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GALVESTON CAMPUS.**

# PORT OPERATIONS, ADMINISTRATION AND ECONOMICS



## 7. Port Authorities

MARA 416

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## **PORT OPERATIONS, ADMINISTRATION AND ECONOMICS**



# A. The Port Authority



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# Defining a Port Authority

- A port authority is a public or a private entity that, whether or not in conjunction with other activities, under national law or regulation is empowered to carry out:
  - Administration.
  - Development.
  - Management.
  - Operation (occasionally) of the port land and infrastructure.
  - Coordination and control of port operation activities.
- The first port authority, London (1908)
  - Consolidation of harbor facilities along the Thames River.
  - Set a model that was followed by others.
  - Port Authority of New York and New Jersey (1921).
  - Port of Houston (1911).

# Charter of a Port Authority

- Purpose
  - The major mandate of the port authority.
  - Development and management of maritime commerce and infrastructures.
  - Promoting economic development.
- Jurisdiction
  - Usually defined by a port district.
  - Ownership of port land, where the port authority implements strategies defined by its purpose.
- Authority
  - If able to issue contracts, contract debt, and apply for grants.
  - Regulatory bodies to which it is subject.
- Organization
  - Governance and organizational structure.
  - Board and officials (such as directors and commissioners) responsible for operations, policies, planning and implementation.

# The Rationale for Port Authorities

- Manage property rights in waterfront areas
  - Available real estate for port activities can be scarce and subject to competitive forces.
- Plan port development
  - Accommodate traffic expectations.
- Provision of public goods
  - Navigation safety cannot be denied to users who are consuming services that are unlikely to be provided by the market.
- Take into account both positive and negative externalities
  - Noise, dust, traffic congestion, and emissions.
- Promote the efficiency of local monopolies
  - Potential to generate economic rents.

# The Strategic Goals of Port Authorities

- Strategic goals
  - Promote competitiveness
  - Contribute to local, regional, and national economic growth
  - Create employment (direct and indirect effects)
  - Facilitate trade
  - Maximize throughput volumes
  - Maximize the added value of the port as a whole or to specific customers
  - Generate income and profits
  - Integrate ports with their foreland and hinterland
  - Promote sustainability (emissions and energy-efficiency)

# The Strategic Goals of Port Authorities

- Importance and priority of each strategic goal
  - Factors such as customer expectations, public policy, and the port charter.
- Generating economic growth and creating employment
  - The most frequently stated goals.
- Hybrid or shared value organizations
  - Combine public and private goals.
  - Fully public institutions or private port authorities are uncommon.
  - Secondary ports generally have public port authorities.
  - The absence of a port authority is rare.

# Port Governance Tasks: Port Policy Formulation

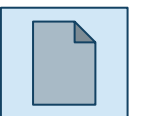


**A**

## PORT POLICY FORMULATION

- A.1** Define, develop, and implement national ports policy.
- A.2** Coordinate all public sector agencies exercising port-related competencies.
- A.3** International representation (e.g. IMO).
- A.4** Adopt national strategy / master plan.
- A.5** Approve master plans (submitted by operators).
- A.6** Approve development plans (submitted by operators).
- A.7** Coordinate local and hinterland transport policies.
- A.8** Coordinate structure and budget of the port authority.
- A.9** Adopt environmental legislations.
- A.10** Organize and facilitate consultations on port policy.
- A.11** Maintain port statistics.
- A.12** Carry out strategic studies.

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# B. Functions of Port Authorities



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# Conventional Role of Port Authorities

- Landlord
  - Manages port assets under its jurisdiction.
  - Provision of infrastructure, such as piers and the dredging of waterways.
  - Use and levy public funds.
- Regulator
  - Sets the planning framework, namely fees, subcontracting services, and safety.
  - Enforcement of national and port-related rules and regulations.
- Operator
  - Services to ships (e.g., pilotage and towage).
  - Services to merchandise (e.g., loading/unloading and warehousing).

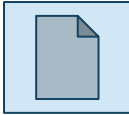
# Drivers of Change in the Functions of Port Authorities

- Devolution of governance
  - Port authorities act as corporatized and/or commercialized entities.
  - Define at the local level the planning, development, and management of activities.
- Concessioning
  - Reduced the role of the port authority as an operator.
  - Increasingly assumed by specialized terminal operators renting terminal facilities over long periods of time (up to 30 years).
  - Port authorities demonstrated poor performance levels in their terminal operations.
  - Manage ports where operations are provided by multiple service providers, including global terminal operators with terminal assets in a wide range of markets.

# The Role of Port Authorities

- Conservators
  - Focusing on the existing port ecosystems.
  - Application and enforcement of rules and regulations.
  - Maintaining overall functions.
- Facilitators
  - Broader interaction between economic and societal interests within the port and beyond its perimeter.
  - Engage in strategic regional partnerships.
- Entrepreneurs
  - Combining the main features of the facilitator with a more outspoken commercial attitude.
  - Advance the prospects of the port(s) they manage.
  - Setting up of independent branches for new lines of business, including energy generation, real estate (commercial and residential), and services.

# Emerging Paradigm in the Roles of Port Authorities



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### CONVENTIONAL PORT AUTHORITY ROLES

- LANDLORD**
  - Planning and management of port area.
  - Provision of infrastructures.
- REGULATOR**
  - Planning framework.
  - Enforcement of rules and regulations.
- OPERATOR**
  - Cargo handling.
  - Nautical services (pilotage, towage, dredging).

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### EXPANDED PORT AUTHORITY ROLES

- LANDLORD**
- REGULATOR**
- OPERATOR**
- Cluster Governance**
  - Service efficiency
  - Logistical integration
  - Infrastructure and growth management
  - Port/City integration
- Types of Involvement**
  - Conservator
  - Facilitator
  - Entrepreneur
- Terminal Operator(s)**
  - Leases
  - Concessions



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# C. Port Authority Responsibilities

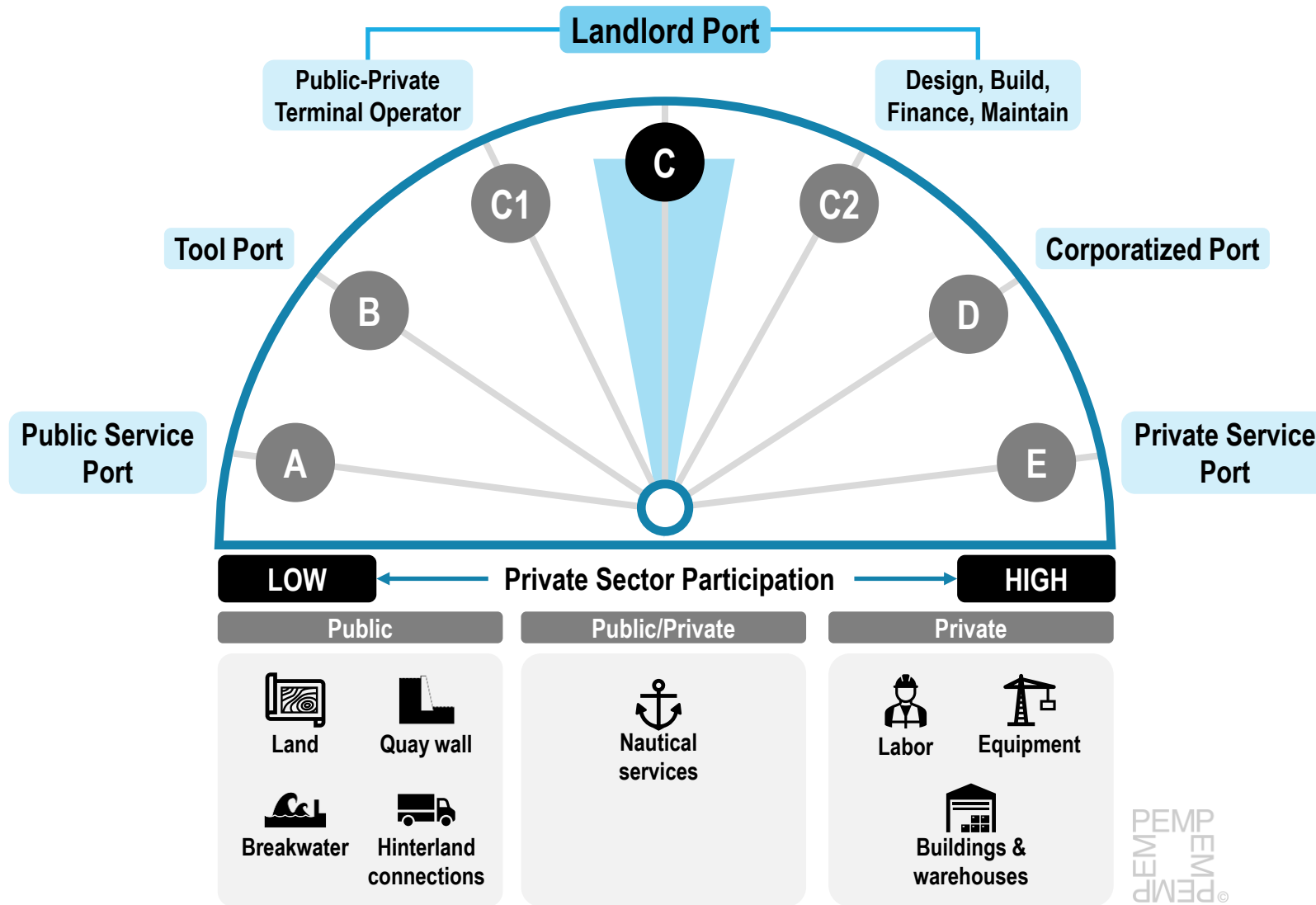


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# The Port Authority as a Landlord

- Landlord port model
  - Private sector operations in the port area.
  - Port authority manages public infrastructure and advances the prospects of the entire port cluster.
  - Curator and authorized manager of the port land and adjacent aquatic surfaces.
  - Leased to the private sector.
  - Regulatory body responsible for the management of the port area and several public authority functions.
  - Port operations (especially cargo handling) are carried out by private companies.
  - Infrastructure is leased to private operating companies and industries, including refineries, tank terminals, and chemical plants.
  - Private port operators provide and maintain their superstructure, including buildings (e.g., offices, sheds, warehouses, container freight stations, and workshops), as well as dock labor.
  - Dominant model in larger and medium-sized ports.

# Landlord Port



# Asset and Relations Management

- A port authority is managing assets and relations.
- Operational issues
  - Day-to-day management of port activities.
  - Vessel scheduling, pilotage, tugs, and security.
- Strategic issues
  - Infrastructure development.
  - Customer interactions.
  - Managing real estate.
  - Relations with regulatory and stake-holding agencies and organizations.

# The Main Activities of Landlord Port Authorities

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## Traffic Management



- Vessel traffic management (fast turnaround, security, reliability).
- Management of inbound and outbound inland traffic.
- Partnership with barge, rail and truck operators for inland distribution.

## Area Management



- Develop transport infrastructures.
- Provide space for port-related activities (expansion or reconversion).
- Rationalize land use.

## Customer Management



- Attract new customers.
- Retain existing customers (satisfaction).
- Find new added value activities.

## Stakeholder Management



- Influence regulation.
- Relations with local, regional and national public agencies.

# The Port Authority as an Operator

- Service ports
  - Ports that continue to have a predominantly public character.
  - Acts as the operator, providing a comprehensive range of services necessary for the seaport system to function.
  - Owns, maintains, and operates every available asset (fixed and mobile), and cargo-handling activities are executed by labor employed directly by the port authority.
- Direct jurisdiction of public agencies
  - Ministry (transport or maritime).
  - Chair (or Director-General).
  - Board of Directors.
  - Including civil servants appointed by and directly reporting to the public agency.

# The Port Authority as a Regulator

- Port authorities as port-level regulators
  - Undertaking and monitoring several public authority governance functions.
  - Applying and enforcing regulations set by other policymakers.
  - Regulations concerning operational safety.
  - Implementation of local or international safety and security codes (ISPS Code).
  - Protocols and rules governing the provision of auxiliary services.
  - Regulations like navigation, safety, and security.
  - Assisted by the Harbor Master or the Coast Guard.
  - Regulate revenue by having full or partial control over port tariffs.



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# D. The Port Authority as Cluster Manager



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# Cluster Leaders

- Beyond the traditional role of port authorities
  - Hybrid organizations beyond the management of activities within their jurisdiction.
  - Increasingly acting as community and port cluster managers.
  - Engaging with stakeholders and investing in facilitating activities such as information technology, port promotion and marketing, and training and education initiatives.
- Leader or broker
  - Leading firm and broker, who is trusted to resolve the emerging collective action problems.
  - Because the scale of operations is small.
  - Natural internal monopolies exist in many seaports.
  - Firms operating within the cluster might not take actions that prioritize their own interests.
  - Increase investments in collective action problems and secure capital.
  - Public-private partnerships, joint responsibility, and joint funding with other stakeholders.
  - The trust stakeholders have can lower transaction costs.

# Stakeholder Relationships Management

- Stakeholder relationship management practices
  - Advancing the prospects of the port cluster.
  - Monitoring critical topics.
  - Involving stakeholders.
  - Implementing strategies.
  - Identify and classify stakeholders.
  - Evaluate their potential influence on port operations development and planning.
  - Prioritize stakeholder relations.
  - Manage the ties between the organization and the most influential stakeholders.

# Stakeholder Relationships Management

- Port stakeholders classification
  - Ten categories that refer to internal and external groups that are part of the broader port cluster.
  - Community groups and civil society organizations are also included through their increasing attention to port activities, expansion patterns, and development plans.
- Shareholders
  - Public or private organizations.
  - Firms holding an equity stake in the port authority.
  - Those authorized to appoint directors and executives to the port authority board.
- Port services providers
  - Pilots, mooring and towage operators, customs, and the Coast Guard.
- Concessionaires
  - Terminal operators with concessions in the port areas.
  - Concessionaires related to warehouses, industrial areas, logistics platforms, malls, and commercial areas.

# Stakeholder Relationships Management

- Carriers
  - Shipping lines and tramp operators.
- Employees and trade unions
  - Working at the executive and operational levels.
  - Labor pools.
  - Port-related firms such as forwarders, ship agents, and customs brokers.
- Port users
  - Freight forwarders, ship agents, brokers, road haulers, railway companies, and logistics providers.
- Passengers
  - Commuting, travel (such as ferries).
  - Tourism (including cruising and yachting).

# Stakeholder Relationships Management

- The financial community
  - Credit and financial institutions.
  - Financial resources to support port investments and development.
- Local community and societal interest groups
  - Located in the vicinity of the port areas and affected by port operations and business.
  - Groups defending specific, special, or environmental causes.
- Regulators
  - Local, regional, national, and international institutions.
  - Establishing the institutional and governance frameworks within which ports operate.

# Stakeholder Relationships Management

- Coordination and cooperation strategies
  - Growing complexity of supply chains
    - Strategies aimed at enhancing the level of coordination within their hinterland.
    - Port Authorities act as leaders in bringing together various supply chain actors.
    - Integrated transportation service beneficial to all actors, especially the port.
  - Cooperation strategies with other ports
    - Competing ports located in geographic proximity or ports located in different port regions.
    - Internationalization strategies.



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# E. Ownership of Port Authorities



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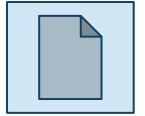
# Public Ownership Prevalent

- Seaports remain predominantly under public ownership
  - Ownership structure of port authorities.
  - Full ownership by the state or the municipality remains predominant.
  - A few port authorities combine ownership across different government levels:
    - State-municipal or province-municipal.
    - Mixed public-private ownership is rare, with the public sector owning the majority of shares and limited private shareholder participation.
    - Port authorities listed on the stock exchange remain an exception.
    - Full private ownership is only found in the UK and New Zealand.

# Regional Variations in Port Ownership

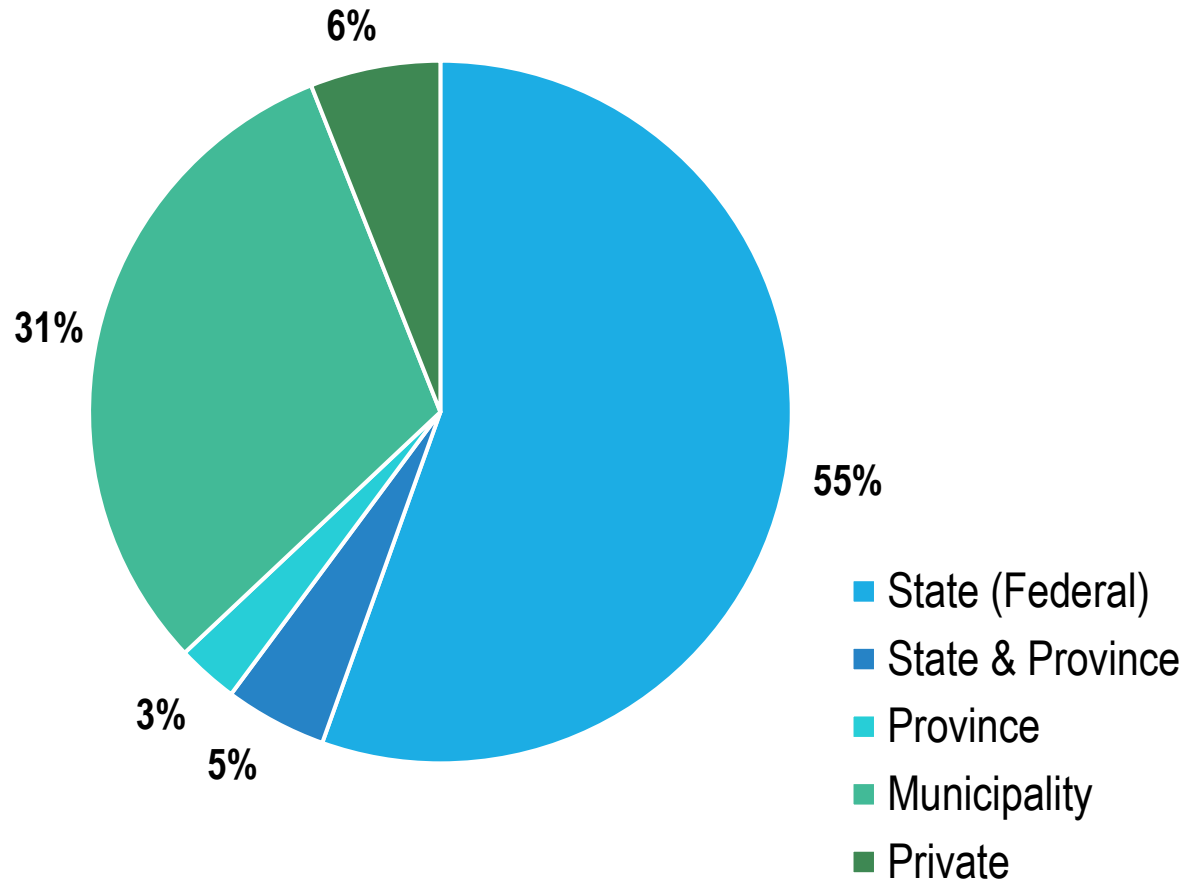
- Europe
  - Central (state/federal) governments and municipalities are the two main types of ownership.
  - Private ownership is limited and can include industrial companies, transport companies (e.g., terminal operators), or financial holdings.
- United States
  - Federal government has no involvement in port ownership.
  - State level ownership is the most common, either as a branch of the state government or through the setting of a port district.
  - Port district is a specifically designed area by the state government, over which a port authority has jurisdiction.
  - The level of municipal ownership is similar in other regions.

# Ownership of European and American Port Authorities



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Europe (N=329)



United States (N=123)

