

1. Port industry is still sustainable?

Over the last 20 years the transport industry has experienced an exponential growth in seaport throughput, which reflected a growth in seaborne trade at an annual rate approximately twice as big as industrial production. This growth is in turn a consequence of the global relocation of industrial activities, which started in the late '60s and in the '70s, and of deep geographical changes in raw material markets and consumption patterns.

During this period, competition among ports has been growing systematically, since reduction in transport costs eroded geographical protection of port hinterlands and consequent monopolies. A higher efficiency is now required, port generalised costs decreased (lower monetary costs and turnaround times, higher reliability) and traffic flow in competitive ports grew far more rapidly than production in hinterlands.

Yet, it clearly emerged that increasing throughputs and market shares for most competitive seaports did not mean, alone, a proportional increase of added value and external benefits the port economy. Indeed, it rather shows only that the port service is effective for the shipowner/carrier. Some further questions then arise: who actually benefits from the effectiveness of a port? And who actually pays for it? Port can still be considered a profitable business? Profitable for whom? All these questions might even be reduced to one: is nowadays port industry a sustainable industry?

Port added value at the heart of the city port negotiations

Enrico Musso

FACULTY OF ECONOMICS - UNIVERSITY OF GENOA

The added value measures the payback to inputs employed in the production. When referring to the AV of port industry for the local economy, positive externalities and multiplier effects are normally included: this is clearly a macroeconomic issue, and a concept of local added value (the gross benefit of the port for the local economy) must be compared to the benefit potentially coming from alternative use of those inputs (their opportunity cost).

Increasing port throughputs do not necessarily increase added value and benefits for the local economy, since changes in port industry have lowered local benefits because of decreasing demand for local inputs and of low payback of space and public resources. Although different traffic categories have not the same weight as for "local" benefits/costs, low payback for inputs and loss of leadership on port/transport industry can result in a scenario of "demaritimisation": ports are seen by local communities more as a threaten than as a source of added value; conflicts arise on land use and pollution. Volatile traffic flows, overlapping hinterlands, high market power of the carriers lead to a demand-driven port development, in search for short term competitive advantages.

Market failures and unbalances between positive and negative externalities might be in theory corrected by economic compensations inversely related to the local added value. Yet, they would be hardly tolerated by the market. Thus, opportunities for local economy must be pursued through new and/or indirect benefits. Local policies should focus on port planning and land use for different traffic categories, measures to attract induced activities (such as logistics services), negotiation between the port and the city, in order to find possible non-monetary compensations. Long term relationships between carriers and ports (possibly dedicated terminals) should also be pursued, in order to involve the former in port investment and reduce the volatility of traffic.

2. The weak link of the (logistic) chain

Deep changes occurred in the maritime transport and port industry over the last decades have totally transformed the scenario of the port-based economies: the rise in traffic flows and in ships' size, since the '50s; growth in containerisation and unitisation since the '60s; the changing industrial organization of the transport industry, moving toward a high degree of cooperation between carriers, including strategic alliances, mergers and acquisitions, as well as vertical integration and control on intermodal/logistic cycles and on port and inland terminals, logistics outsourcing of manufacturing firms. Most of these trends caused a number of crucial threatens for port economies:

- Due to unitisation/containerisation, and to the growing ships' size and traffic flows, port operations have become much more capital intensive, labour saving and space consuming;

- Fierce competition and pressure from liners caused dramatic cuts in port fares and turnaround times, what in turn caused overcapacity (in order to reduce ships' queueing times), and a shift of port industry rent from the producers (terminal operators) to the consumers (liners, MTOs) (the caption of economic rent of the port: see Goss, 1990);

- The overall cost of the port node for the transport

industry (i.e. generalised costs of the terminal and of the ship, including the opportunity cost of time spent in the port