

# EUROPEAN PORTS WORK



## FOREWORD

European seaports are real drivers of economic growth. Ports are so much more than a place where ships are loaded and unloaded. They are also more than a multimodal transport node. We therefore want to explain to Europe's new policy makers and political leaders what ports can mean for enhancing Europe's economy and growth.

We want you to understand European ports. Europe's ports are, on one hand, embedded in a local community that obliges them to work within a local environmental and societal context, and on the other hand, European ports are part of a global maritime environment, with customers that can easily move around looking for the best port, the best "deal".

Nowadays European ports are facing enormous challenges ranging from growing volumes in ports, ever-increasing ship size and the cost of subsequent adaptation of port and hinterland infrastructure, increasing market power as a result of forthcoming alliances between shipping lines, potential changes in shipping routes, further globalisation and the transition to alternative fuels.

European port authorities need a policy that empowers them to successfully match the commercial and public interests and to meet the various challenges that both market forces and society imposes upon them. Notwithstanding their diversity, European port authorities believe that more autonomy, be it commercial, financial and/or organisational will help them best in facing the challenges ahead.

For the last 20 years European port authorities have been counting on the European Sea Ports Organisation for having their case defended and for convincing European policy makers of what is needed to steer each port in Europe in the right direction. But ESPO is much more than a Brussels lobby organisation. Since 1993, ESPO has proven to be a knowledge network that dares to think further, to work proactively on improving the performance of European ports.

We hope that this publication will bring you closer to Europe's ports and to ESPO. We hope it will show you that European ports work! They make transport work, make the economy work, make their environment work.



**Santiago Garcia-Milà**  
Chairman  
European Sea Ports Organisation

# PRIORITIES OF THE EUROPEAN PORT SECTOR FOR 2014 – 2019

Ports are real drivers  
of economic growth • 7

No ports, no industry • 11

Ports in the European TEN-T policy:  
from word to action • 13

The internal market  
for maritime transport:  
no time to waste • 17

European ports operate in  
an economic, societal  
and environmental context • 19

A ports policy that empowers  
ports to meet tomorrow's challenges • 23

## UNDERSTANDING EUROPEAN PORTS

The role of seaports • 27

There are no lookalikes • 29

Managing European seaports • 30



# PORTS ARE REAL DRIVERS OF ECONOMIC GROWTH

In terms of volume, 75% of European freight exchanges with the rest of the world pass through the 1900 plus seaports in the 23 maritime Member States of the European Union. Moreover, more than one third of goods being transported between EU Member States transits through seaports. The total gross weight of goods handled in EU ports was estimated at 3.7 billion tonnes in 2013. The number of passengers passing through EU ports (both cruise and ferry passengers) was estimated at around 400 million in 2013.<sup>1</sup>

It is estimated that the European port system supports at least 2.5 million jobs (in Full Time Equivalent), both directly and indirectly.<sup>2</sup>

#### DID YOU KNOW THAT

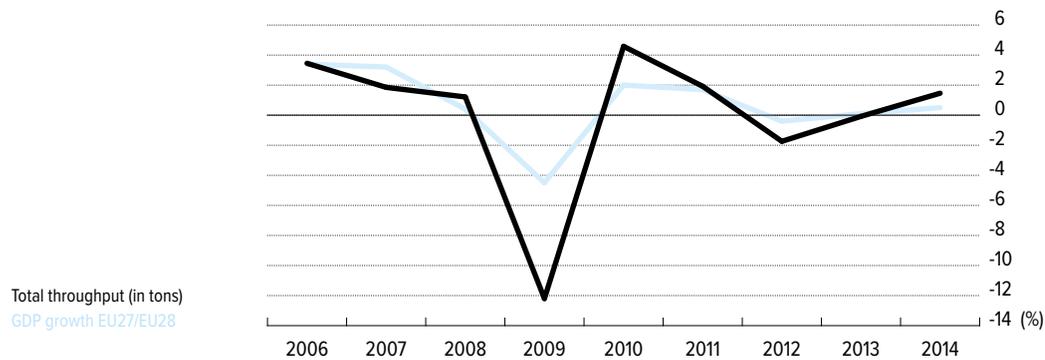
**One job** in the maritime cluster or one job related directly to the transfer of cargo supports at least **four** other jobs in the region, either inside or outside the port area.<sup>2</sup>

A recent OECD study calculated that in European regions, each additional million tonnes of port throughput creates **300 new jobs** in the port region in the short term. Ports are both facilitators of trade and are able to attract industries and trigger investments.

<sup>1</sup> Source: Eurostat — <sup>2</sup> Portopia

The European Sea Ports Organisation calls on the Parliament and the Commission in full, and not only the Transport Commissioner and DG Mobility and Transport (DG MOVE), to fully recognise the crucial role of seaports as drivers of economic growth.

YEAR ON YEAR GROWTH IN TOTAL EU PORT TRAFFIC AND EU GDP <sup>3</sup>



The European ports system ranks amongst the busiest in the world with an estimated throughput of **3.7 billion tons** in 2013. Growth was particularly strong in the period 2000–2008, but decreased in the aftermath of the economic crisis. In 2009, European ports handled 3.67 billion tons of cargo, which rose to 3.84 billion tons in 2010. Since 2012, growth has continued to be positive.

A comparison of year-on-year figures for the European port system with GDP growth figures for the EU27 shows that ports are affected by economic swings. Negative economic trends have a similarly downward effect on cargo volumes in seaports. However, when the economy is strong, seaports typically show high to very high growth figures. Being faced with two such extremes in a short time, ports have proven to be very resilient and dynamic.

<sup>3</sup> Source: Portopia

Throughout this dynamic process of change, one thing has remained constant. Seaports are as vital as ever to Europe's external and internal trade, business development and the welfare of its citizens. As such, seaports are the principal multi-modal facilitators of economic growth. To ensure that this essential function for Europe's economy remains safeguarded, a 'renaissance' of port management is required, together with a political awareness of port development needs.

**The Renaissance of  
Port Management and Policy**  
*A Manifesto for Port Authorities,  
Governments and the European Union*  
Sopot, 11 May 2012



## NO PORTS, NO INDUSTRY

European ports are more than mere transshipment platforms. They are home to important industrial clusters, which create much added value for their region. Moreover, industries are often attracted to a certain location because of its port.

Revitalising industry is high on Europe's political agenda. In January 2014, the European Commission published a Communication<sup>4</sup> calling for a European industrial renaissance. The European Sea Ports Organisation supports this plea.

ESPO believes that a properly functioning and efficient European transport network linking European ports with their hinterlands, combined with a transport policy that facilitates both internal and external EU trade is one of the main pillars for a successful EU industrial policy.

#### DID YOU KNOW THAT

**9.4 million** of the **16 million** passenger cars produced each year in the EU are exported through one of the major EU car handling ports. In addition, European ports play an important role in supplying raw materials coming from other continents to the EU car industry.<sup>5 & 6</sup>

4 • COM (2014) 14 Communication of the Commission "For a European Industrial Renaissance" — 5 • Statistics by OICA, number for EU27 production — 6 • Survey by Automotive Logistics Magazine, figures for 2013



## PORTS IN THE EUROPEAN TEN-T POLICY: FROM WORD TO ACTION

Over the past five years, European transport policy makers have put all their efforts into the development and adoption of a new policy and financial framework for Europe's transport infrastructure.

The European Sea Ports Organisation hopes that the important role given to European seaports in this new policy will also be fully endorsed during the implementation process.

European ports therefore ask the Commission and the Parliament:

- To involve the seaport authorities in the corridor platforms on an equal footing with other infrastructure managers.
- To safeguard the current TEN-T financial envelope of €26 billion.
- To clarify the respective roles and attributes of TEN-T ports. European ports want to know what it means to be a “core” or a “comprehensive” port when it comes to other than TEN-T policy initiatives.
- To work on more coherence between the different DGs involved in infrastructure projects, a ‘modus vivendi’ needs to be developed between DG MOVE and DG Competition simplifying and streamlining the approval of national and regional public funding given to projects that benefit from TEN-T financial support.
- Also DG MOVE and DG Environment, should work on more efficient environmental impact assessment procedures in order to avoid unnecessary delays for TEN-T core projects.

## DID YOU KNOW THAT

The results of a recent ESPO survey on the needs of ports in terms of infrastructure shows that participating EU ports would need over **€9.8 billion** to spend on infrastructure projects during the period 2014 – 2020. **42%** of the projects relate to major improvements into port facilities while **24%** concern rail, road and inland waterways links to and from the ports.<sup>7</sup>

The World Economic Forum uses the quality of port infrastructure as one of the key indicators for assessing economic competitiveness. This clearly highlights the importance of efficient ports to economic growth. It is interesting to note that **11** European countries feature in the global **top 20** in terms of quality of port infrastructure.<sup>8</sup>

7•Source: Infrastructure investment and financing needs of the core seaports 2014–2020 (Portopia)

8•“Global Competitiveness Report 2013–2014”, The World Economic Forum (WEF)

ESPO’s “Port Manifesto” outlined a vision on the role port authorities play as facilitators of business and mediators between economic and social interests. I think that this model of governance should be used as an example if we want to improve competition. Port authorities still remain at the heart of the system and they need to be rethought and brought to a European dimension. But, it won’t be possible to reduce the individual characteristics of each port by establishing a common denominator.

Giuliano GALLANTI  
*ESPO Chairman 2004–2008*



# THE INTERNAL MARKET FOR MARITIME TRANSPORT: NO TIME TO WASTE

The internal market for maritime transport is a key factor for facilitating trade between EU Member States. The internal market for maritime transport is, of all modes, the least developed. Vessels transporting EU goods from one European port to another are still today considered as coming from outside the European Union. Existing customs simplification schemes are insufficient since they only apply to a small part of the maritime traffic. This clearly puts maritime transport at a competitive disadvantage with other modes of transport.

For European ports, a first priority is to improve communication and simplify the exchange of information between the different parts of the logistic chain. The challenge for the Commission will be to achieve such a simplification while taking advantage of existing systems.

In addition, customs have a key role in the facilitation and boosting of trade. Customs rules and procedures should be as efficient as possible and uniformly implemented in EU ports. This should lead to shortening the time cargo remains in the port, reducing the impact in terms of cost and time for business while optimising the use of port space. Equally, the functioning of customs must remain a neutral element both in competition between different EU ports and, ideally, in competition between EU and non-EU neighbouring ports.

Port and customs authorities share a key role in optimising supply chains and supporting the competitiveness of EU businesses.



# EUROPEAN PORTS OPERATE IN AN ECONOMIC, SOCIETAL AND ENVIRONMENTAL CONTEXT

European ports realise better than anyone else that, to secure their “licence to operate” and their “licence to grow”, they must ensure that new operations and investments are sustainable. Ports know they operate in a certain economic, societal and environmental context. More and more port authorities are becoming aware of the need to devise ways to develop co-operative synergies with cities in order to improve the quality and accessibility of port areas and promote a positive image with the general public.

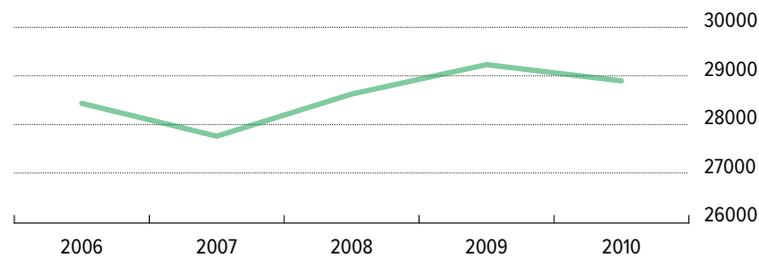
Since European port authorities assume both public and economic responsibilities, they are ideally placed to meet the various challenges that both market forces and society impose upon seaports.

At the same time, European ports have always tried to proactively respond to the environmental challenges they are facing. Moreover, European port authorities believe that environmental policy initiatives should not distort competition between ports.

## TRENDS ON SELECTED PERFORMANCE INDICATORS OF PORTS

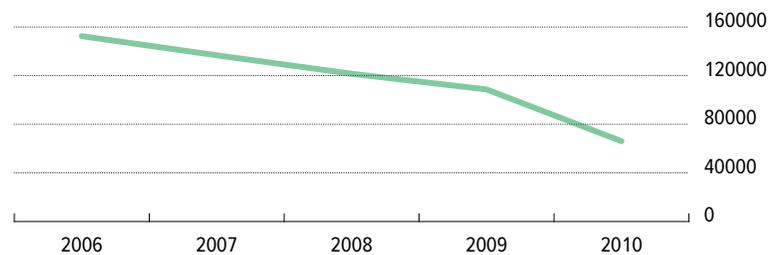
### CARBON FOOTPRINT

CO<sub>2</sub> emissions (tonnes) (Source: ESPO Port Performance Dashboard 2013)



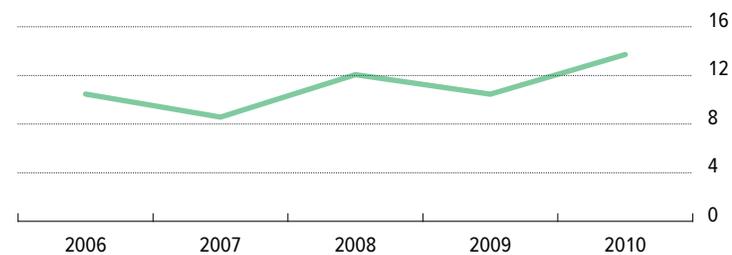
### WATER CONSUMPTION

volume (m<sup>3</sup>) (Source: ESPO Port Performance Dashboard 2013)



### WASTE MANAGEMENT

volume (m<sup>3</sup>) (Source: ESPO Port Performance Dashboard 2013)



Environment has always been a major priority for our organisation. We have made a firm link between effective environmental management and effective port management, which go hand in hand. If we are to secure the ‘license to operate’ and the ‘license to grow’ of our ports, we must ensure that operations and new investments are undertaken in a sustainable manner. Port authorities have both an economic and public interest in serving the need of their local communities for a clean environment.

**Victor SCHOENMAKERS**  
*ESPO Chairman 2008–2012*



## A PORTS POLICY THAT EMPOWERS PORTS TO MEET TOMORROW'S CHALLENGES

Ports need an economic and political environment that gives them the tools to face the challenges of tomorrow: growing volumes in ports; ever-increasing ship size and the subsequent cost of adaptation of port and hinterland infrastructure; increasing market power as a result of forthcoming alliances between shipping lines; increasing societal needs (housing, city development) and environmental pressure; further globalisation and the transition to alternative fuels.

The European Union needs to be a positive force in strengthening port management and port development policy by levelling the playing field and providing legal certainty on one hand while fostering growth and development of ports on the other.

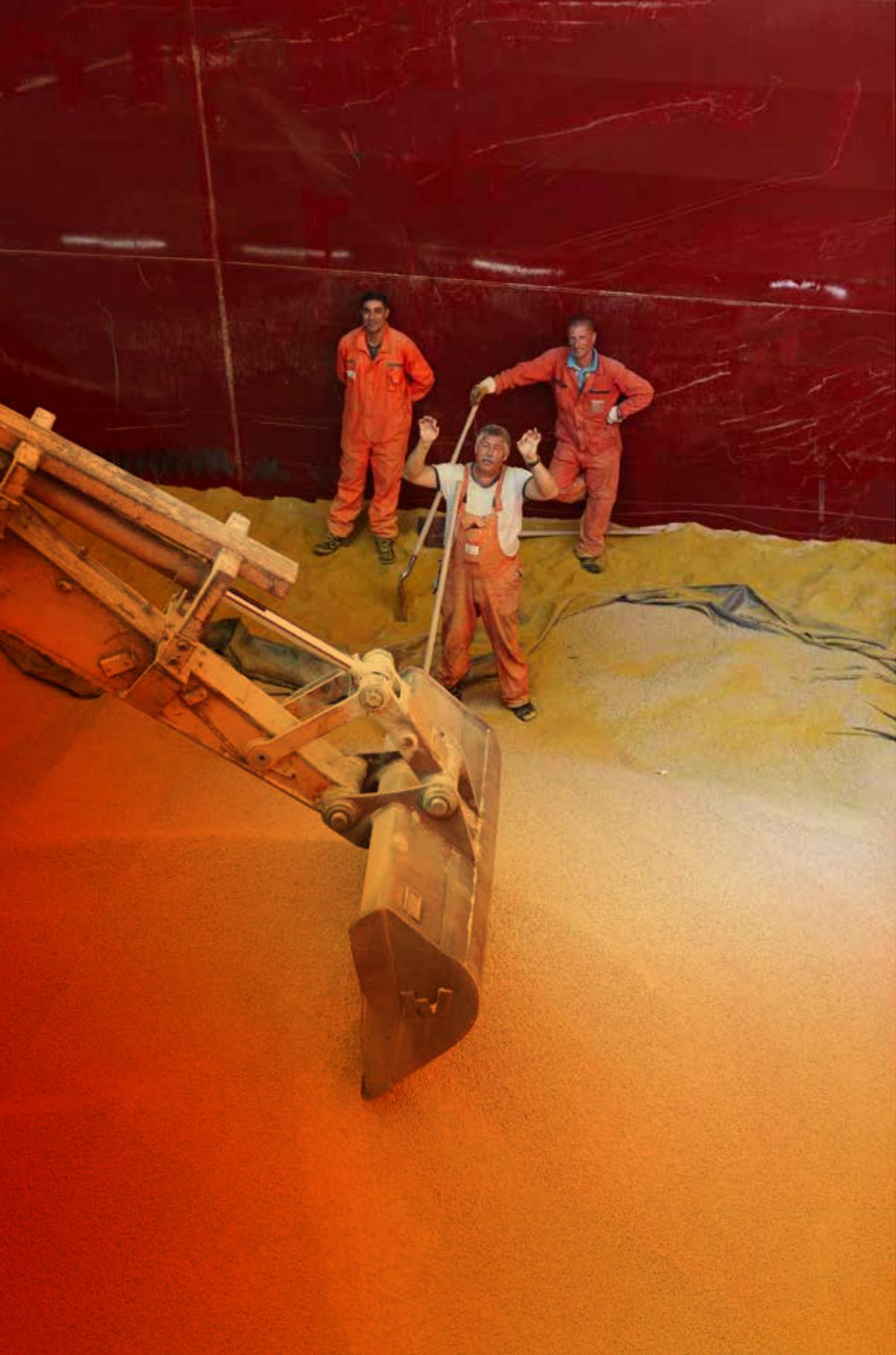
Well-performing ports will undoubtedly contribute to the ambition of Europe to establish a competitive and resource-efficient transport system.

The European Sea Ports Organisation has always believed that clear guidance on the interpretation of the Treaty rules would be the most appropriate instrument to guarantee the application of the Treaty.

However, European sea port authorities could support a legislative framework that:

- creates the principle of the freedom to provide services applicable to the port sector, while taking into account its specific character and features and not holding back strongly performing ports;
- ensures financial transparency where ports receive public funding for their infrastructure and/or operations and gives clear guidance on state aid. This should however not result in disproportionate administrative burdens;
- acknowledges that the setting of charges and the minimum requirements for port services are important tools of port management.

ESPO hopes to continue the dialogue with the new Commission, the new Parliament and the Council to come to a ports policy that means a step forward for every single port in Europe.



# THE ROLE OF SEAPORTS

**GATEWAYS TO THE WORLD.** Over 75 % of Europe's trade with the rest of the world, and more than one third of intra-European trade, is shipped through its seaports.

**ESSENTIAL NODES IN THE TRANSPORT CHAIN.** Ports do more than just handle ships. European ports are multimodal transport nodes linking maritime transport with all other transport modes. As such, ports are key in the operation of efficient logistics chains.

**HOTSPOTS FOR EUROPE'S INDUSTRIAL ACTIVITY.** Many European seaports are also home to vast industrial complexes, where freight and other activities are bundled. Industries located in port areas can save transport costs and time.

**SAFE AND SECURE SHELTERS.** Traditionally, a port was mainly seen as a safe haven. While ports continue to provide shelter they also play an important role in maritime safety and the prevention of pollution through sophisticated maritime traffic monitoring systems, technical-nautical assistance to ships and facilities to collect waste to avoid discharges at sea. Moreover, ports invest significantly in measures to prevent terrorism, illegal immigration and other criminal activities.

#### DID YOU KNOW THAT

Worldwide, European ports have the highest number of connections for container traffic with ports in the Far East, with **848** direct connections. Central and South America follows with **629** connections. Europe has **348** direct connections with Africa, and **340** direct links with North America.<sup>12</sup>

**LINKING EUROPE'S ISLANDS AND PERIPHERAL REGIONS TO THE MAINLAND.** Seaports contribute to territorial cohesion. For islands and remote areas, the port is vital to the development of the region and to bring those areas closer to Europe's mainland and its markets.

**TRANSPORT OF PASSENGERS.** Ports play a key role in the transport of passengers. The number of passengers passing through EU ports was estimated at 398 million in 2012, with cruise passengers representing 3.6% of the total number. Overall, the cruise industry is booming in Europe

**NODES OF ENERGY.** Ports traditionally play an important role in the import, export, storage and distribution of energy. Apart from providing services to the offshore oil and gas industry, ports are also closely linked with the building and maintenance of on- and offshore renewable energy sites, and increasingly play a role in the provision of alternative energy such as LNG and biomass.

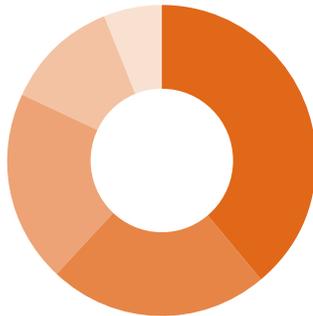
Around **40%** of all commodities handled in European ports are sources of energy (crude oil, fuels, coal, LNG, biomass).<sup>13</sup>

**One out of five** European ports produce and use some form of renewable energy (e.g. solar, wind) inside the port area.<sup>14</sup>

#### THE DIVERSITY OF PORTS IS A STRENGTH

Type of goods handled in EU ports <sup>15</sup>

Liquid bulk (39%)  
Dry bulk (23%)  
Containers (20%)  
Ro-ro (12%)  
Other (6%)



13 • Portopia 2014 — 14 • ESPO Port environmental review 2009 — 15 • Source: Eurostat figures 2012

## THERE ARE NO LOOKALIKES

While the common saying “when you have seen one port, you have seen one port” might be an exaggeration, nobody can deny that European ports are very different in many ways.

- **Governance and organisational structures:** Seaports may be publicly or privately owned, operated entirely on a commercial basis or without playing an immediate commercial role. Seaports may be landlord type (contracting out port services and managing the port land) or integrated vertically (providing all port services in house). In reality, most of the ports operate in between these different models.
- **Markets:** Ports handle different kinds of trade with each sector having its own special needs. Furthermore, one should distinguish between transshipment ports, that are part of complex networks, gateway ports that serve close or further hinterlands, and regional and local ports.
- **Geographical location:** ports can be located in protected or engineered coast lines or in natural deep water coves, in tidally influenced estuaries or rivers and canals. The geographical location has a direct influence in terms of infrastructure requirements and environmental and safety considerations, such as dredging, breakwaters, locks and pilotage. Moreover, ports can be located in urban or remote areas.
- **Competitive position and market power:** seaports operate in competitive markets. Competition exists between ports within the same region or maritime range or between ports with an overlapping hinterland. Competition can also exist within single ports, and seaports also face competition from other means of transport. Moreover, as a result of the concentration in the shipping industry, the market power of port customers is on the rise .
- **Financing port investments and operations:** Different degrees of involvement of the public and private sector exist in the financing of seaports.
- **Tasks:** Not all ports perform the same public tasks such as water supply, security control, high water protection, safety and civilian infrastructure maintenance and building. This often follows a certain historical and administrative heritage, which differs considerably from Member State to Member State and even among ports within Member States.
- **Size:** Among the 329 TEN-T ports there are small ports that welcome only a few vessels a week, as well as large ports with more than 500 vessels calling a week.

## MANAGING EUROPEAN SEAPORTS

The management of European seaports is in most cases devolved to a port authority, an entity which, regardless of ownership and other institutional features, assumes both public and economic responsibilities.

This hybrid character makes port authorities ideally placed to meet the various challenges that both market forces and society impose upon seaports.

In 40% of cases, European port authorities manage more than one port. The managing body of the port is not always fully in charge of all statutory responsibilities, but sometimes shares them with other agencies or administrations.

The majority of the seaport managing bodies are publicly owned. Exclusive private ownership remains an exception.

The ownership of the port authority does not always coincide with the ownership of the port land or port real estate. Port authorities often do not own the land but manage and exploit the port land on behalf of the national, regional or local government.

Not only are seaports diverse, but the port authorities' role and functions vary considerably. Besides the three traditional functions of port authorities, landlord, regulator and operator, the community manager function is gaining in importance. Port authorities can perform these four functions more or less actively, with more or less commercial orientation, in a more passive or a more entrepreneurial way.

Generally as landlords, most port authorities focus on the provision and management of the port infrastructure. Under the regulator function, port authorities ensure the application and enforcement of rules and regulations set by regional, national or other agencies. When managing bodies act as operators, they can in addition provide services of general economic interest and specialised commercial services, including cargo handling or services to ships (for example pilotage, towage). Through the Community manager function, the port authority may solve hinterland bottlenecks, provide training and education and IT services.

Notwithstanding their diversity, port authorities in Europe wish to strengthen their commercial, financial and organisational autonomy to be able to face common challenges and successfully match the commercial and public interests of their ports. Policy at all levels should help them performing this role.

The two most important sources of income for a port authority in Europe are the general port dues levied on ships calling at the port and the land lease fees charged to cargo handling operators or other land users. Some ports also generate income from operating services.

### DID YOU KNOW THAT

While port dues may represent half of the port authorities' revenues, it only represents **5 to 10%** of the total port call cost.<sup>16</sup>

## THE PORT COMMUNITY

A wide-range of professionals contribute to the success of a port: dockers, stevedores, terminal operators, shipowners, ship agents, ship brokers, shippers, traders, freight forwarders, warehouse staff, harbour masters, port authority staff, tugboat operators, pilots, boatmen, ship builders, ship repairers, dredgers, bunkering agents, waste collectors, port state control officers, customs authorities, port police, bankers, insurers, maritime lawyers etc.

<sup>16</sup> • Source: ESPO fact finding report 2010 and the Commission impact assessment to the port regulation proposal, SWD (2013)181 final

