall performance.

This new model increases the importance typically attributed to the management of a port since its jurisdiction goes beyond the typical area of operations and extends inland through the increasing responsibility in decisions making process related to the intervention in regional policy and not just over port areas. It is a model of port governance in which one can apply the same principles of management and responsibility that private companies where top management is rewarded and sanctioned through the application of performance targets, can (and should) adopt characteristics and private practices so as to become more customer oriented, more efficient and cost effectively.

Thus, we believe the market will naturally choose higher efficient and competitive ports, because at a first instance, not all ports are able to become major ports, which would lead us to the analysis if the national port system is not simply oversized.



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