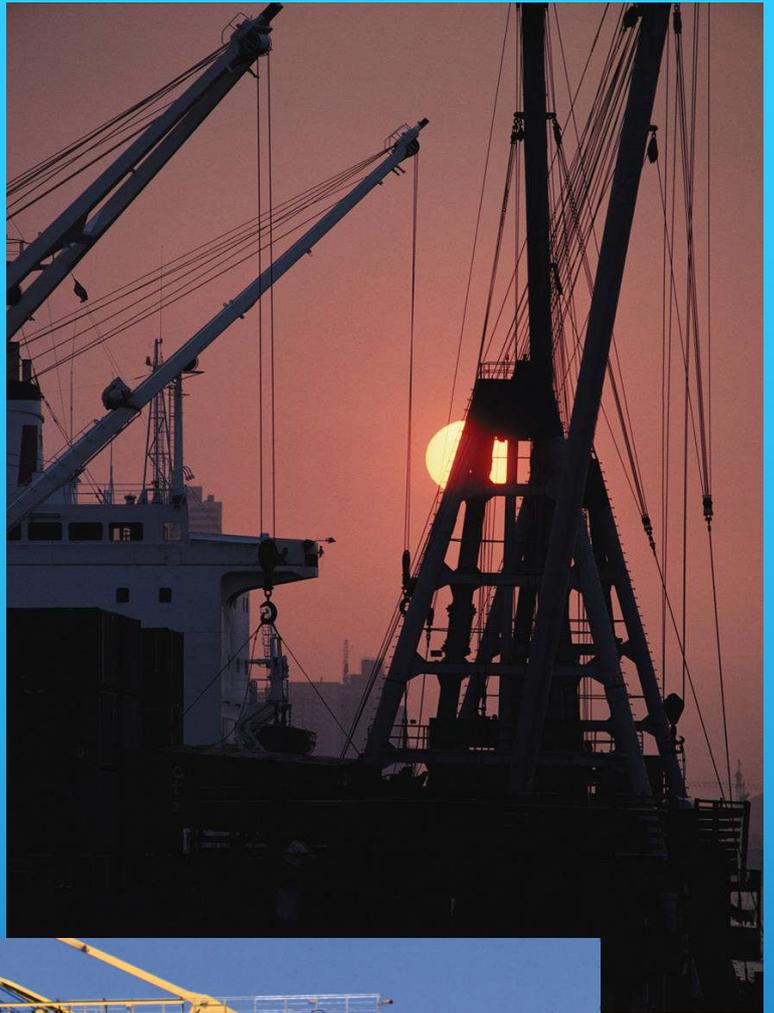




EUROPEAN COMMISSION
PORT POLICY
CONSULTATION
2006 - 2007





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Tallinn, 9-10 May 2007

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FOREWORD

3.5 billion tons are loaded and unloaded in ports every year! Ports are the gateway to the world. Our European economy requires ports with sufficient capacity and state of the art hinterland connections to be able to handle 90% of our international trade and 40% of the internal market in tkm.

One year ago in Stockholm the Commission decided to launch a wide-ranging debate and to consult port stakeholders on all issues of importance to European ports.

This process now reaches its conclusion in Algeciras.

Two ports which reflect part of the diversity of our sea port geography, organisational setup and markets.

The present documents assembles the views expressed by stakeholders over the past year. I thank all of you for your valuable contributions and your engagement in shaping the port policy of tomorrow.

Jacques Barrot

*Vice-President of the European Commission,
in charge of Transport*



Calendar consultation workshops

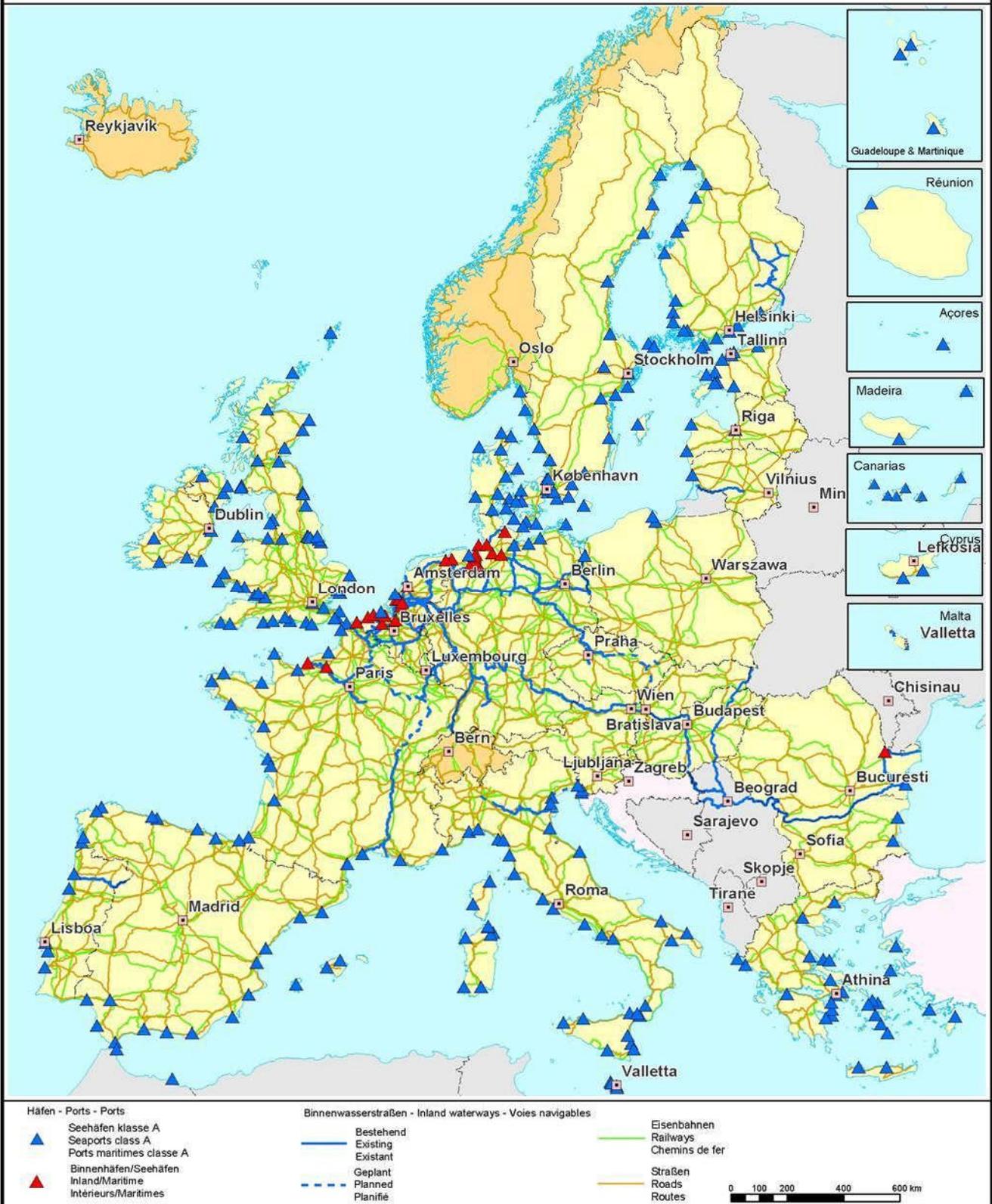
Time	Venue	Theme
14-15 November 2006	Antwerp	<p>Port services and port authorities</p> <p>The Port Administration: Organisational Structure of Port Authorities, Role of Port Authorities;</p> <p>The Port Services Market: Access to Port Land for the Provision of Services, Terminal Operations / Stevedoring Services, Technical-Nautical and Ancillary Services</p>
18-19 January 2007	Hamburg	<p>Port financing</p> <p>State Aid, Port Tarification, Financial autonomy of ports and transparency</p> <p>Port financing (State Aid, transparency of accounts, financial autonomy of ports, tarification)</p>
14-15 February 2007	Lisbon	<p>Sustainable development of port capacity, environmental issues, inter-port cooperation</p> <p>Sustainability of port industry, Effects of port activity and maintenance on the environment, Environmental port management, Port capacity, Inter-port cooperation</p>
8-9 March 2007	Valencia	<p>Labour Issues, Cargo-handling, Technical-nautical Services</p> <p>Stevedoring: Health and safety at work, training, market issues</p> <p>Technical-nautical Services</p>
19-20 April 2007	Naples	<p>Logistics, hinterland connections, administrative services</p> <p>Logistics (Organising a competitive and efficient transport network, Advanced information and communication systems, European E-Maritime Platform),</p> <p>Hinterland connections (road, rail, inland waterways, loading units),</p> <p>Administrative services (Achievement of the internal market in maritime transport, Single window for all types of international voyages)</p>
9-10 May 2007	Tallinn	<p>Relationship with non-EU ports, transport flows, image of ports</p>

Port policy consultation



LEITSHEMA DES TRANSEUROPÄISCHEN VERKEHRSNETZES (Horizont 2020)
 TRANS-EUROPEAN TRANSPORT NETWORK OUTLINE PLAN (2020 horizon)
 SCHEMA DU RÉSEAU TRANSEUROPEËN DE TRANSPORT (horizon 2020)

SEEHÄFEN KLASSE A
 SEAPORTS CLASS A
 PORTS MARITIMES CLASSE A





Port Authorities and Port services

Port Authorities have a variety of organisational structure, ranging from those in which the State provides all infrastructures and service to fully private ports. Most European ports have a considerable degree of autonomy, but opinions differ about the most appropriate balance between public and private sector functions.

In recent decades, two important changes have occurred. Firstly, traffic has increased considerably in European ports, allowing them to sustain more service providers and a higher level of intra-port competition. Secondly, costly and technologically advanced handling equipment has become necessary, requiring highly qualified staff.

On the seaside, waterfront land is more and more valuable as it is scarce and environmentally sensitive. Yet access to this land is essential for the creation of a competitive market for port services.

On the land side, high quality road and rail connections are essential for port development. They have progressively widened port hinterlands, increased choice of ports and created new supply chain options.

Port Authorities need to adapt in order to manage these changes by:

- creating new port capacity, in order to face growing congestion as well as improve competitiveness;

- following fair and transparent procedures for engaging with private port operators;
- agreeing new terms of employment which combine increased flexibility with the need for safety and respect for workers' rights;
- promoting road, rail and waterway connections which improve access to ports and increase the efficiency of door-to-door freight movements.

Function of a public port authority

A public Port Authority may have certain administrative tasks delegated to it by the State, such as safety & security, and border post functions (customs, immigration, health).

It is also responsible for ensuring that land in the public domain is developed and exploited for port use as efficiently as possible, and for protecting public interests, including those of local residents.

Limitation of a private port authority

A private Port Authority does not necessarily have the same vision and objectives, for instance:

- commercial interests may result in port land being used for real estate development;
- it may not have the legal authority or status to carry out delegated administrative functions and may wish to be the monopoly provider of port services within its own designated area.

Does ownership of a port authority matter?

In recent years public port authorities have become increasingly autonomous and independent from the State. They are also more commercially driven.

Whether a port authority is publicly or privately owned may not matter provided that:

- There is clear separation of the administrative and commercial functions of public ports;
- State aid is properly authorised and transparently accounted for;
- There is fair competition in the provision of port services.



The Port Services Market

Port Authorities should provide the widest possible choice of services by offering equal access opportunities to port service providers wherever possible, guaranteeing fair competition for operating rights by means of transparent, non discriminatory procedures.

Concessions should reflect the economics of each port in terms of the number of service providers, contract duration and form of regulation.

There is competition in the market with terminal operators in most ports having reasonable access to land. In small ports, however, it may not be viable to have more than one operator.

Concession periods should be as short as possible to encourage competition and market flexibility, but at the same time long enough to allow the operator to earn a satisfactory return of capital. For this reason they are often linked with the life expectancy of the equipment employed.

Many concerns were expressed about short concessions, especially those awarded by competitive tendering, because of the difficulty of providing continuity at work.

Access to port land: should tendering be made compulsory?

- Member States do not have the same rules. Where private Port Authorities own their land, requiring them to tender for the use of land could result in interfering with their property rights.
- Even with public Port Authorities there may be some circumstances in which tendering might not be appropriate, e.g. for small pieces of land where the cost and bureaucracy involved would not be justified.

Technical-nautical services: should these be treated as public or private services?

- Towage, pilotage and mooring have traditionally been provided as public services, but are now viewed as commercial activities.
- Some stakeholders believe they should be provided as public service. Others would prefer more competition, especially in large ports which can support more than one service provider.

Port financing

In the past most port infrastructure has been publicly financed, with variable degrees of cost recovery from port users. As ports become more autonomous and increasingly compete across national boundaries, guidelines for State aid and more uniform practices for tariffs setting become desirable.

Financial resources of ports are port dues, leases or licence fees paid by port service providers.

Financial support may be provided by the State in the form of grants or direct investments in infrastructures.

According to stakeholders public financial support can be justified for common user facilities but in principle not for dedicated ones. It is acceptable for infrastructure, less for superstructure.

Most stakeholders, with the exception of some in the UK, support the idea of public financing for sea access to ports, but opinions are divided on financial support for the construction of quay walls.



State Aid: the role of the Commission

- Public financial support can impact on competition both within and between ports. This includes support for the financing of inland transport connections.
- It is up to the Commission to determine in which cases public financial support constitutes State Aid and when this is justified.
- The legal framework for State Aid is usually established through guidelines. For ports these would be set out in a formal communication which describes the range of acceptable measures relating to different features of a port. Nevertheless ports would be obliged to notify the Commission of draft schemes, which would be assessed on their merits.

Tariff: a more uniform approach

- There is no common tariff structure or agreed methodology for calculating charges. Tariffs are usually published but are complex and difficult to compare. The rationale for changes in tariffs is rarely explained.
- Investment might be enhanced if costs could be recovered by tariffs. However there is strong opposition by stakeholders to a Community framework for port tariffs based on costs. A code of good practice aimed at increasing transparency would be more acceptable.

Transparency

- Transparency in respect of State aid is crucial. Commission Directive 80/723 on transparency already applies, but with a turnover threshold of 40 million Euros. Stakeholders would like an extension of its scope to cover all ports.





Sustainable development of port capacity and environmental issues

The need to increase port capacity has to be consistent with the respect of key environmental issues, at national and regional as well as local level. This means that policies for balancing economic and environmental impacts must take into account the effects of ports on inland transport and also the effects of ports and port-related industry on the urban environment.

Sustainability issues

The contribution of ports to global sustainability can only be assessed in the context of future energy needs, developments in ship technology, the removal of geographical bottlenecks, and the evolution of shipping patterns such as hub-and spoke transshipment and Motorways of the Sea. The impact of new port projects on the environment is strongly influenced by two EU Directives:

- the Birds Directive (79/409) and
- the Habitats Directive (92/493) and the network for protected areas known as “Natura 2000”.

This requires port construction projects to take into account national and/or EU legislation, preferably at an early stage. If the project has a negative impact on the protected site, it must be demonstrated in the case of the Habitats Directive that no alternative solution exists and that the project can be justified by reasons of overriding public interest.

Compensation for the negative effects of the new investment must be provided elsewhere. This requires the area conservation objectives to be well defined. Even then, approval of schemes by the environmental authorities can be time-consuming.

The Habitats Directive requires the Commission to be informed about compensation measures, and a Commission opinion is required when the protected site hosts a priority type of habitat or species. Some stakeholders felt that this could result in excessive involvement of the Commission in port planning.

It is also felt that the Habitats Directive does not provide a sufficiently secure legal framework for port development in protected areas.

So in response to “Natura 2000”, a project called “Portus 2010” has been proposed to develop a coherent EU network of strategic port areas. Port projects in these designated zones would benefit from the status of “overriding public interest” under the Birds & Habitats Directives, which could influence the “alternative solution” tests required under these Directives.

Ports and the environment

The increasing size of ports makes them ever more difficult to integrate into urban environments, particularly when the effects of port-related industries and other ancillary activities are taken into account. At the same time, their size increases their attractiveness as economic growth poles, leading to further concentration of activities.

Moreover, ports can enhance the environmental performance of freight transport within the Community by promoting the use of shipping, and by influencing the inland modes of transport chosen by international trade.

To exploit this potential, administrative procedures for intra-community cargoes need to be comparable with those at land borders, and better cargo tracking facilities are required.



Environmental management in ports

Environmental management techniques are advancing, but at a different pace in different ports. Some ports have voluntarily taken on a leadership role, whilst others have followed more reluctantly because of the costs of investing in the necessary technology and equipment.

Large ports are more likely to be compliant with international conventions than small ones, which may not have the skills or resources to provide the necessary services.

The location of new port capacity

Economic and environmental interests need to be reconciled through more effective spatial planning which takes into account the integral role of ports in logistics chains, the need for accessibility, and the environmental impact of land transport links.

The needs of future generations of ships should also be considered as larger ships will have to enter port during smaller tidal windows at ports where dredging is restricted, resulting in congestion in the approach channels. Water depth restriction may also limit the use of inland barges.

Before building new port capacity, the scope for improving productivity of existing installations should be investigated.

Port expansion plans should be acceptable to a wide range of stakeholders, but any consensus must be based on sound scientific evidence.

The rationale for increased cooperation

Although ports have traditionally competed for trade, some degree of cooperation may be in the public interest. This is particularly true for hub-and-spoke feeder services and Motorways of the Sea, both of which can reduce congestion on the road network by making efficient use of small ports closer to the market.

Other reasons for increased cooperation include:

- defence of common interest
- unified development strategies
- achievement of economies of scale
- dissemination of best practice

The role of the Commission

The implementation of the environmental legislation has been faster than that of the Lisbon Agenda, and this has created some uncertainty about the future balance of priorities between environmental protection and economic development.

Individual ports have come to terms with this in the course of port development projects, when they have “learned by doing”.

The uncertainty has been compounded by differences of emphasis in DG ENV and DG TREN policies.

Greater involvement of the Commission in spatial planning and the identification of priority areas for port development is generally unwelcome, although the Commission is seen as offering a suitable forum for the exchange of ideas and promotion of best practice.

Labour issues – Technical -nautical services

Health and safety regulations are not specific to the ports industry. It is the employer's responsibility to ensure that each worker is properly trained and receives information and instructions about safety and health issues specific to his workstation or job. In some Member States training is carried out by specific bodies, in others by employers or unions.

Labour pooling systems have been created in some places to protect workers against market instability and fluctuation in demand. But these arrangements have been questioned by some stakeholders who believe that pooling systems are incompatible with the Treaty principle of freedom to provide services.

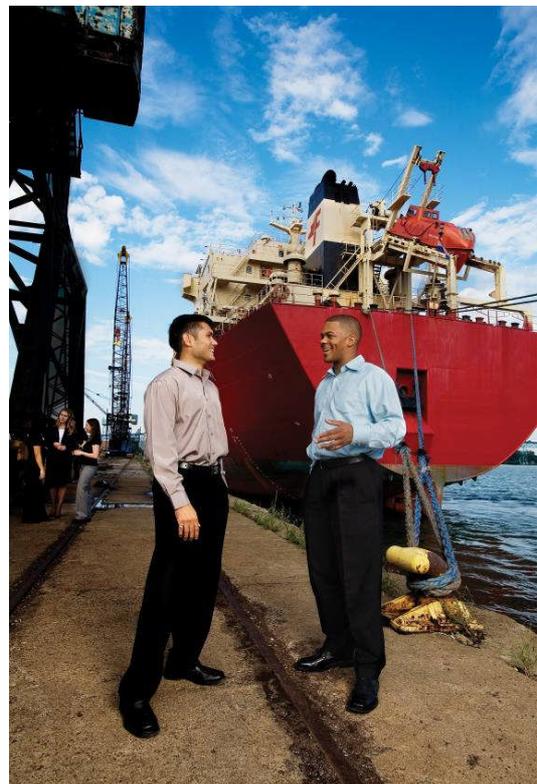
It will be crucial to find an appropriate balance between this principle, the need for flexible working arrangements and workers' rights.

The need for social dialogue

- There is a need to move on from pooling systems towards a permanent, trained workforce, but this should be done smoothly, by means of social dialogue between employers and unions. The ports sector is healthy, with plenty of scope for “win-win” arrangements. In some ports workers have been given a stake in the business.
- The casualisation of port work is to be avoided, particularly when competition between ports results in reduction in wages.

Training and safety

- A safety culture is sometimes lacking in ports. Standards are not always enforced and accidents are not properly monitored.
- A lot of money is spent on new equipment, but much less on training those who operate it.
- Minimum training standards exist for some activities but professional requirements are not always harmonised at European level. It is not clear whether this is necessary.
- Training should be regularly adapted to take into account new or changed risks, and should be repeated periodically if necessary.



Towage

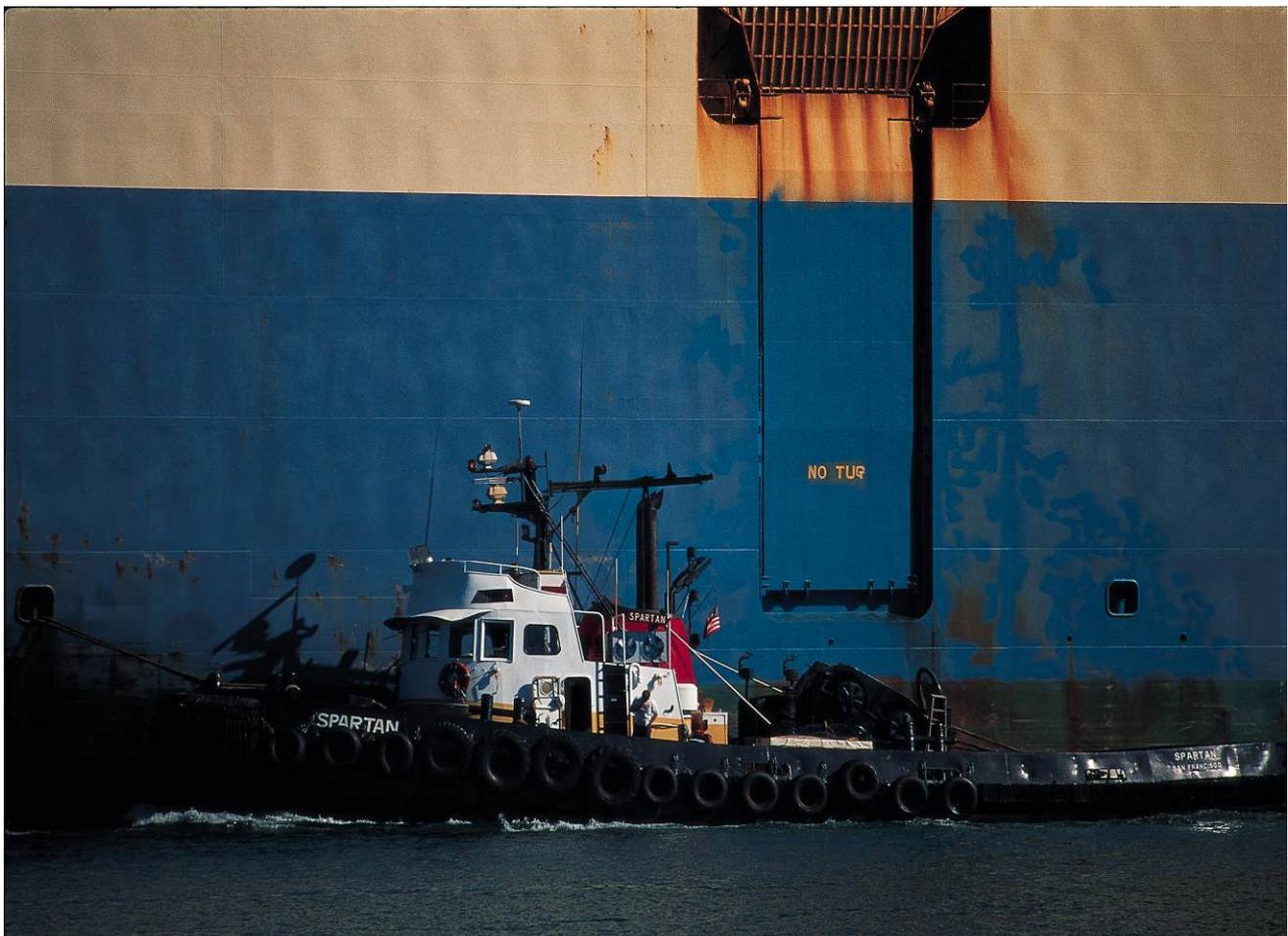
- Mandatory towage should only be imposed by the authorities when it is really essential for safety reasons.
- Competition should be enhanced if there is enough demand to support more than one operator, providing there are no safety risks.
- In smaller ports which can support only a single operator, periodic tendering for the position of “sole supplier” could be used to stimulate competition.

Pilotage

- According to some stakeholders, English should become standard language for pilotage with exemptions for captains often calling at the same port.
- Pilotage fees do not discourage short sea shipping because pilotage is not in general mandatory in this trade. However more exemptions should be granted.

Mooring

- Opinions were divided about the possibility of allowing shipowners to use their own land-based staff for this activity.



Hinterland connections

The development of a port depends on efficient hinterland connections and on information and communication technologies.

If connections between ports and transport network are crucial to reach the market, ICT is fundamental because it allows different modes of transport to synchronize their activities, improving competitiveness, quality, punctuality and efficiency in transport.

Carriers favour ports with efficient and appropriate surface transport connections, ports which are less congested and where the goods can get through very quickly.

Links between ports and their hinterlands are often not adequate. The Commission is focusing its efforts on long distance transport, financing projects to overcome infrastructure bottlenecks in key European corridors. But for many ports short range transport is equally crucial and should be taken into account when planning hinterland connections.

Road transport is currently predominant, as most transport operations begin and end with it. However it is the Commission's policy to promote a shift toward more environmentally friendly means of transport, such as rail and inland waterways.

Once mobility problems between ports and hinterlands have been overcome, logistics and intermodal transport can actually become a success factor, improving efficiency and attracting more freight traffic to a port.

Administrative procedures can be a bottleneck limiting the development of a port.

The necessary information has to be submitted through different agencies, each with its own specific system and forms.

Port policy should focus on removing bureaucracy encouraging more investments in infrastructure and facilitating communication initiatives.

The implementation of the E-Maritime Platform goes in this direction: its scope is to improve dialogue between vessels, ports and hinterland through a continuous exchange of information and automatic cargo tracking.

Hinterland connections: rail

- Railways are the key to connect ports to their hinterlands in a safe, economic, environmentally friendly and reliable way.
- Rail transport is often seen as a public service rather than a commercial service. There is a general need for railway infrastructure in ports to improve the quality and capacity of land transport available.

Hinterland connections: road

- Ports rely on road transport for up to 65-70% of cargo movement by land.
- Road transport needs from ports: easy access, interoperable port access cards, flexible opening times, safe and secure parking and sufficient storage space for goods awaiting transport.

Hinterland connections: inland waterways (IWW)

- IWW provide a safe, environmentally sound, cheap and reliable transport mode, capable of absorbing a much higher transport volume than is carried today if some bottlenecks are removed.
- Inland navigation is suffering from serious bottlenecks in the main European seaports (Rotterdam, Antwerp). Due to capacity problems at container terminals, inland navigation has to cope with long waiting times, which cause severe problems to IWW services.
- There is a certain competition between maritime and IWW transport as both use the same quays.

Administrative burdens: internal market

- EU feeder and Short Sea Shipping services are treated like international traffic. The customs burden in ports for vessels and cargo coming from or destined to EU countries should not be any heavier than that applied to land transport.
- Shippers and shipping lines change ports because different Member States implement the same EU legislation in different ways. This affects the competitiveness of several EU ports.

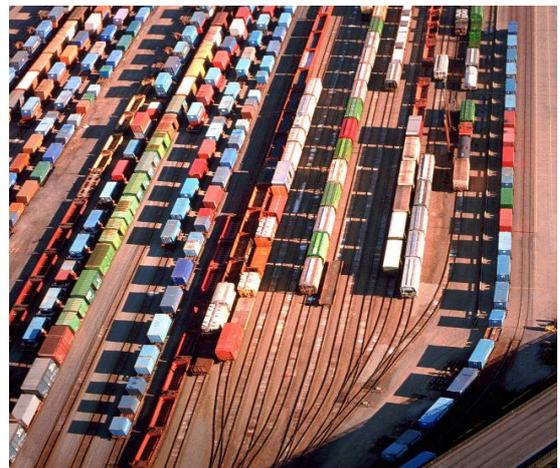
Administrative burdens: international market

- The IMO FAL convention provides a set of forms for ships to fulfill formalities when they arrive in or depart from a port.
- Directive 2002/6/EC requires all Member States to recognise these forms and the categories of information they contain as sufficient proof that a ship has fulfilled the reporting formalities for which the forms are intended.

- Because of the existence of many different security systems, information is not always provided in a common, understandable and interoperable language. The only standard model for detailed data exchange and mapping is that of the World Customs Union.

Competition among EU ports

- Competition among EU ports has increased with market growth. The Mediterranean ports have gained market share, as have small ports.
- Competition among ports is about competition for hinterlands. But hinterlands suffer from a lack of tariff harmonisation by mode and system, which creates geographical imbalances and unnecessary traffic flows.
- According to some stakeholders, traffic moves spontaneously toward the most efficient and economic ports, so the market is finding solutions by itself. This explains the concentration of container flows following the development of hub and spoke transshipment in the Mediterranean.
- According to some stakeholders, the issue of competition among ports should not be overstated: hubs only compete with other hubs and, in the case of conventional ports, there is competition only when they potentially cover the same hinterland range.





Competition/Cooperation with neighbouring non-EU ports and promoting the image of ports

Many of the ports located in the Community are exposed to competition from non-Community ports.

Competition from third-country ports may be related to port performance but in many cases reflects differences in labour and environmental legislation. The EU has more restrictive rules, which increase cost.

The Commission should therefore take action to develop and enforce international rules, and negotiate with non-EU States within the framework of external relations and trade policies. Environmental laws will only be fully effective when applied beyond EU boundaries.

Giving State aid to European ports that are exposed to unfair competition from non-EU ports should be considered carefully, as this can affect competition in the internal market. EU ports may have to rely on their reputation for reliability and quality of service to protect themselves against competition from lower cost non-EU ports.

Competition with non-EU ports

There is a need for an inventory of issues arising from competition from non-EU ports, such as:

- The loose implementation of environmental standards, the low cost of labor.
- Protectionist measures aiming at diverting traffic from the neighboring EU ports.
- EU ports could be made more competitive by simplifying administrative procedures.

Traffic flows

- Ports have a major effect on land transport flows, and new projects should be checked to ensure that they contribute to the development of sustainable transport throughout the Community.

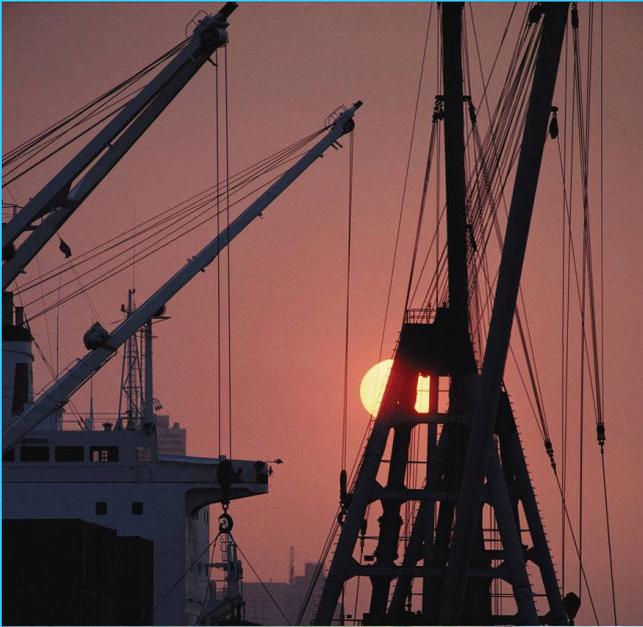
- Traffic flows are based on cost advantages and factors such as reliability, customs procedures, hinterland connections, and security.
- Distance is not the key and for this reason, freight traffic flows through Europe are often irrational. They do not follow the shortest and most direct route, producing more congestion and pollution than is strictly necessary.

Promoting the image of ports

- In order to enhance their relationship with the local community, ports should promote their image by means of festive events, boat tours, open days, port visits etc, providing these are compatible with security requirements.
- The Commission should encourage ports to improve their image and promote best practice in this area.
- Local communities do not always perceive the wider value added by ports, only their negative effects. Public finance should be able to be used to enhance the softer (intangible) values of ports, without being treated as State aid.
- Difficulties in achieving satisfactory integration with the city has caused some ports to move their operational activities elsewhere (e.g. Tallinn, Helsinki, Genoa). Other ports such as Hamburg believe that their activities can be integrated with those of the city, even including industrial sites.



Pictures are by courtesy of European Commission, Inland Navigation Europe, Kombiverkehr, and PricewaterhouseCoopers



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