



Market Access to Port Services:

An independent perspective from a former port CEO

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Purpose of talk

- Put “market access to port services” into perspective
 - as regards the ‘mainline’ EU transport policy thrust (ports, intermodal, SSS, etc)
 - as regards other policy issues (safety, security, environmental protection, etc)
- Try to identify
 - areas of concern
 - opportunities
- Make some recommendations

Some references (1992-2005)

- Psaraftis, H. N., “European port ‘patchwork’ needs to be redesigned” Lloyds List, Jan. 22, 2004, page 7.
- Psaraftis, H. N., “EU ports policy: where do we go from here?” Maritime Economics and Logistics, Vol. 7, No. 1, 2005, pages 73-82.
- Short Sea Shipping roundtable conferences (1992,1994,1996)
- “SSS-CA: Concerted Action on Short Sea Shipping” (DG-TREN, 1995-2000) NTUA leader
- “PROSIT project: Promotion of Shortsea Shipping and Inland Waterway Transport by use of Modern Telematics” (DG-TREN, 1998-2000)
- “TRAPIST project: Tools and Routines to Assist Ports and Improve Shipping” (DG-TREN, 2002-2004)
- “INTEGRATION project: Integration of Sea-Land Technologies for an Efficient Intermodal Door-to-Door Transport” (DG-RTD, 2002-2005)
- Author’s experience as Piraeus port CEO (1996-2002)
- NTUA Maritime Transport web site: references, documents, sources, links, etc.

End of Lloyds List article (Jan. 22, 2004):

Europe port 'patchwork' needs to be redesigned

ANYTHING more than a cursory look at maritime policy-making by the European Union will suggest that recent developments in this area could well have a monumental impact on the development of European ports.

The rejection of the 'port package' was certainly the most important port-related event of 2003 in Europe. But there are others worthy of note, too.

Before discussing the port package, perhaps it is of interest to highlight some other 'background' developments that are important.

Last October, the European Commission adopted the proposals by a high-level group headed by former commissioner Karel van Miert regarding the revision of the Trans-European Transport Network (TEN-T).

The EU transport ministers made some modifications and reached an agreement on this issue in December, and the matter will be sent to the European Parliament soon.

Of particular interest was the proposed creation of a network of 'Motorways of the Sea', with four such maritime

FirstPerson

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The most recent estimate of the external costs of road congestion is 0.5% of community gross domestic product — a proportion that will increase by 2010 to 1% of GDP, or \$90bn (\$100.9bn), a year if no action is taken.

However, and in spite of much talk since at least the early 1990s, news as regards shortsea shipping in Europe has not been that encouraging. Even though shortsea shipping grew by something like 27% between 1990 and 1998, road transport grew even faster, at a rate of 35%.

In fact, in 1990, road surpassed shortsea shipping as the top transporter in intra-EU trades, a position that it

industry, among others. The concern is that the directive, as it stands, would undermine the very intermodal efficiency it aims to increase.

To make matters even more complicated, the commission's proposal to transpose into EU law the International Maritime Organization's International Ship and Port Facility Security code will have far-reaching ramifications on all facets of the intermodal chain. This is particularly true for ports.

Last but not least, the stiff implementation timetable of ISPS (July 1, 2004) does not make things any easier. The feeling among many is that most ships will probably be



Psaraftis: risk of policies pulling in opposite directions — a port pro

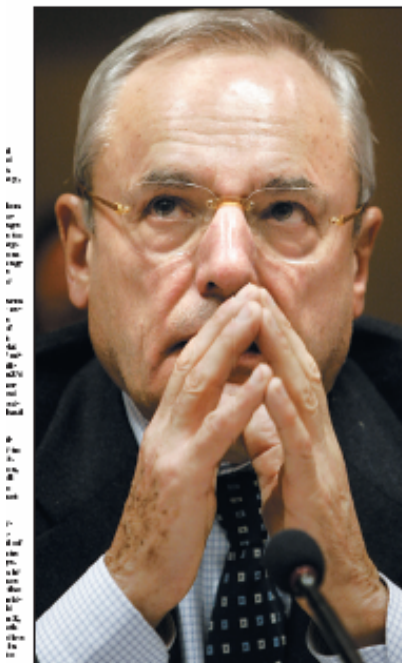
“...it remains to be seen if policymaking for the European port sector can regroup and live up to the high expectations of these increasingly challenging times.”

Almost 2 years later..

(after TRAN Committee vote of Nov. 22, 2005)

Brokers assess the true cost of hurricane fallout
 Feature — Page 7

Port at heart of changing strait market
 Algeciras Special Report — Pages 12-14



Source: dismissed himself from proposals, saying he had inherited them.

European Union
Saga of ports directive descends into farce

ESPO changes tack after confusion, writes Justin Stares

INDIFFERENT politicians support the European Union's port services directive proposal following almost three years in the European Parliament.

The European Free Party Commission, which had previously supported a amended legislative package, said the confused result of voting in the parliament's transport committee led to confusion but is a sign that the directive has emerged completely.

"We have asked the transport committee to vote on a regular basis in relation to the proposal," said ESPO secretary of state David. "The result of the debate that is left is more and more complex."

ESPO's and the committee's agreement is the transport committee by which the legislative amendments and their supporting them in the same sense of voting.

The proposal, due to strong resistance was finally split into two parts: a single centre in all, with around half of members supporting it for the package to be adopted.

But the amended "working" second vote was not carried by the majority of members, after which the committee passed a series of compromises put forward by George Avramopoulos, the parliament's transport committee member of the European People's Party.

At this point, it is unclear if the directive was really adopted or if it would be the port services' primary version now known as a more acceptable ESPO.

In a move to the end of the process, the committee changed its mind, voting to reject the directive as amended by a majority of one. To maintain the issue still

before, the committee then passed a motion, making the directive to the plenary, without more details.

"I think what happened this morning was a mistake," said Mr Avramopoulos. "However much we're here meaning." He said amendments would be considered before the plenary, though that was not acceptable to industry.

"The last time possible work for us would come back to the work not just as was a result of this," ESPO secretary general Patrick Melrose said. "We have decided the directive should not be dropped because it is such a core of the industry's operations in the port."

"It is not a surprise," said Mr Stares. "The committee's decision is the UK Independence Party. "Of course, we would not have been used. It is not likely to be passed because it is such a core of the industry's operations in the port."

The committee's final containing amendments of the draft directive, but transport committee Jacques Fortin in a debate himself from the whole purpose. "This is not my job, I inherited it," he said in reply to the ESPO member's criticism.

For the first time, the ESPO said the committee was no longer sure it should proceed with the proposal. A "decision" was a decision to be made, he said.

The committee's other members said they were willing to ensure sufficient progress from the vote of the law.

Mr Fortin was criticised saying sides who had happened in the parliament's meeting morning. "There is a way," he said after losing the explanation.

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Putting things into perspective

- The “port services directive” is only a part of a complex framework of legislation, regulations, and other policies that affect EU ports, directly or indirectly

WHITE PAPER "European transport policy for 2010 : time to decide "



- COM (2001) 0370
- Major policy document of EU
- Outlines EU transport policy for 2010
- All modes

Short sea shipping (SSS)

- Central pillar of EU transport policy:
USE SSS TO SHIFT CARGO FROM LAND TO SEA
- Goal: reduce road transport 'external costs' (congestion, pollution, noise, accidents)

External costs:

- 2001: 0,5% of EU GDP
- 2010: rise by 142% to 1% of EU GDP
(80 billion EUR a year) if no action is taken

Obvious observation:

- For European SSS to grow...
- .. EU ports should operate efficiently and effectively!



EU: Actions to promote SSS

- Adoption of a Directive **standardising certain reporting formalities** for ships to arrive in and/or depart from ports;
- New support programme “**Marco Polo**”;
- Proposal for a Directive on **Intermodal Loading Units**;
- Introduction of the “**Motorways of the Sea**” approach;
- Proposal for a **Directive on market access to port services** (“**port package**”).

Motorways of the Sea (TEN-T project No. 21)

- Motorway of the Baltic Sea
- Motorway of the Sea of Western Europe
- Motorway of the Sea of South-West Europe
- Motorway of the Sea of South-East Europe



Marco Polo

- Launched in 2003- successor to “PACT”
- 15 million EUR of EC-funds were available under the first call;
- 92 proposals were received, requesting 184.5 million EUR of EC-subsidy;
- 13 actions were granted EC financial support;
- 13 actions are shifting 13.6 billion ton-km of freight off the road to short sea shipping, rail and inland waterways; (~1%)
- private investments of about 360 million EUR (without infrastructure) will be triggered with selected 13 actions;
- the average environmental efficiency is 15, i.e. for every 1 EUR of subsidy spent, there are 15 EUR of external costs saved for society;



Marco Polo II

- Commission proposes an overall budgetary envelope of **740 million EUR** for the period 2007 – 2013, i.e. roughly 106 million EUR per year.
- This will **shift more than 140 billion ton-km of freight off the road** and will reduce CO2 emissions by 8400 million kg. (**~10%!**)
- In terms of avoided environmental damage and less accidents, less energy consumption and less infrastructure damage, the **benefits are forecast to be about 5 billion EUR**.
- 1 EUR subsidy given in Marco Polo II will thus generate more than 6 EUR in terms of social & environmental benefits to our society.

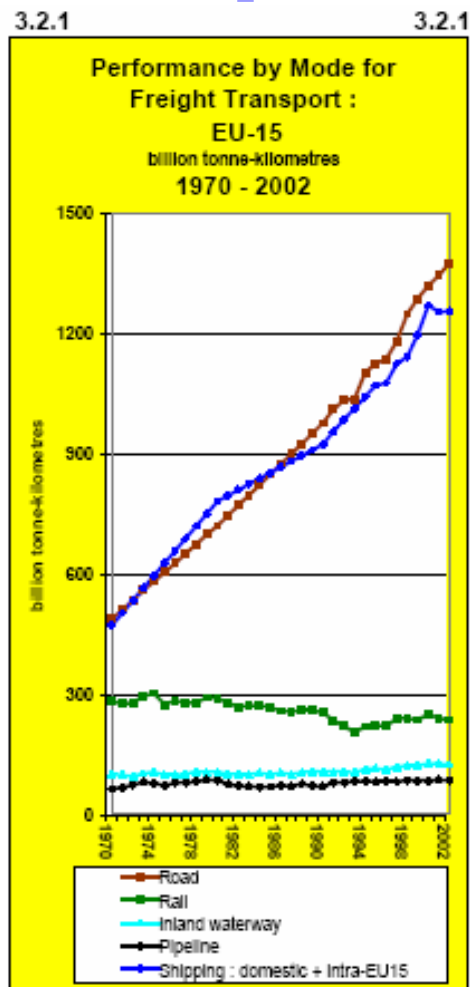


The not-so-good news...

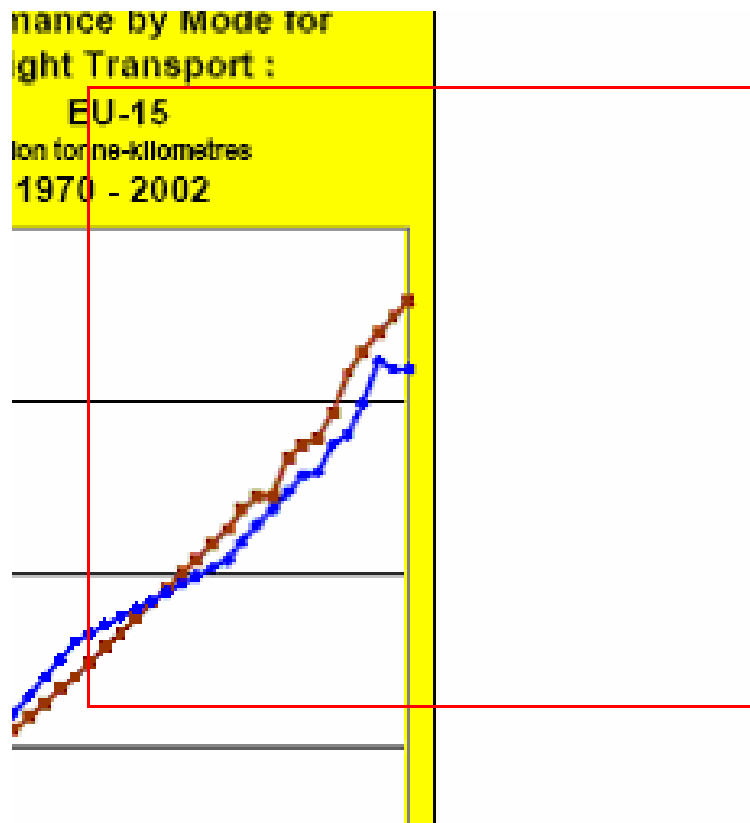
- SSS grew considerably between 1990 and 2002 (36%),
- But road transport grew even faster (41%)
- Inland navigation growth almost stagnant (<17% in 12 years)
- Rail growth <0 (-7%)



EU-15 modal split



Focus after 1985



Not-so-good news cont'd

- in 1985 road surpassed SSS as the top transporter in intra-EC trades in ton-km,
- a position that it will continue to hold if no serious action is taken
- Recent trends disturbing



Declining shares

Modal split

%

	Road	Rail	Inland Waterways	Pipelines	Sea
1970	34.7	20.0	7.3	4.5	33.5
1980	36.3	14.6	5.3	4.3	39.4
1990	41.9	10.9	4.6	3.0	39.6
1991	42.3	9.8	4.5	3.3	40.0
1995	43.0	8.5	4.4	3.1	41.0
2000	43.2	8.2	4.2	2.8	41.6
2001	44.0	7.9	4.1	2.8	41.1
2002	44.7	7.7	4.1	2.8	40.8

Is EU-25 better than EU-15?

FROM ESPO NEWS, August 2005:

- “since May 2004, when Latvia, Lithuania and Estonia became EU members, **maritime transport in the Baltic Sea decreased 10 percent; while road transport increased almost 50 percent.** This is due to a decrease in bureaucracy and administrative procedures for road transport, while legislation on shipping has not or unsatisfactorily been transposed. This means that an **inverse modal shift** (from sea to road) is taking place as the result of the enlargement.”

The impact of environmental protection..

LIST OF EU ENVIRONMENTAL DIRECTIVES THAT AFFECT PORTS

- The Health and Safety in the Workplace Directive,
- The Waste Reception Facilities Directive,
- The Wild Birds Directive,
- The Habitats Directive,
- The Bathing Water Directive,
- The Dangerous Substances Directive,
- The Urban Waste Water Treatment Directive,
- The Shellfish Directive,
- The Water Framework Directive,
- The Environmental Impact Assessment Directive,
- The Strategic Environmental Assessment Directive, and
- The Environmental Liability Directive.



Environmental framework: impressive

- ...BUT one may wonder if all these regulations together place a **rather heavy burden** on ports, just to comply with all of them
- Framework may impede port development?

Example (one of many?)

- 2004: Associated British Ports scrapped plans to build a 2,3M TEU container terminal at Dibden Bay on environmental grounds. Public inquiry lasted a year and had **15.000 pages** of documentation!
- ***“This is a slap in the face for the big boys and the ‘get-rich-quick’ merchants who bullied and blustered that the development was inevitable,”*** said an opponent of the project.



Piraeus Pier III (containers)

- Fierce opposition from city of Perama on environmental grounds
- (they want to build a marina instead)



Customs procedures at ports

■ One stop shop??



Found at GPSA.CO.ZA



The impact of security..

- IMO's ISPS Code (1/7/2004)
- Progress impressive in EU ports
- EU **Regulation** on ship and port security, (transposes the ISPS code into EU law)
- Proposed EU **Directive** on **port** security
- Plan for additional EU legislation on *supply chain (intermodal) security*

More security..

- EU-US agreements (bilateral and global)
- Container Security Initiative
- 24-hr rule
- “International Port Security Program” of the US Coast Guard



Some questions

- How much all of these measures would really enhance EU port & intermodal security?
- Is there an estimate of the **total cost** of these measures?
- Is there an estimate of the impact of these measures on **trade** and on the goal to **shift cargo from land to sea**?

Port package

- 1st setback
- Defeated in EP (November 2003)
- Big setback for EU port industry
- By extension, serious setback for Europe's SSS and intermodal transport

Port package cont'd

Many felt that

- it forced a 'one-size-fits-all' model onto a widely diversified industry
- inadequate consultation with trade unions and the industry was a major problem

Port package No. 2

- 'Swan song' of Mrs. De Palacio
- ESPO and others urged not to rush through it
- Submitted in October 2004
- Opposition from port industry & unions
- **2nd setback:** TRAN committee vote of Nov. 22, 2005
- ESPO asked for withdrawal and a fresh start
- Will go to plenary in January 2006 (**3rd and final setback?**)

- **That will be 8 years since the adoption of the Green Paper on Sea Ports and Maritime Infrastructure**

Where do we go from here?

- Real risk: each policy development outlined before may pull things into a separate direction
- With the port package **in limbo**, European ports are left with a void as to what the institutional and operating environment of the sector will be in the future

Also..

- If over-regulated ports are handed a maze of additional requirements, SSS and intermodality will suffer
- That will help **road transport** increase its share in intra EC transport even further

Is there hope?

YES, IF:

- Policy setbacks (e.g., port package) can produce lessons that are useful for the future
- Politicians and legislators reassess their current ‘patchwork’ modus operandi and adopt a more ‘proactive’ policy philosophy
- Relevant policy is developed by carefully assessing *all* of its implications *before* its adoption
- There is more consultation with industry
- Over-regulation and policy fragmentation are eliminated!

More hope?

- Marco Polo II, Motorways of the Sea: should be given benefit of doubt
- “WATERBORNE” technology R&D platform (Commissioner Verheugen)
- “Maritime Policy” Green Paper/ Task Force (Commissioner Borg)

But..

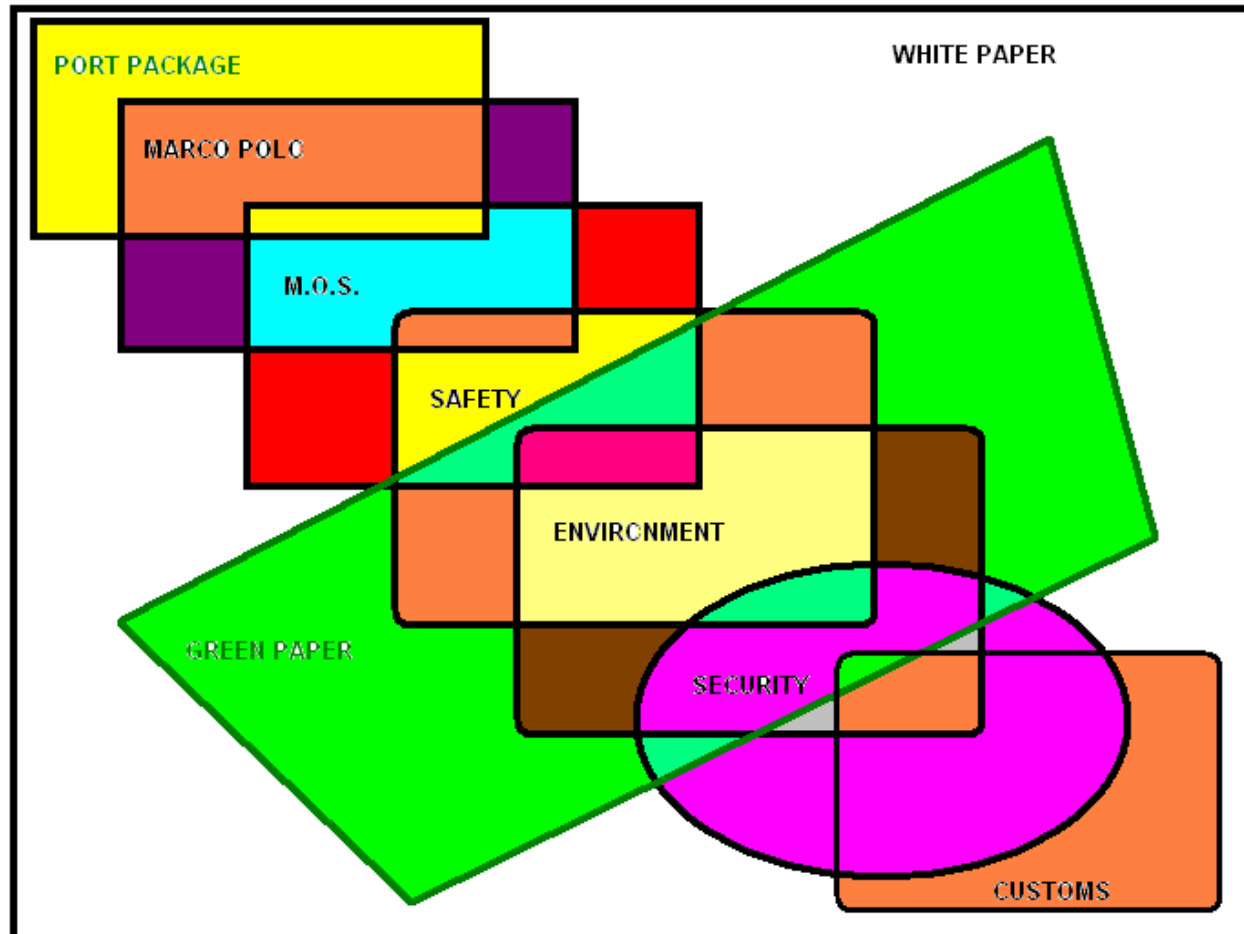
- Outcome of all these is by no means certain
- Things will take some time to be implemented
- Things will not happen by themselves (significant input- and money!- is needed from industry)
- Beware of possible distortions of competition (Marco Polo & M.o.S.)
- **“Maritime Policy” Green Paper: will it streamline the patchwork, or add to it?**

From Webster's dictionary:

Patchwork:

- Pieces of cloth of various colors *and* *shapes* sewed together
- Something composed of ill -assorted, miscellaneous, or incongruous parts
- Work performed in random or unsystematic fashion

To be avoided..



In conclusion..

- The EU port industry is **at a critical point**, to move ahead proactively and meet the many challenges it faces
- This will not happen automatically, and it will definitely require the **full energy and cooperation** of all stakeholders involved
- My opinion: **A fresh start is indeed needed, and the port industry must take the lead to make that happen**

Thank you very much!



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