

SEAPORTS AND AIRPORTS

What should be regulated?

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C-MAT

Centre for Maritime & Air Transport Management
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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?**



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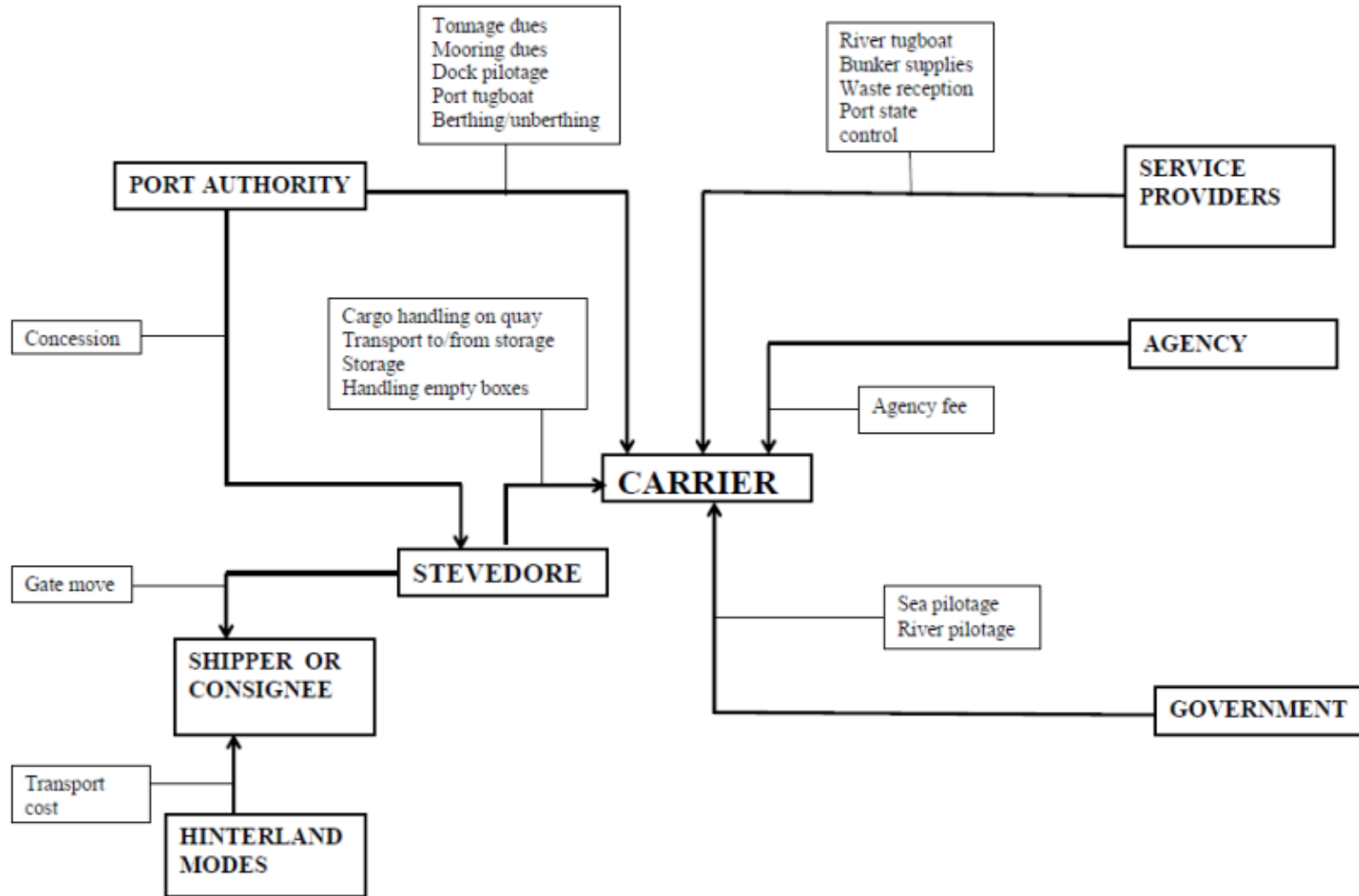
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Content

- 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



Recent scale increase in the container liner business

year	Buyer	Company acquired	Amount
2016	CMA CGM	Neptune Orient Lines (NOL)	2.4 billion \$
2017	Maersk	Hamburg Süd	4 billion \$
2017	Cosco	Orient Overseas Limited (OOIL)	6.3 billion \$
2017	Ocean Network Express (ONE)	Merger of 3 Japanese companies: NYK, MOL and 'K' Line	n.a.

Forecast global/international terminal operator capacity ranking (2020; source Drewry)

Operator	Capacity rank	
	2020	Current
Cosco-China Shipping	1st	4th and 8th
APM Terminals	2nd	2nd
PSA International	3rd	3rd
Hutchison Port Holdings	4th	1st
DP World	5th	5th
Terminal Investment Ltd	6th	6th
CMA CGM	7th	9th

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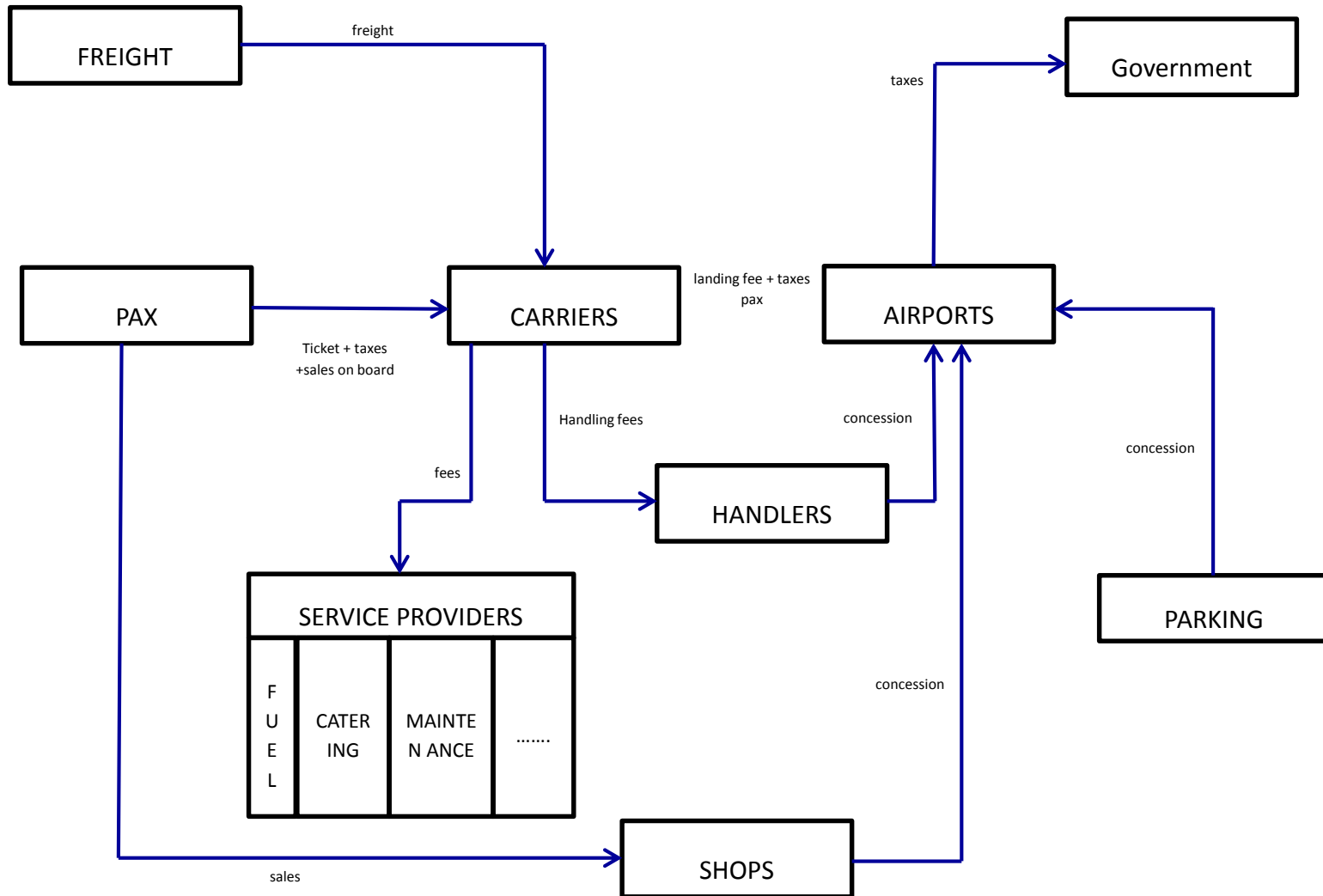
The changing port game: what about regulation?

- 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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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,.....**