SEAPORTS AND AIRPORTS

What should be regulated?

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Introduction

• Regulation: more than just a buzzword
• What type of regulation does already exist?
• Should regulation be generic, i.e. to be followed by all seaports and/or airports?
• Should regulation be theoretically underbuilt or should one opt for a pragmatic approach?
• Do we opt for structural regulation focusing on market structure, or conduct regulation seeking to influence the behavior of firms?
• Introduction

• The seaport: a heterogeneous mix of actors

• The changing port game: what about regulation?

• The case of airports

• To conclude: do we need any regulation?
Pricing and payment of port bills

PORT AUTHORITY
- Concession
  - Cargo handling on quay
  - Transport to/from storage
  - Storage
  - Handling empty boxes

STEVEDORE
- Gate move

SHIPPER OR CONSIGNEE
- Transport cost

HINTERLAND MODES

CARRIER
- Tonnage dues
- Mooring dues
- Dock pilotage
- Port tugboat
- Berthing/unberthing

SERVICE PROVIDERS
- River tugboat
- Bunker supplies
- Waste reception
- Port state control

AGENCY
- Agency fee

GOVERNMENT
- Sea pilotage
  - River pilotage
Recent scale increase in the container liner business

<table>
<thead>
<tr>
<th>Year</th>
<th>Buyer</th>
<th>Company acquired</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>CMA CGM</td>
<td>Neptune Orient Lines (NOL)</td>
<td>2.4 billion $</td>
</tr>
<tr>
<td>2017</td>
<td>Maersk</td>
<td>Hamburg Süd</td>
<td>4 billion $</td>
</tr>
<tr>
<td>2017</td>
<td>Cosco</td>
<td>Orient Overseas Limited (OOIL)</td>
<td>6.3 billion $</td>
</tr>
</tbody>
</table>
Forecast global/international terminal operator capacity ranking (2020; source Drewry)

<table>
<thead>
<tr>
<th>Operator</th>
<th>Capacity rank</th>
<th>Capacity rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cosco-China Shipping</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>4&lt;sup&gt;th&lt;/sup&gt; and 8&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>APM Terminals</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
</tr>
<tr>
<td>PSA International</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Hutchison Port Holdings</td>
<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
</tr>
<tr>
<td>DP World</td>
<td>5&lt;sup&gt;th&lt;/sup&gt;</td>
<td>5&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>Terminal Investment Ltd</td>
<td>6&lt;sup&gt;th&lt;/sup&gt;</td>
<td>6&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>CMA CGM</td>
<td>7&lt;sup&gt;th&lt;/sup&gt;</td>
<td>9&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
</tbody>
</table>
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- The seaport: a heterogeneous mix of actors
- The changing port game: what about regulation?
- The case of airports
- To conclude: do we need any regulation?
The changing port game: what about regulation?

• It starts with less container liners, with lower profit margins, deciding to order bigger vessels
• Port authorities need to invest in lengthening of quays and deepening of berths, and other investments
• Terminal operators have to invest in wider and faster cranes
• What does this evolution mean for the need for regulation?
• The current EU regulation concerning consortia is not suitable for the global alliances (EU starts in 2018!)
• Catalyst for regulatory reform?
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Pricing and payment of airport bills

**Freight**
- Freight

**PAX**
- Ticket + taxes + sales on board

**Carriers**
- Handling fees
- Landing fee + taxes pax

**Airports**
- Taxes

**Service Providers**
- Fueling
- Catering
- Maintenance
- .......

**Handlers**
- Concession

**Shops**
- Sales

**Parking**
- Concession

**Government**
- Freight
- Taxes
The case of airports

- Quite a lot of similarity between seaports and airports
- However, bigger potential power for airport authorities
- In a lot of countries, the airport authority gets regulated (e.g. single till versus dual till)
- European Directive 2009/12/EC regarding airport charges does prescribe that there should be an independent supervisory authority that safeguards the principles underlying the setting of airport charges, and to supervise the airports concerned
- The notion of regulation can be understood differently
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To conclude

• Both seaports and airports are very complex environments
• The step to formal regulation is a strong one!
• Maybe one should start with the threat of monitoring and/or benchmarking
• What about the use of Yardstick Competition (YC)? Cf. the concession policy in ports, using penalties if targets are not reached
• The benefits of YC should outweigh the costs, and other regulatory instruments should score worse
• Other important issues should have to be investigated: collusion between regulated firms, the existence of contestability,.....