

Summary

Seaports nowadays are acting under a common set of constraints. They are players in a globalised and competitive industry, the logistics industry. With intense territorial roots, they are exposed to strong competitive pressures from the global shipping companies and their alliances on the one hand and from competing seaports and increasingly from multinational harbour companies, on the other. Operating in a globalised economy and a European political common context NEW EPOC seaports in their strategies are shaped by specific local conditions. Ports differ one from the other by traditions, institutional and administrative structures, relations with the hinterland, competitive position etc. and so do their strategic choices.

Privatisation is a common tendency in all NEW EPOC ports though patterns are varying. It has opened new strategic spaces but created new problems as well – like employment and environmental problems. A major challenge brought up by privatisation is the growing need for cooperation and coordination between different actors and diverging interests.

Zusammenfassung

Lokale Häfen sind Akteure in einem hochgradig globalisierten Wirtschaftszweig, der Logistikindustrie. Territorial tief verwurzelt, sind sie einem starken Wettbewerbsdruck seitens globaler Schifffahrtsunternehmen einerseits, anderer Häfen und zunehmend auch multinationaler Hafenunternehmen andererseits ausgesetzt. NEW EPOC-Häfen operieren im Kontext einer globalisierten Ökonomie und im Rahmen der Europäischen Union, ihre Strategien werden aber in hohem Maße durch spezifische lokale und nationale Bedingungen geprägt. Häfen unterscheiden sich in ihren Traditionen, ihren institutionellen und administrativen Strukturen, Beziehungen zum Hinterland, Wettbewerbsposition etc. und so auch in ihren strategischen Optionen.

Privatisierung ist eine gemeinsame Tendenz in allen NEW EPOC-Häfen; allerdings zeigen die Muster eine große Variationsbreite auf. Privatisierung hat neue strategische Räume eröffnet, aber auch neue Probleme geschaffen – so vor allem für den Arbeitsmarkt und die Umwelt. Zunehmende Bedeutung hat auch die Kooperation und Koordination vielfältiger Akteure mit divergierenden Interessenlagen gewonnen.

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1. Objectives and approach

Seaports form part of economic and logistics systems which are in a profound transformation. The global market place with its powerful players, extensive business networks and complex logistics systems have a dramatic impact on seaports. Mainly the logistics environment creates a high degree on uncertainty and leaves European port managers puzzled with the question how to respond effectively to market dynamics. Port authorities and port management teams are forced to re-assess role and to specify competencies that should lead to competitive advantage and should position the port for growth.

Seaports have to find strategic answers to different constraints: First, containerisation has not only abolished or relocated former port functions, but has also, in combination with new IT and



communication technologies, revolutionised the organisation and the power structure of the whole logistics chain and changed the position of seaports in the logistics chain. Second, European economic integration and EU policies have created a huge market and a dense transnational infrastructure and have pushed seaport competition in a common hinterland. Third, liberalisation and deregulation policies as well as public finance problems have supported privatisation and commercialisation of previously public port functions. Port cities and port companies have responded in very different ways to these pressures towards change, depending on

port ownership and management structures and specific local conditions.

In all NEW EPOC cities the ports play an important role in the local economy and labour market, in urban and regional planning, in infrastructure and ecological policies. The dynamics of the port economy are therefore a crucial factor of the urban and regional development. Operating in a globalised economy and a European political common context NEW EPOC seaports in their strategies are shaped by specific local conditions: Ports differ one from the other by traditions, institutional and administrative structures, relations with the hinterland, competitive position etc. Among the NEW EPOC ports we find universal ports with a broad range of different types of cargo handling (like Bremen and Southampton) and specialised ports (like the ferry ports of Patras and the industrial 'bulk' port of Gijón), with marked differences of economic and technical and organisational conditions. On the other hand, traditional port management structures reveal very different features, so the 'Mediterranean' ports administered and operated by centralised national state agencies and the Hanseatic Landlord ports with local public administration and traditional forms of public-private partnership. Strategic choices of ports are subject to specific conditions; different conditions require different responses and similar strategies may have different outcomes due to different conditions.

Though privatisation is a common tendency, NEW EPOC ports show a considerable variety of restructuring patterns.

The NEW EPOC project on 'Structural change of port economies' focussed on the restructuring and operational strategies, in particular privatisation and decentralisation, in port economies of cities associated to the NEW EPOC project and included the ports of Bremen, Cherbourg, Gijon, Patras, Southampton, Taranto and Trieste. It brought together strategic actors in the port economies of NEW EPOC partner cities – representatives of the port authorities, major companies, city authorities and universities – aiming at an exchange and a joint evaluation of experiences and of good practices and trying to contribute to a deeper mutual understanding of the specific conditions and strategic choices in the different seaports

This study analyzes the strategic responses of ports to the changed competitive situation and constraints focussing on the patterns of privatisation and decentralisation. It identifies and compares different strategies the ports follow under their specific economic and policy conditions.

The study is based on informations collected through two questionnaires sent to each partner in summer 2004 and through the intensive contact to the project partners, supporting materials and discussions with relevant persons during the regular project meetings held in the different NEW EPOC cities.

There are three important conclusions which can be drawn from the findings of the project:

1. Due to the different situations of the NEW EPOC ports, it is not possible to identify 'best practices'. Nevertheless, 'good practices' – as adequate and successful responses to specific conditions – could be found, problems linked to strategies were identified and possibilities of mutual learning and a limited transfer of practices were considered.
2. Privatisation and decentralisation processes have opened new spaces for economic strategies but have created new problems as well - like employment and environmental problems.
3. Privatisation and decentralisation are not successful strategies by themselves. As more actors with different interests are involved in policy making in a direct or indirect way new and more intensive forms of co-ordination and communication are necessary, and missing co-operation in the newly established 'governance systems' pose serious problems.

2. The changed context and strategic challenges of port economies

Globalisation and containerisation in the last decades have changed the position of sea ports in the logistics chain as well as the internal organisation of ports. World trade has seen an unprecedented growth and so has overseas transport, with the ports as nodal points of intermodal transport routes. The situation of ports has changed dramatically: First, competition of ports has increased dramatically due to containerisation and the modernisation of the European infrastructure. Traditional port functions have been transferred to the hinterland and logistics chains as well as the position of the individual port in them have become more flexible or volatile.

Historically grown relationships between ports and shipping lines have eroded and ports have become exchangeable and are exposed to a fierce competition by the large intermodal carriers (Notteboom/Winkelmans 2005, 42). Second, containerisation was accompanied by a technological transformation of ports, and – along with growing ship sizes – by an ever increasing insatiable need for investment in infrastructure, suprastructure and logistic facilities. Productivity increased due to mechanisation and automation of mass cargo handling as well as to the deployment of modern information- and communication technologies and led to the de-coupling of cargo handling and employment development and to a qualitative restructuring of jobs. Also the classic division of labour between good handling and storage versus freight forwarder, stevedore company and tally company is disappearing more and more.

As a consequence of these processes, ports in the last two decades have passed through profound strategic reorientation and reorganization. They have improved competitiveness by technological and



organizational modernisation; they have tried to establish stable ties with hinterland clients and shipping lines and to stabilize their position in the logistics chain by diversification, deepened vertical integration along the supply- and logistics chains or by joint ventures with shipping companies. They have formed strategic alliances with other ports or even have internationalized investments and operations becoming global players themselves (Mester 2005).

Privatisation and decentralisation

were basic conditions of such strategies opening new market and and finance opportunities.

In the following chapter we will analyze some major constraints of ports in a changed competitive environment - the role of shipping lines and port competition strategies, European markets and EU policies.

2.1 The emergence of Shipping lines as global players

The position of ports in the maritime transport market has considerably changed due to the concentration in the shipping industry, in particular the container liner shipping industry. Container Carriers, under the double pressure of high and (together with ship size) rising capital investments and decreasing freight rates, went through a rapid process of horizontal integration in three forms: by trade agreements such as liner conferences, by operating agreements (like consortia) or Mergers and Acquisitions (Notteboom/ Winkelmans 2005, 30; Slack/ Comtois/ Mc Calla 2002))

Examples of transnational shipping companies' mergers are that of the British P&O with the Dutch Nedlloyd in 1997 or the merger of Maersk and Sealand in 1999.

Nowadays global players they dominate the market (see table 1):

Table 1: Top 10 liners, January 2005

Liner	Country	Number of Ships	Capacity in TEU	Share of world capacity
Maersk/Sealand	Denmark	305	848,611	9,40%
MSC	Switzerland	250	649,403	7,20%
P&O Nedlloyd	UK/Netherlands	144	412,519	4,50%
CMA CGM	France	124	353,678	3,90%
Evergreen	Taiwan	124	344,285	3,80%
APL	Singapore	96	307,094	3,40%
Cosco	China	110	274,465	3,00%
Hanjin	Republic of Korea	68	271,644	3,00%
CSCL	China	103	247,812	2,70%
NYK	Japan	74	243,339	2,70%
Sum		1,398	3,952,850	43,60%
World Fleet		7,594	9,070,065	100%

Source: Internationales Verkehrswesen (57) 12/2005, page 553: Cooperation

Through this concentration endeavours the market share of the 20 biggest shipping companies increased from 37 % in 1988 to almost 53 % in 1998 (ISL 2000, pp 53)

Concentration strategies are not only limited to mergers and acquisitions. Consortia represent operational, technical or commercial agreements between different sea carriers to pool all or some of their activities on particular trade routes. Alliances are based on agreements between carriers to co-operate on a global basis. They provide their members with easy access to more loops or services with relative low cost implications and allow them to share terminals, to co-operate in many areas at sea and ashore, thereby saving costs. In general they achieve a more efficient utilisation of capacities and a minimisation of risks through the spread of accident and investment risks to more partners (Notteboom 2004, 92). Liner conferences meet regularly in common conferences in order to discuss cargo rates and shipping quotas for trading routes. Liners enjoy here a special status because of the cartel-like structure of such agreements throughout Europe¹

The combination of other carriers' operations leads to the control of all stages of the transport chain to remain competitive. The big container companies and their consortia and alliances exert a strong competitive pressure on ports which are serving a common hinterland.

Dedicated berths and joint ventures – glocalisation strategies of shipping companies

Shipping companies may take advantage of the locational competition of the ports in flexible transport chains by demanding lower tariffs. But they may be interested in establishing and controlling stable and foreseeable transport flows and cut costs by arrangements with and within ports. As inland transport costs amount to 40- 80% of overall transport costs, inland logistics have become a strategic area of cost cutting. For this reason big Container companies deepen their vertical integration in the logistics chain by 'glocalisation': by operating dedicated terminals or inland traffic services or establish

¹ This phenomenon is explained by the assumption that the liner shipping industry, in contrast to other industries, operates under unique conditions of 'inherent instability' (Czerny/ Mitusch 2005, 553). Examples of alliances are: the Grand Alliance with Hapag-Lloyd, P&O Nedlloyd, MISC, NYK and OOCL, the United Alliance with Hanjin, DSR Senator and Cho Yang or the New World Alliances with Hyundai, APL and MOL.

Joint Ventures with local ports (Notteboom/ Wilkemens 2005, 31; Notteboom/Rodrigue 2005, 302; Midor/Musso/Parola 2005). They may meet with the ports' interests to bind global and apparently 'footloose' global players though they may be forced to admit internal competitors.

An example of the 'glocalisation' strategy of big CT carriers is the Joint Venture between the port company Eurogate in Bremen and the Mediterranean Shipping Company (number 2 in the world). MSC can use from October 2005 on for a period of 20 years their own good handling terminal facilities in the port of Bremerhaven (MSC Gate). A similar partnership has been agreed with the same terminal operator Eurogate and the shipping company Maersk Sealand for the usage of the North Sea Terminal (NTB) in Bremerhaven.

Table 2 shows examples for co-operation agreements of shipping companies and terminal operators.

Table 2: Examples for shipping lines direct interests in European port terminals

Shipping line	Terminals	Status
Maersk Sealand	APM terminals Rotterdam (100%) North Sea terminal Bremerhaven (50%) Medcenter - Gioia tauro (10%) Muelle Juan Carlos I - Algeciras (100%) Aarhus (100%) APM Constanza terminal (100%)	in operation since 2002 in operation in operation in operation in operation in operation
Mediterranean Shipping Company - MSC	Dedicated Terminal Antwerp (joint venture with HesseNoordNatie) Le Havre (joint venture with Terminaux De Normandie) Dedicated terminal Bremerhaven	operational since 2003 upgrading in 2004-2005 under development operational since October 2004
Hapag-Lloyd	Altenwerder terminal - Hamburg (minority stake of 25.1 %)	in operation since 2002
CP Ships	Traffic concentration at P&O Ports terminal in Antwerp's Deurganck dock (west side)	under construction

Source: Notteboom/ Wilkemens 2005, 36

2.2 Global stevedores - port companies as multinational enterprises

Privatisation opened the door for global stevedores. Confronted with 'fewer shipping lines demanding more for less' (Notteboom/ Wintermans 2005, 36) some terminal operators have globalised their activities and converted themselves in Multinational Enterprises (MNE) thus adding competitive pressures on local ports. Transnationalisation is a strategy to reduce dependence from the large CT carriers. Global stevedores can take advantage from economies of scale as well as from their transnational expertise and learning; in addition they can spread risks by diversifying the portfolio (Baird 2000, Notteboom 2002 pp. 36).

The Port of Singapore Authority is a pioneer in transnationalisation: After having developed exceptional competence in the home port and setting the international benchmark for terminal

operators PSA became as Global Stevedore by Mergers and Acquisitions and the construction of new 'Greenfield' ports (Notteboom/Wintermans 37). PSA made its first foreign container terminal investment in 1996, acquiring a share in Dalian Container terminal, in northern China. Later on PSA acquired terminals in Genova and Venice and in Asian countries, particularly expanding its network in China. The company entered the European northern range in 2002 with the acquisition of the main Belgian stevedore Hesse Noord Natie (Midor/ Musso/Parola 2005, pp. 89)

A European MNE is Eurogate, a merger of the Hamburg Eurokai group with the container division of the Bremen BLG Logistic group. A share of 51 % of the BLG is held by the Free Hanseatic city of Bremen. The compound of Eurokai and BLG to Eurogate can now offer its services from Hamburg as well as from the Bremerhaven terminal. Eurogate operates today a network of 9 affiliate terminals together with Contship Italia in Germany, Italy (La Spezia, Cagliari, Gioia Tauro etc.) Portugal (Lissabon). Additionally Eurogate has management contracts for cooperations with the container terminals in Klaipeda (Lithuania) and Sepetiba (South of Rio). The company offers today an international container terminal – and transport network and offers holistic logistic services from door-to-door. This includes the good handling, sea transport with feeder ships and an own organisation of the Hinterland traffic.

The most important multinational terminal operating companies and their European affiliates are

- *Hutchison port Holding -Hongkong-* China (Felixstowe (UK), Thamesport (UK), Harwich (UK), ECT Rotterdam (NL)),
- *PSA Corp – Singapore* (Voltri-Genoa (Italy), Sines (Portugal), VECON-Venice (Italy), HesseNoordNatie-Antwerp/Zeebrugge (Belgium))
- *APM Terminals- Denmark* (Bremerhaven (Germany), Rotterdam (NL), Algeciras (Spain), Gioia Tauro (Italy)),
- *P&O ports UK* (Antwerp (Belgium), Marseille/Le Havre (France), joint venture CMA, CGM), Southampton (UK), Tilbury (UK)). P&O port and ferries group intends to agree to an take over bid from Dubai Ports World (DP World), which is owned by the Dubai government or PSA International in Singapore in February 2006 (Mester 2005)
- *Eurogate – Germany* (Eurokai Hamburg (Germany), BLG-Bremen (Germany), La Spezia (Italy), CICT-Cagliari (Italy), Gioia Tauro (Italy), Liscont-Lisbon (Portugal), Livorno (Italy), Salerno (Italy))

The top six leading operators handled nearly 70% of the total European container throughput in 2002 compared to 53% in 1998, illustrating the mature and consolidated nature of this market.

These figures are expected to rise as consolidation still continues and as the big players plan new massive terminals: PSA in Flushing, Antwerp and Sines, P&O Ports along the Thames (London Gateway project), Eurogate in Wilhelmshaven and HPH at Bathside Bay.²

While it served for counterbalancing the power of the big carriers, transnationalisation of the terminal industry has increased competition and concentration between and within seaports. Smaller terminal operators can not compete with the giants and try to operate in niche markets like in the short sea and transshipment market.

² The process of transnationalisation has advanced in a way that also the European Commission undertakes investigations in order to control the abuse of oligopolistic market powers. This has already affected the existence of Hutchison port holdings (HPH) which holds shares on three important European seaports (Rotterdam, Felixstowe, Thamesport) and is discussed if it is anti-competitive or not. The European Commission will carefully scrutinise future strategies of such companies by the regulatory authorities.

2.3 Changes in vertical integration in supply chains as a challenge to seaports

As manufacturing firms are looking for global logistics packages carriers as well as big logistics firms have increased vertical integration along the supply chain by providing new services. Thus the traditional division of functions within the supply and logistics chains has changed (Notteboom/Winkelmans 2005, 42). Carriers that have traditionally be concerned only with the transportation of goods from point to point are now seeking logistics businesses in the area of just-in-time delivery, chain integration and logistics information system management (Notteboom 2002, pp. 92). It is the whole logistics chain – the network costs and reliability - that determines competitiveness and so European ports are increasingly not competing as individual places but within transport or supply chains. Competitiveness of seaports depends on their integration in business relations of supply chains, and so the position of seaports does not only depend on their own strategies but on those of the organizers of the whole logistics chain – manufacturing firms, freight forwarders and Container Carriers (Notteboom/ Winkelmans 2005, 42).

The leading terminal operating companies have developed different strategies in order to stabilize their position in the supply and logistics chains by providing services like warehousing, distribution and low-end value-added services (for example customising products for the local markets) and by cooperation with big Container companies. German terminal operators, for example, are directly involved in inter-modal rail transport. Some terminal operators have set up road haulage companies or operate own feeder services. Finally, many terminal operators have integrated inland terminals in their logistics networks. These inland terminals in many cases serve as extended gates for deep-sea terminals (Notteboom/ Winkelmans 2005, 19).

2.4 European port policy

European Union policies have had a deep impact on port economy, starting with a common transport policy after the Rome Treaties. Seaport competition was enhanced by the establishment and dynamics of the Single European Market in 1992 and, in particular, by the TEN-T (Trans-European Transport Network) that aimed at a more effective use of the transport networks by connecting national networks within the EU and enlarged common hinterlands of European ports (Naski 2004)



Specific seaport issues were addressed by the Green Papers from 1997 and 2006. and by various initiatives, like the European Commission's 'Vademecum on Community Rules on State Aid and the Financing of the Construction of Seaport Infrastructure', the European Commission's initiatives on enhancing port security and the 2001 inclusion of seaports and the revision of guidelines on TENs, including the new concept "Motorways of the Sea". Furthermore, specific European legal instruments govern certain port activities to enhance maritime safety and

prevention of pollution, such as the collection of ship's waste, the monitoring of maritime traffic and the accommodation of ships in distress (ESPO 2003).

Highly controversial were the initiatives of the European Commission to define a general framework for port economies by directives. The so called 'Port Package' I included proposals on the integration of sea ports in the Trans-European Transport Network (TEN-T), on the liberalisation of access to the market of port services and on public financing of sea ports and port infrastructures. After the draft directive was not approved by the European Parliament in November 2003 the Commission made another attempt by launching 'Port Package II' that aimed strengthening competition and supporting deregulation and privatisation (EU Commission 2004; Verhoeven 2005)

Most controversial issues concerned

- A mandatory authorisation system for service providers enabling more providers to offer their services in one port,
- limited maximum duration of concessions (8, 12 or 30 years) and a wider scope for self-handling,
- The right of port operators to employ independent contractors and of shipping lines to take charge of stevedoring work on ships.

Port package II, too, was rejected by the European Parliament in early 2006. The massive protests of European trade unions as well as the resistance by many ports and ports associations to liberalisation of market access do not only reflect vested interests of actors in the ports economies; they are based on the diversity of institutional structures and traditions of ports.

3. NEW EPOC Ports and their modernisation strategies

The NEW EPOC ports included in our study – Bremen, Cherbourg, Gijón, Patras, Southampton, Taranto and Trieste - form quite a heterogeneous sample. They are not only embedded in very different national institutional, political and economical contexts, but are distinguished by specific local traditions and characteristics, too, that are shaping their strategic space and choices.

Apart from the administrative and institutional structure the following conditions seem to be relevant context conditions:

- *Volume and composition of cargo* are highly significant indicators of the *specialisation* of a port, its technical and operational structure and the value added by its operations. Thus we can distinguish universal ports (with high volumes of general, nowadays: containerized cargo, and a broad scope of different types of cargo handled) and more specialised ports (with a high specialisation on specific cargos like ferry ports or bulk ports)
- Embeddedness in the local and regional economy and the range of *the hinterland* are indicators of the competitive situation of a port. Thus we can distinguish ports with a small – local or regional – hinterland (e.g. those serving the local industry) and ports which share a broad hinterland with their competitors.

NEW EPOC ports that took part at the project represent very different types (cf. Table 3)

- Bremen and Southampton are universal ports with a wide range of services and types of cargo handling and with large and competed hinterlands; both have important Container terminals.
- Gijón, Taranto and Trieste are by their tradition regional ports which offer specialised services for the regional industries. However, Trieste and Taranto have diversified their services and at the same time expanded their hinterlands – Trieste through RoRo and Cruise lines, Taranto by the construction and operation of a Container Terminal.

Cherbourg and Patras are specialised ferry ports with national hinterlands.

Table 3: Characteristics and types of NEW EPOC ports

	Volume /Compos. (2004)	Specialisation	Hinterland range	Type
Bremen	49 Mio t (80 % General Cargo - 3,19 Mio TEU)	Universal (Container, Cars, Bulk)	European Hinterland (Hamburg- Le Havre competitive range)	Universal Port with European hinterland
Southampton	38 Mio t (70% Bulk; 9,7 Mio t General Cargo - 1,28 Mio TEU) 2,9 Mio Passengers	Universal (Bulk Container, Cars, Passengers)	National Hinterland (South-East England competitive range)	Universal Port with national hinterland
Gijón	20 Mio t (95% Bulk)	Highly specialised (Bulk)	Regional Hinterland (Local industry)	Regional Industrial Port
Taranto	38 Mio t (60% Bulk; 13,8 Mio t General Cargo - 0,66 TEU)	Specialised (Bulk; recently: Container)	Regional Hinterland (Local Industry)	Regional Industrial Port
Trieste	43 Mio t (80 % Bulk; 7,5 Mio t General Cargo – 0,17 TEU); 310 000 Pass.	Universal (Bulk, RoRo, Cruise lines)	Regional (International) Hinterland	Regional Universal Port
Patras	1,3 Mio Pass. 450 000 Cars and Trucks 4 Mio t Cargo –0,3 TEU)	Highly specialised (Ferries)	National Hinterland (only competitor: Piraeus)	Ferry Port
Cherbourg	1, 4 Mio Pass.,520 000 Cars/Trucks 4,2 Mio T Cargo	Highly specialised (Ferries)	National Hinterland	Ferry Port

It is clear that different traditions in specialisation and competitive situation shape options of ports' strategies.

Highly specialised ports will try to maintain or to improve competitive edges in their special service area by extension of dedicated port areas and new facilities (the cases of Cherbourg, Patras and Gijón). For them it might be difficult to extend the scope of services and to establish new lines of specialisation in areas where they have no previous experience, high investments are required and competition is fierce. In particular, regional industrial ports like Gijón and Taranto have only a very limited strategic space because they are highly dependent from the strategies of the major local

industrial companies. Nevertheless, some specialised ports have succeeded to enter into new areas. Though lacking an attractive hinterland, Taranto could take advantage of its proximity to the major Mediterranean shipping routes and establish a hub terminal for transshipment (Notteboom/ Rodrigue 2005, 299). By constructing a Container Terminal for the company Evergreen it has lost its character of an industrial port only serving the regional industry. Trieste has succeeded in expanding its Ro-Ro and Cruise line operations.

Universal ports with a competed hinterland (like Bremen and Southampton) stabilise their position in the flexible logistic chains in particular through investments and additional services in the Container areas. They have different options: 1. They try to attract new shipping companies and to establish permanent ties with them by constructing and operating *dedicated berths or Joint Ventures* with Global Players among Container companies. Thus, Bremen has continuously extended the Container facilities and by Joint Ventures attracted several principal CT- Alliances. 2. They deepen their *vertical integration* offering additional services to inland clients in order to fix relations in supply chains. Bremen, for example offers distributional and storage services in dedicated centres for big commercial companies and even production services for industrial clients like big carmakers. A third strategic option is to open *new lines of specialisation*. Thus, car handling has become a new and expanding special activity which has a big importance for Bremen and Southampton has increased Cruise Line operations.

In sum, port strategies have followed specific paths which were established in their past and limit strategic choices. However, in the NEW EPOC ports in the last 15 years we observe new strategies which may indicate a change in the direction of development paths. Privatisation was a crucial condition of many of these new strategies.

4. Port Models and Privatisation in NEW EPOC Ports

The emergence of global players – global shipping companies and multinational terminal operators and logistics server providers, vertically integrated, flexible logistics chains and European policies – these are important constraints port economies have to respond to.

Privatisation of port functions has been a precondition for some of the changes as well as a strategic response to the changed economic context: Global shipping companies or global stevedores could enter into local port economies as terminal operators only after taking advantage of privatisation, on the one hand; together with the transformations in the supply and logistics chains they put pressure towards privatisation of port functions.

During the last two decades many countries have implemented port reforms in order to open new commercial spaces, to improve efficiency, and/ or to reduce the financial and administrative responsibility of the public bodies. Within this process it comes to a competence shift between public port institutions, cargo handling companies and terminal operators.

4.1 Port models and forms of privatisation

There are four basic functions of port administration that in the context of privatisation can be passed from public entities to private companies: *Regulatory* functions include law enforcement, traffic management, conservancy and pilotage. Parts of the *ownership* function are the construction and

management of the infrastructure (quays, berths, locks); the *suprastructure* function refers to ownership and management of equipment and facilities; *Operation* includes cargo handling, warehousing (comp. Baird 2000).

Table 4: Port administration model - functions of port authorities

	Regulator	Ownership/ infrastructure	Suprastructure	Operation
Service Port	x	x	X	x
Tool Port	x	x	X	-
Landlord Port	x	x	-	-

X = responsible

Sources: Turnbull 2000; Baird 2000; Tull 2002

Most ports are owned and regulated by public entities, whereas the operational structures may show broad variations. In some countries ports are administered by local, regional or national governments. In others they are directly controlled by a ministry or indirect from a national organisation. Cargo handling may be managed by public authorities or private companies.

With reference to the allocation of functions to public or private actors we perceive a broad variety in traditional forms of port organisation in Europe that can be assigned to three basic types (World Bank 2001):

In *Service ports* all four basic functions are in charge of one type of actor. responsible for regulation, infrastructure, suprastructure and the total service area of the port, also for the work force. This means



that the port authority owns, maintains and operates every available asset (fixed and mobile) and cargo handling activities are executed directly by the port authority. The port owner is in a monopolistic position (Naski 2005, pp. 45). Traditionally, Service ports were predominantly public. In Europe the *Mediterranean model of public Service Ports* was traditionally representing this type; in Spain, Italy France and Greece all functions were directed by central state agencies. Private service ports have come up only recently, (often as a result of privatisation of former public service ports like in the UK) and still form a small minority (Baird 2002).

The *Landlord port* is characterised by a division of labour between actors which perform different functions. Under this model the Port Authority acts as the regulatory body and as landlord promoting the port as a whole, while port operations (especially cargo-handling) are carried out by different companies. Traditionally, it is the (local, municipal) public administration which provides (and leases) the infrastructure (quay facilities, land, water areas within the port etc.), whereas private companies finance the suprastructure and are in charge of the operations (Suykens/ van de Voorde 1998). In Europe, this type traditionally has been represented by the 'Hanseatic Landlord port' like the ports of Bremen or Antwerp, with the municipality providing regulation and infrastructure whereas

suprastructure and operations were in charge of private or semi-private companies – often a municipally owned company like the Bremer Lagerhaus-Gesellschaft.

The *Tool port* is a variant of the landlord port. In such port one actor, traditionally the public port authority, owns, develops and maintains the infra- and suprastructure of the port. Private stevedoring companies rent and operate the port facilities.

In the last decades the traditional European port models have been deeply transformed by reforms aiming at the liberalisation and privatisation of port economies.

Privatisation may include a transfer of one or more functions from public to private companies. So public entities in former public service or tool ports may reduce their responsibilities or leave them all to private capital though regulation and ownership with few exceptions (like in the British case) remain public (Baird 2002).

Possible combinations are:

Table 5: Combinations of public and private functions in ports

	Regulator	Ownership	Suprastructure	Operation
<i>Public Service Port</i>	Public	Public	Public	Public
<i>Public Tool Port</i>	Public	Public	Public	Private
<i>Public Landlord Port</i>	Public	Public	Private	Private
<i>Private Landlord Port</i>	Public	Private	Private	Private
<i>Private Service Port</i>	Private	Private	Private	Private
Privatisation	Public  Private			

Privatisation may be limited to a mere change in the organisational or legal forms in which public bodies involved in ports function, too: In the case of *commercialisation*, the government or the community retain ownership and control of ports but introduce and emphasise commercial principles in the way the port manages its business giving the port company more operative autonomy. Commercialised companies have often an own management expected to organise fully or partly their self-financing and profit and budgetary procedures.

In the case of *corporatisation* functions of the public Port Authority – mostly infra- and suprastructure managing functions - are transferred to a legally and financially independent, commercially focused company under private law (World Bank, Module 3, pp. 43) Port corporatisation is the pre-stage towards full privatisation aiming to attract private investors. The change of the legal status enables often the faster sale of the port or parts of them to the private sector (UNCTAD 1998; World Bank 2001).

In addition to privatisation, *decentralisation* must be mentioned as a policy adopted particularly in countries with high central state control of ports that changed actors constellations and rules of decision making. Decentralisation policies include participation of local or regional authorities and other stakeholders in decision making and more autonomy of local port authorities.

The major forces of port reforms were

- the need to reorganise port operations in order to be able to deal with the external factors that affect port viability, including national competition for global markets, changes in port and transport technology and increased competition among ports;
- the need for private participation in infrastructure financing and access to new markets, since governments and lending agencies realised that private partnerships could be a powerful force of enhancing the performance of port assets and to improve the position in the logistics and supply chains. National and regional seaports also realised that they are more competitive taking advantage from the efficiency offered by private operators and without the access to private capital.

Table 6: Reasons for or against port privatisation

Reasons for port privatisation	Reasons against port privatisation
Reduction of public role in the port economy	Loss of public control of port companies
Revenues for the state, region or commune through the sale of public property	Sale of important national, regional, local assets
Improvement of economic efficiency and competitiveness	Private Monopoly instead of public Monopoly
Attraction of foreign investment	Discrepancy with national and regional economic objectives
Capital expansion; access to capital market	Unemployment increases
Political reasons	Political reasons

Source: Naski 2004, page 64.

4.2 Privatisation in NEW EPOC Ports

All ports included in the NEW EPOC sample since the 1980 have gone through processes of privatisation, but the patterns of privatisation – strategic actors, forms and scopes of privatisation – show considerable variations and are highly dependent from the traditional port models as the starting conditions (cf. Table 7).

- Strategic actors: Where the national state was the owner of the port, reforms were initiated by the central government and concerned other ports with national ownership as well – the cases of the Cherbourg, Gijón, Southampton, Taranto and Trieste. In Bremen, on the other hand, as a municipal port it was the state government that introduced the reforms.
- Forms and scopes of privatisation. Southampton represents one pole of complete privatisation of all port functions. In the other ports privatisation has been much more limited. In the most cases it involved liberalisation, commercialisation and corporatisation which permitted a more commercial strategic orientation of port authorities and their operations, opened the space for a new division of labour between port authorities and private or public-private companies operating the ports. Patras can be seen at the opposite pole to Southampton, as the reform is limited to a change in decision-making and bargaining power of the local Port Authority vis-à-vis the national ports administration. Though in most other ports between these two poles reforms remained in the given framework of regulatory and ownership functions, here, too, the whole structure and functioning of the ports has been transformed due to commercialisation and corporatisation of the Port Authorities as well as

the transfer of facilities and operations to private companies by leasing contracts or concessions. The Italian and Spanish NEW EPOC seaports, for a long time typical representatives of the *Mediterranean model of public Service Ports* administered and operated by central state agencies have been converted into commercialised tool or landlord ports with considerable autonomy of the Port Authorities and new forms of partnerships or division of labour between public bodies and private enterprises. Bremen ports were transformed within the framework of the Hanseatic Landlord model by corporatisation of the Port Authority and the Conversion of the municipal operating company into a financial holding.

- NEW EPOC ports reveal a general tendency towards decentralisation. Of course, most forms of a transfer of functions from public authorities to – legally – private companies including corporatisation imply forms of decentralisation as decision making is left to independent commercial actors at the local level. We observe, however, a broader spectrum of decentralisation: In the case of the former national Mediterranean ports decentralisation comprises the increasing participation and representation of local actors (authorities and business) in Port Authorities, giving the local Port Authority more autonomy and bargaining power vis-à-vis the national authorities. Cherbourg like other French ports of national interest is actually in the process of decentralisation: ownership and management of ports are transferred to local authorities.

Table 7: Privatisation and decentralisation in NEW EPOC ports

	Previous structure	Current structure	Privatisation and decentralisation policies
Southampton	National Public Service Port	Private Service Port	Complete Privatisation: Sale of the 19 National Railroad Ports to the private Company Associated British Ports in 1982; Abolition of the National Dock Labour Scheme in 1989). Joint Ventures of ABP with other private companies
Bremen	Hanseatic Tool Port	Commercialised public Landlord Port	Corporatisation of the Port Authority Corporatisation of the municipal cargo handling company Joint ventures with private companies
Gijón	National Service Port	Decentralised and commercialised Public Tool Port	Decentralisation, commercialisation and corporatisation of Port Authorities and participation of regional authorities (1992; 1998); Public-private Joint Ventures in operating companies
Taranto	National Service Port	Decentralised and commercialised Public tool port	Commercialisation and decentralisation: since 1995 Port Authority and Port Committee with participation of local authorities and private actors. Private operating companies
Trieste	National Service Port	Decentralised and commercialised Public Tool Port	Commercialisation and decentralisation: since 1995: Port Authority and Port Committee with participation of local authorities and private actors. Private operating companies
Patras	National Service Port	Commercialised, decentralised Public Service Port	Decentralisation and commercialisation of Port Authority; participation of local authorities, ferry companies etc. (2001)
Cherbourg	National Landlord Port	(Municipal Public Tool Port)	In process of Decentralisation (2006)

4.2 Cases of privatisation

Southampton: From a public service port to a (completely) private service port

The most profound transformation can be observed in *Southampton*. The *national Service Port* administered by a central state agency was completely privatised, with all four functions transferred to a private stock company, Associated British Ports.

The UK port industry until the early 1980s included three types of ports: Municipal Trust ports administered by local trustees, private ports and National ports – the Railroad ports nationalized in the afterwar period, owned, administered and operated by the National Railway Dock Board.

In 1982 the Conservative government implemented its neo-liberal free-market policies by selling the 19 national Railway ports – among them the port of Southampton – to Associated British Ports, a newly founded stock company. As Baird notes ports were sold at significant discounted prices: “Since the early 1980s, billions of pounds worth of port assets and goodwill have been sold for just a few hundred million pounds, representing a huge public loss” and new private monopolies were created, not subject to public supervision (Baird 2000, 185).



ABP took over ownership and all functions – from regulation to operation – previously assumed by the *British Transport Docks Board*. After the abolition of the *National Dock Labour Scheme* ABP laid off all registered Southampton dock workers and left handling operations (and employment relations) to Container and stevedoring companies (Turnbull / Wass 1994; Turnbull 2000). Labour productivity and company profits had a sharp increase, at the expense of jobs (Dombois/ Heseler 2001).

As the statutory harbour authority ABP is a self-regulatory body, not subject to a public regulatory agency. ABP is owner of the port infrastructure, while municipal and national authorities respond for the landside and seaside access. As a private landlord it leases port areas to private companies like the Southampton Container Terminal, since 1988 a Joint Venture of ABP and PO Ports, and Southampton Cargo Handling, a cooperative of stevedores laid off in the early 1990s.

Bremen: Corporatisation of a Hanseatic Tool Port

The port of *Bremen* was a public Tool Port with the municipality as the owner providing regulation, infrastructure and superstructure while operations were in the responsibility of companies – most important a municipal company – the Bremer Lagerhaus Gesellschaft. Privatisation included: Corporatisation of the Port Authority and corporatisation of the municipal operating company that opened the way to the capital market and to Joint Ventures with private companies. The port authority acts now as an independent business entity under the supervision of the local government.

Most German seaports are public landlord ports owned by the municipality or the regional state (Bundesland) and with several departments or ministries on the local or regional level participating in ports policies while the federal government is responsible for overall rules and the access on land and sea. While the infrastructure and the administration of the docks are provided by the municipal port authority, the federal government is responsible for the access routes on land and by sea. All cargo handling activities are in the hands of companies which provide the superstructure. Most important actor in restructuring ports is the city or the regional state.

The port of Bremen up to the 1990s was a public Tool Port. The City of Bremen was the owner of the infrastructure as well of the superstructure in most of the ports in Bremen and Bremerhaven.³ Decisions on port extension or other public port related infrastructure projects and on their (full or partial) financing were taken by the Senate of the Free Hanseatic City of Bremen (local and regional level) in line with the general state's policy framework. The Bremer Lagerhaus Gesellschaft – a company of which the municipality of Bremen is the major shareholder -, used to be in charge of the operations in most parts of the port; since its foundation in 1877 the company worked in the name and for the account of the City of Bremen.

Restructuring of the Bremen ports included:

- the corporatisation of the Port Authority by splitting sovereign tasks and economic functions. In 2000, the Senate of Bremen decided to transfer the non-sovereign competences of the Hansestadt Bremisches Hafenamts, the former public port authority (Vollstedt 2002). The regulating functions (and nautical responsibilities) are still the task of the City of Bremen (Bremisches Hafenamts) while "BremenPorts", a new commercial company, is responsible for the management and maintenance of the Bremen port infrastructure. In addition, the company provides other independent, commercial services like planning and maintenance activities but also the selling of products and consulting performances. Efforts and profits from these activities are directly assigned to the company. The Land Bremen as owner of "BremenPorts" benefits from the profits of the company. The restructuring of the port authority permitted the new established Bremen Ports Management to be busy in investments outside Bremen (e.g. the planning of the Weser-Jade Port, Salot 2004). Recently, a new port marketing company was founded in 2004.
- Corporatisation of the municipal operating company: Already in 1998, after serious economic problems due to the long term structural change in the operating business, the municipal Bremer Lagerhaus- Gesellschaft (which has held a monopoly in most parts and in the most dynamic parts of the Bremen ports like container and car handling) was converted into an independent commercial company holding, the 'Bremen Logistics Group', with subsidiaries for different business areas (cf. Dombois/ Wohlleben 2000). The restructuring opened the door for joint ventures with private companies which helped to internationalise business and to bind container shipping lines to Bremen. So with the Hamburg seated Euro-Kai company the BLG established the EUROGATE company as a multinational Container Port company. Joint ventures of EUROGATE with big container shipping companies - Maersk-Sealand and MSC – in the Bremerhaven Container terminal have served to tie container flows to the Bremen ports.

³ A smaller part of the port, the industrial port, is traditionally owned by private investors.

The Mediterranean ports: Corporatisation and commercialisation

The NEW EPOC ports of *Gijón, Patras, Taranto and Trieste* have been in the tradition of the *Mediterranean National Service Port*: ports were regulated, owned and operated by the national state and its agencies. Most of the ports since the 1990s have been subject to national reforms of

- Decentralisation of ports: regional and/ or local stakeholders became involved in the decision making process and/ or
- Corporatisation and Commercialisation: Port Authorities gain autonomy to follow commercial principles, to establish public/ private partnerships, to lease or outcontract facilities and operations.

Gijón

Gijón was a classical national service port owned, regulated and operated by central state agencies. In the nineties, a local Port Authority with local and regional representatives was created by law giving space for a commercially oriented port management and for Joint Ventures with private firms. As investments still depend on the approval of the central government and the Port Authority holds the majority of shares in Joint Ventures the port today combines formal features of a (national) service port with rather informal ones of a municipal/ regional landlord port.

The Port of Gijon until 1992 was ruled by the Spanish Port Law of 1892, which gave competences over the ports both to the Development Ministry and the Spanish Navy. In the framework of the Spanish Constitution that determines that ports of general interest belong exclusively to the State, in 1992 the Spanish Government issued a new Port and Maritime Law that created a new juridical framework for the 47 'Ports of general interest' (including Gijón), separating the Navy from the Civil port administration, and establishing the *Autoridad Portuaria* (Port Authority) as an administrative structure. More recently, a law gave entry to the Port Management Boards – the body which appoints and supervises the president and the directors of the Port Authority - to both Regional and Local Authorities and associations. Herewith the three levels of the Spanish administration are represented in the Port management.

In accordance with the Spanish constitution the ports are under the ownership and administration of the (central) state. A Ports agency implements the governmental ports policy and co-ordinates and controls the Ports of general interest. Investment plans developed by the local Port Authorities need the approval of the agency. In general, Spanish Port Authorities today depend on the government in financial and technological issues, and on Regional Authorities for territorial and political issues. Municipal policies have a direct impact on port land and properties management (Notteboom/ Winkelmans 2005).

The Gijón Port Authority (like other Authorities of ports of general interest) has its own legal personality and property. The legislation provides extended self-management faculties which must be run following commercial business criteria. The Port Authority has full capacity and freedom to pursue commercial goals, operating within the legal bounds set for private enterprises.

The Port authority is responsible for the provision and management of the infrastructure and (with the participation of private concessionaires) for the administration and control of the port services and all operations under concession. It also co-ordinates the performance of various government bodies and agencies and organises the use of the port's service area, planning and programming its development in accordance with approved instruments for zoning and urban planning. The use of public property by

private companies is allowed under authorisation or concession regimes (public sector contracting regime) whereas the port services by private operators depend on the private contracting regime.

The privatisation process has led to new forms of cooperation between the Port Authority and private companies. The Port Authority has established various Joint Ventures with private firms, the most important one the European Bulk Handling Installation, established in 1992 and currently owned at 60% by PAG and the 40% distributed between several private companies.

Taranto and Trieste

After the national reform of 1994 in both ports (like in other major Italian ports) new local Port Authorities were established with a high degree of financing, budgetary and administrative autonomy in the management of the port and acting as Tool Port Authorities whose responsibilities include the provision of superstructure. The principal tasks developed by the Port Authority are related to the promotion, coordination and control of the activities that take place within the Port. Cargo Handling is the prerogative of private companies which operate either by authorization or by concession for exclusive services in a specific port area. The Port Authorities are allowed to hold shares in private companies. As Advisory Boards to the Port Authority Port Committees were constituted which include representatives of the city, the region, business associations and operators and workers.

In a period of the last 10 years both ports have been increasing their activity by attracting new companies by concession or authorisation that carry on actions and services and by diversifying their activities. The Port Authority of Taranto built a new Container Terminal operated by an affiliate of the Taiwanese Evergreen and a hub logistics centre.

Patras

Restructuring of the Greek ports – all of them National Service Ports – started in the late 1990s when the two major ports - Piraeus and Thessaloniki – became public corporations. Ten other ‘ports of national interest’ – among them the Port of Patras –were transformed into limited companies in 2001 (Pallis/ Vaggelas 2005). The central state remains with one share in each company. Local authorities and associations are given representation in the Port Authority. A governmental secretariat administers the ports. Though it is the central government that takes the final decisions on investment proposals of the local Port Authorities, the bargaining position of the Port Authority of Patras has been strengthened, due to the increased autonomy and to the representation of the community.

5. New challenges from privatisation and decentralisation

Privatisation and decentralisation have opened new spaces of business, but they have produced also social costs and created new problems, too.

New strategic spaces

Undoubtedly, privatisation in its different forms and decentralisation made new strategies possible:

Commercialisation and in particular *corporatisation* permitted port authorities and/ or public port companies to act like or as commercial establishments. Thus they gained autonomy vis-à-vis national

or municipal authorities to develop competitive strategies according to local conditions. They got access to the capital market, could attract private capital and increase productivity. Private capital entered into the ports, with own companies and operations or in joint ventures with Port Authorities or former public companies. In particular in some Mediterranean NEW EPOC ports commercialisation and corporatisation gave rise to new business lines, new public-private or private companies. So, Taranto could enter into the container handling business with a new terminal through a concession to an Evergreen affiliate; in Gijón the Port Authority established Joint Ventures with private companies.

Bremen is an example of a fairly successful new strategic orientation following commercialisation and corporatisation: The restructuring of the port authority permitted the new established Bremen Ports



Management to be busy in investments outside Bremen (e.g. the planning of the Weser-Jade-Port). Corporatisation opened the door for joint ventures with private companies to the municipal operating company Bremer Lagerhaus Gesellschaft BLG (which had held a monopoly in most parts and in the most dynamic parts of the Bremen ports like container and car handling) after being converted in the holding 'Bremen Logistics Group'. It helped to internationalise business through Eurogate as a Joint Venture

with the Hamburg Eurokai and to bind container shipping lines to Bremen by Joint Ventures.

Decentralisation was an important step in ports policies aiming at improving ports competitiveness and productivity. It opened space for participation of local stakeholders in decision making, gave the local authorities more autonomy and bargaining power vis-a-vis the national agencies.

On the other hand, privatisation created its own problems.

Employment problems

Restructuring following privatisation in most cases affected employment: dock workers were made redundant. In Southampton, abolition of the National Dock Labour Scheme led to mass dismissals. In Bremen, the restructuring of the BLG company was preceded by massive redundancies in the traditional cargo handling areas. In the Italian former public service ports where the workforce was employed by the Port Authority transfer of cargo handling to private companies made dockers redundant. NEW EPOC ports adopted very different policies in order to manage redundancies. Whereas in Southampton nearly all the workforce was dismissed after the abolition of the National Dock Labour Scheme in 1989, the other ports adopted 'softer' forms of workforce adaptation, like early retirement schemes, transfers etc. (Dombois/Wohlleben 2000; Dombois/ Heseler 2002).

Environmental problems

Environmental problems have been produced by policies of port extension after privatisation. Extension of port areas (at the same time with recycling of old port areas) accompanied by the loss of wetlands and recreational areas, problems of dredge disposal, water pollution and noise has created conflict with urban planning and interests of residents. So ABP plans to construct a new CT Terminal in Dibden Bay met resistance from ecologists and politicians of the Southampton area and finally had

to be cancelled (Comment 2004). Extension of the Bremerhaven Container Terminal has been highly controversial, too.

New requirements of coordination

So, in general privatisation and decentralisation have opened new economic strategic options, but created or intensified problems in other fields. Port policies have become more complex, too, with new actors participating and influencing decision making, and it has become evident that privatisation and decentralisation are not successful strategies by themselves. They need new and more intensive forms of co-ordination and communication, and missing co-operation in the newly established 'governance systems' pose serious problems.

Privatisation and decentralisation have increased the types and number of actors who are involved in port economies and in port policies. Where in the traditional public service ports all functions were in the hand of one entity, the port authority, after privatisation there are manifold actors who are orientated by very different interests: authorities, agencies, companies. And though decentralisation opens spaces for more flexible, locally adequate policies, it makes policy processes (at least formally) more complex because in addition to the central state authorities (like the ministries of economy, finance and environment whose co-ordination sometimes was already difficult) regional and local actors as stakeholders are involved. So decision making has become more participative and formalized, but at the same time it may be more difficult because different interests and logics of action come together and have to be taken into account. This is true in the case of privatisation, too: In the wake of commercialisation or corporatisation of port authorities commercial interests and strategies (of internationalisation or mergers and acquisitions, for example) gain strength and autonomy and it may become more and more difficult to find compromises, in particular with community interests and policies.

It is one central conclusion from the experiences of different NEW EPOC ports that with privatisation and decentralisation good co-operation has gained importance and has become a vital condition for successful port policies. So complete privatisation like in Southampton may open spaces for the private owner ABP, but it needs new forms of co-ordination and interest bargaining with municipal, regional and national authorities and with organisations of Civil Society in order to avoid infrastructure bottlenecks or environmental problems. And decentralisation needs new forms of co-operation and governance because decision making may be easily blocked by conflicts between national and local actors and interests. In the NEW EPOC context we find some fairly successful cases of decentralisation accompanied by a productive co-operation between local, regional and national actors in the Southern ports, but we observed blockades between national and local actors in other cases. Co-operation in new structures created by privatisation may be most viable where privatisation balances change and continuity and where decision making processes at the local level have predominated and are based on established networks between political, economic and social actors which take into account the different stakeholders' interests.

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