

# Local government and ports: a perfect match?



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Shipping and port operations have globalised with rapid pace over recent decades, with most of the economic benefits of ports spilling over regions, and most negative impacts staying close to ports. This leaves ports with the challenge of creating local value in order to sustain local support for port activity in the area. In this context, the question is if more local government involvement in ports is conducive to ports providing a positive impact locally.

## Local government involvement in ports

This article distinguishes four different indicators: ownership of ports by local governments, the influence of local governments on the decision-making of port authorities, the port as an investment and revenue source for local governments, and local government influence over the staffing of a port.

Exclusive ownership of ports by local governments is fairly rare, although it does occur in Northern Europe and the US. Most countries actually fall into hybrid models as either locally and nationally jointly-owned government ports, or because local governments own some categories of ports – usually the smaller ports – whilst national governments own other categories of ports – the larger ports. The majority of the 50 largest ports in the world are exclusively owned by their national governments, with just over a third owned by local governments. Exclusive national ownership of ports is as rare as exclusive local ownership, yet it is visible in countries such as Ireland, South Africa and Turkey. Although port ownership by government level usually follows a national pattern, there are some remarkable differences between ports

in the same country. Finally, regional ownership of ports is fairly common in federal countries, such as the US, Australia and Germany, where states have responsibilities for port development.

There are many ports that have some form or formalised local institutional representation, that is they have, within their main decision-making bodies, representatives that are appointed or assigned by local governments to serve their interests. There is no linear relation between local ownership and local representation. However, it is difficult to generalise, because practices in one country already tend to differ from one case to another. Main issues in which local governments are involved include the appointment of the port president and board members, the budget of the port and the long-term strategy of the port. In various ports, other port stakeholders, such as port users, are also included in the main port bodies as part of a wider effort of stakeholder relations management, which is becoming a key management field for modern port authorities.

Ports are often direct revenue sources of local government, and as such, the competitiveness of a port can be considered in the direct interest of a local government administration. The local influence over a port is generally larger when the local government invests in the port infrastructure or infrastructure that is related, such as hinterland.

Mayors of some cities – in particular in the US – have the power to appoint port directors (in addition to the port president and/or the board of the port). This gives them control over the operational and implementation-related side of the port. In many cases, the appointment process of port directors is diffuse and in the

hands of more actors than just the local government, and as a result, port directors often lack local roots. As a matter of fact, it is difficult to find port directors of large ports that have a ‘local’ profile; instead, directors often have a background in their national governmental administrations or in industry.

The existence of a national port policy could undermine local government involvement in ports. This is particularly the case if national port policy establishes a national port hierarchy. It then defines a port system in which some ports are of ‘national importance’ whereas other ports merely represent regional or local importance. This is of particular relevance if these ports of national importance receive priority treatment in terms of funding.

Some countries have decentralised their port authority functions from the national to the local level. The most notable example is China, but other port decentralisation reforms have taken place in Argentina, Canada, France and Spain. The reverse situation, the centralisation of locally controlled ports, has only rarely taken place. Most port decentralisation reforms have taken place in different, subsequent stages. Decentralisation often results in a diversity of port governance models in the same country. Port decentralisation is also frequently part of a larger set of port reforms including the liberalisation, corporatisation and privatisation of port operations, including moves towards a landlord port governance model.

## Impact of local government involvement

Our analysis shows that ports with high local government involvement tend to

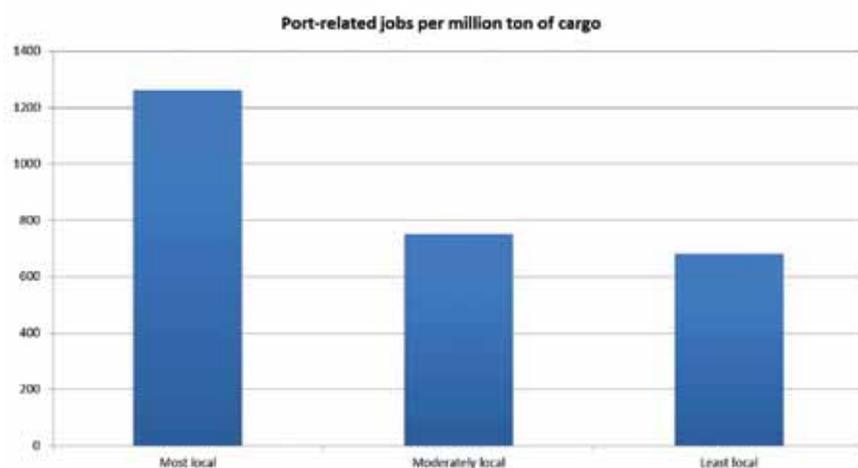


Figure 1 Relation between local government involvement and local port-related employment

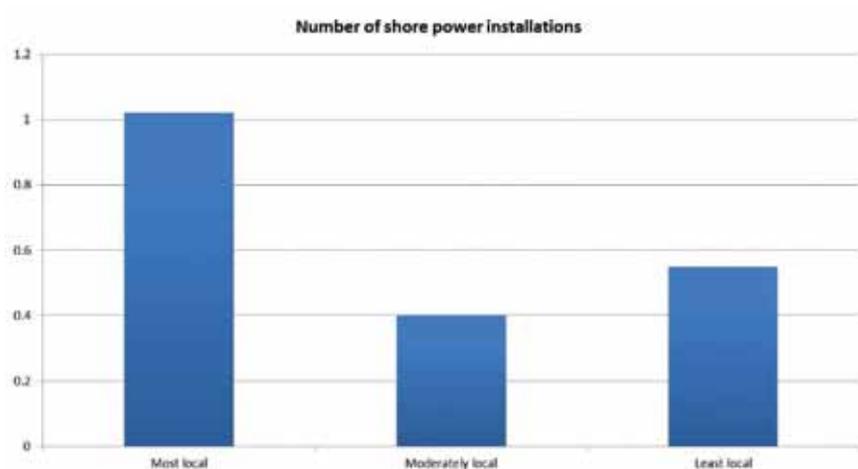


Figure 2 Local government involvement and number of shore power installations in the port

have more port-related employment, almost twice as much as the ports with the least local government involvement. If ports are divided into three different groups, the average amount of port-related jobs per million tonne of cargo appears to be slightly more than 1,200 jobs for the ports with the most local government involvement (see figure 1). The differences between the moderately local and least local ports in this database are fairly small, which might suggest that the impact of adding some local government involvement in a predominantly nationally oriented ports system is relatively small.

Analysis carried out regarding the environmental effects of local government on ports shows that ports with the most local government involvement have on average double the shore power installations in their ports (see figure 2). This is based on a dataset of 73 ports, consisting of the largest ports on the different continents, with data on the availability of shore power installations and a score on local government

involvement. The results are in line with the expectation that ports with significant local government involvement would be more sensitive to local impacts, such as air pollution.

### Conclusion

In conclusion, one of the arguments in favour of local government involvement in ports is the proximity to the port market and the community. It is often stated that local governments are better suited than central governments in managing ports as they are much closer to the real action, and are thus much better placed to detect and react to market opportunities and community issues. This proximity and responsiveness is much more difficult to achieve when ports are run by civil servants who are hundreds of kilometres away from the action. Our analysis shows that local government involvement in ports frequently comes together with net positive port impacts, such as port-related employment and active air emission policies in the form of shore power facilities.

What are the implications in terms of policy recommendations for port governance? Much depends on the local situation, such as the extent of inter-regional spill-overs from port activity. The potential of some ports might be unleashed if part of the national government responsibilities or ownership would be decentralised, whereas some ports might actually be trapped into too much local government involvement which constrains their possibilities to act as a national gateway.

### About the author

Olaf Merk is administrator for ports and shipping at the International Transport Forum (ITF) at the OECD. He has directed studies on ports, port-cities, and port regulation and governance. He is the author of various OECD books, most notably "The Competitiveness of Global Port-Cities". He is also lecturer on the Governance of Port-Cities at the Institute for Political Science (Sciences Po) in Paris. Prior to working with the OECD, he worked for the Netherlands Ministry of Finance. He holds a Master's degree in Political Science from the University of Amsterdam.

### About the organisation



The International Transport Forum (ITF) at the Organisation for Economic Co-operation and Development (OECD) is an intergovernmental organisation with 54 member countries. It acts as a strategic think tank for transport policy and organises an Annual Summit of Ministers. The next Annual Summit will take place May 27-29, 2015 in Leipzig, Germany.

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