

**EUROPEAN COMMISSION STAFF WORKING PAPER ON
PUBLIC FINANCING AND CHARGING PRACTICES
IN THE COMMUNITY SEA PORT SECTOR**

(ON THE BASIS OF INFORMATION PROVIDED BY THE MEMBER STATES)

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Results of the Inventory on Public Financing and Charging Practices in the Community Sea Port Sector

1. INTRODUCTION

The Commission's Green Paper on Seaports and Maritime Infrastructure¹ opened a debate on how to improve the position of ports in the European transport network. The discussion confirmed that the efficient functioning of ports as part of the door-to-door intermodal chain is an essential prerequisite to stimulate the development of maritime transport, in particular as a sustainable alternative to land transport.

One issue at the centre of the debate following the Green Paper was the need to assess whether specific rules for the port sector with regard to transparency in the ports' financial relations with Member States and other public bodies, to state aid and infrastructure charging should be developed. As a first step the Commission proposed therefore to gather, with the help and active involvement of Member States, information in the form of an inventory on public financing and charging practices in ports throughout the Community. Additionally, the enquiry covered the issue of access to port services.

The proposal to set up the inventory was supported by the European Transport Ministers in the Council of 18 June 1998.

2. COMMISSION'S QUESTIONNAIRE / METHODOLOGY

a) Commission's questionnaire

In order to collect the information needed for the inventory the Commission services submitted a questionnaire to Member States in October 1998. The questionnaire was composed of two parts:

Part A) Concerning information at national level, including an overview on organisation and management of ports, a description on general and specific measures or instruments for financing and charging of port infrastructure costs.

Part B) Concerning information on individual ports in Member States. It was suggested that ideally the selection of ports (4 to 5 per Member State) should offer a representative picture of major types of ports, in both organisation and cargo handled. A similar set of questions to those raised at national level was asked and, in addition, a request for information was made covering public investments undertaken in each port, to be quantified for the period 1995 to 1997. Finally, a description of the conditions on access to infrastructure facilities was requested.

The questionnaire encouraged descriptive replies concerning the organisational structure of ports. It also covered specific issues like cost recovery and public support, and asked there for key figures; the questionnaire was accompanied by appropriate

¹ COM (1997) 678 Final (10/12/97)

explanatory documentation². In addition, bilateral meetings between the Commission services and each Member State were held in order to explain further the scope of the questionnaire and to resolve any uncertainties and eliminate possible misinterpretations.

Although these precautions were taken by the Commission services in order to ensure clarity, it has to be generally concluded that the quality of information received in reply to the questionnaire, and in particular the one on individual ports³, varied considerably. Replies submitted by the Member States ranged from scant 'two page-statements' with virtually no information at all, to substantial documentation in both volume and quality. This divergence in the level of co-operation can be seen in the submission of information in aggregated form where individual port data was requested, partial or complete omissions on specific issues or refusals to supply data. While recognising that certain questions in the questionnaire could have been misinterpreted and/or certain data omitted, the results are, however, considered to provide a representative picture with regard to the issues raised for the inventory.

b) Methodology applied to analyse the replies to the questionnaire

From the outset it was clear that issues like public financing or charging practices in the European port sector are intricately linked to the level of public involvement in the ownership and/or operation of a port. Thus the Commission services tried to establish initially, for the purpose of this inventory, an ownership and management typology which would encompass most of the organisational structures found in the Community ports (see point 3.). In a second step, Member States replies to the question on public financial support provided to individual ports, were examined by investment category and geographical spread (see point 4.). Next, and recalling the objectives of the inventory set out above, the answers were analysed with a view to obtaining information about the accounting systems employed in the European port sector (see point 5.). Charging practices and, connected to that, the question of cost recovery for infrastructure expenditure were investigated on the basis of the information submitted by the Member States under point 6. Finally data made available on the issue of access to port services was analysed and is summarised under point 7..

3. ORGANISATIONAL AND MANAGERIAL STRUCTURES IN THE COMMUNITY PORT SECTOR (Part I - A.1 and B.1 of the questionnaire)

Public financial support for a port, transparency in the financial relations between Member States and ports, cost recovery practices and the conditions of access to the market of port services are all strongly influenced by ownership and management of a port. In order to obtain a more structured overview of existing organisational port structures in the Community, the information provided by Member States was used to establish certain major types of ports, which reflect the different degrees of public involvement found. The following parameters were used:

² see also footnotes 5 and 6

³ **52 ports** in 13 Member States participated in the exercise, covering an *estimated 50-60%* of European port traffic

- **Ownership:**

Ownership can range from exclusive public ownership (by federal, regional, municipal or other public bodies) to forms of mixed ownership (e.g. with basic infrastructure in public ownership whilst private ownership for the operational equipment, or shared ownership through a port holding company) to full private ownership.

- **Managerial autonomy:**

Managerial autonomy over management decisions was used as a benchmark to describe the influence of the public sector, e.g. in financial resourcing, investments, tariff setting or the capability to adapt autonomously to changing market requirements.

- **Managerial responsibility:**

Economic and public objectives set by national/regional port policies often pre-determine actions by port managers.

The analysis showed a wide range of existing models: at one extreme, ports are run as departments of the national, regional or local administration, or under the exclusive auspices of a Port Authority (P.A.), with, in either case, the obligation of the management to implement policy decisions taken elsewhere.

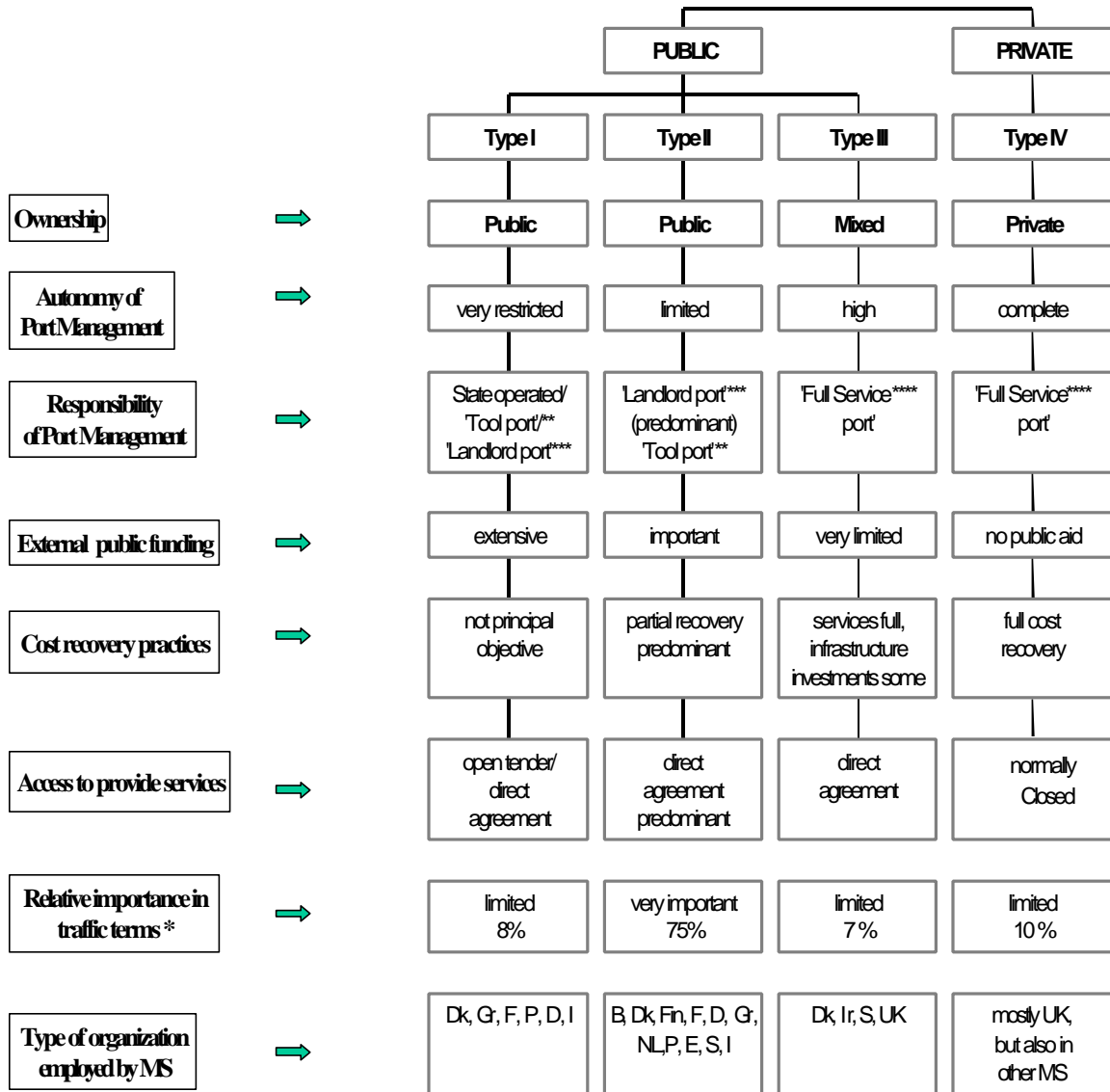
In particular the public institution “Port Authority”, acting as port management, was noted in many Member States. P.A.’s have extensive responsibilities for port development, the provision of infrastructure, safety, services and, as an overall function, play a role as co-ordinator and arbiter of public and private interests within a port.

Other types of port organisations could be found which were characterised by a decreasing influence of the public sector, reserving the role of the public side to questions of planning, safety, land management or the provision of a corresponding infrastructure.

Finally, at the other end of the spectrum, ports established as private enterprises with managerial decision-making purely based upon economic considerations with no public influence whatsoever, aside from constraints associated with public policies such as environment, regional/territorial planning or connection of these ports to land networks.

The following Table 1 shows, with decreasing influence of the public sector from type I towards type IV, the principal organisational characteristics as established for the purpose of this inventory:

Organizational Structure of Ports



* = Traffic estimates based on Member States replies and best evidence available.

** = A port where the PA is not only providing basic infrastructure but also (some) facilities to port operators.

*** = A port where the PA is co-ordinating port development and manages only basic infrastructure.

**** = A port operating company runs the port entirely. This company is very often established in a mixed holding between public and private operators.

The above categorisation of current organisational structures in the Community port sector clearly shows the predominant involvement of public institutions. Indeed, some 90 % of European maritime traffic is estimated⁴ to be handled in ports where decisions on funding for infrastructure and charging of expenditure are, to varying degrees, dependent or influenced by public regulatory or supervisory bodies.

4. PUBLIC FINANCING IN COMMUNITY PORTS (structural & geographical distribution) (Part I - A.2, A.3, A.4 and B.2 of the questionnaire)

There is reason to believe that the information provided by the Member States on public monies invested in Community ports is **incomplete** (see page 8). Therefore, conclusions drawn may not necessarily reflect the actual situation correctly, i.e. underestimate the importance of the public role in port investment. In fact, and as a main result from Member States replies, public financing is important and clearly linked to port policy objectives (see point 3.), which are themselves dependent upon on-going developments in the respective Community maritime regions.

Having established the prominent role of the public sector in the organisation and management of Community ports it was expected, as a logic consequence, that public monies spent on infrastructure would be an important factor. Also it was clear from the outset that in those Member States where ports play a prominent role in the national transport policy, public authorities would use instruments such as laws, financing schemes or budget plans to support them financially. Against that background, it is worthwhile recalling what was meant⁵, for the purpose of this inventory, by 'public financing': 'any financial advantage, in whatever form, granted by any public source to a port'.

Having identified the goals of the inventory it was however important not only to record total investments but also, in view of any future Community policies, to analyse public support per investment **category** as well as per **geographic** region.

a) public financing per investment category

The Commission services undertook a grouping of Member States replies on public financing in accordance with the investment categories as established in Annex II⁶ of the questionnaire.

The following Table 2 summarises the monies spent for the period 1995 to 1997 in million €

⁴ adding together traffic covered by port organisation types I (8%), II (75%) and III (7%) **based on Member State replies**; extra-polation assumed to be valid.

⁵ For reference purposes a copy of Annex I of the questionnaire is attached as **Annex A**

⁶ For reference purposes a copy of this Annex II is attached as **Annex B**

Investment Category as per Annex II of the Questionnaire	1995 (Mio. Euro)	1996 (Mio. Euro)	1997 (Mio. Euro)	Split per investment category (1997)	Evolution 1995 - 1997
1.1 - Land purchase	29,0	19,0	69,4	4%	139%
1.2 - Maritime access	107,7	89,0	77,1	5%	-28%
1.3 - Port infrastructure	327,0	379,0	507,6	32%	55%
1.4 - Port superstructure	338,0	280,5	358,4	22%	6%
1.5 - Infrastructure links	45,5	40,0	24,1	2%	-47%
1.6 - Port maintenance works	169,1	211,1	219,1	14%	30%
1.7 - Port services	233,7	328,2	305,2	19%	31%
1.8 - Other port activities	38,2	43,2	35,7	2%	-7%
Total public financing	1.288,2	1.389,9	1.596,6	100%	24%

In analysing the above data it is worthwhile noting that:

- The figures on public monies invested in Community ports as reported by Member States seem to be grossly underreported. In fact, when cross-checking the data submitted with other sources of information available (published financial statements, web-sites, fact sheets & brochures of ports, institutional budget plans etc.), considerable inconsistencies were discovered, and there are strong indicators that public support was much more important than for example the 1.6 billion € registered for 1997. The unreliability factor in this figure is very high and indeed a prudent estimate of 2 to 3 times this level for public financing would appear realistic. Having said this, it is again recognised that to retrace **all public** financial streams flowing into an extremely heterogeneous economic conglomerate like a port **area**, implying in many cases divided responsibilities for the different types of investments (e.g. rail, road, port specific hinterland), is obviously not an easy task.
- To assess whether the public financing of ports is important in relation to overall public investments for transport infrastructure and thus has a Community dimension to be reckoned with, the following should be considered:
 - The public monies included in this exercise cover only 52 major ports in the Community. There are more than 350 Community ports susceptible for public financing under the **Trans European Network** programmes⁷.
 - Ports constitute a relative limited part of the overall transport network as nodes in the intermodal chain. All transport infrastructure investments in Europe reached some 67 billion €⁸ p.a., including **all** sources (public/private) and Member States (including land locked countries). A **public** financing of approximately 3 to 5 billion € p.a. dedicated **alone** to ports shows thus a considerable 5 to 10 %-share for these investments. Finally, it is recalled that in

⁷ Proposal for a European Parliament and Council Decision amending Decision N° 1692/96/EC as regards seaports, inland ports and intermodal terminals as well as project N° 8 in Annex III [COM(97) 681 of 10.12. 1997

⁸ Source: see Statistical Yearbook "EU Transport in Figures 1999", page 18: data for 1994

ports operated under extensive public influence (e.g. port types I, II) the impact of public financing is by nature very high.

- The low levels and/or decreasing trends of typical ‘start-up’ investments such as expenditure on land purchase, basic maritime infrastructure and infrastructure links seem to confirm that the port industry in most parts of the Community can be considered mature. These three investment categories represent only some 11% of total public financing for ports.
- A reservation to the above assessment needs however to be made when noting the dominant position of port infrastructure investments (32%), which also shows one of the most prominent growth rates among the various investment categories. This may reflect significant constructions in existing port areas, with major public spending on infrastructures such as internal locks, docks or quay walls.
- Investments in port superstructure and port services, which are also indicators of expansion in existing capacities and/or improvement in efficiencies, represent together the major part of public support for ports (41%). In addition, this public support has shown significant growth in both absolute and relative terms.
- Again stressing the precautions that should be noted when drawing conclusions from data available for only 3 years which, in addition, have been aggregated at European-wide level, there seems reason to believe that the trend in public financing for ports does not correspond to the evolution of overall traffic. Whereas *overall* port traffic in Europe is growing modestly, and as a rule of thumb by some 1-3% p.a.⁹ in line with trends in GNP and industrial growth (with exceptions for certain regions and types of cargo), public investment for ports is outpacing traffic growth. Investments levels may, however, be influenced by changes in the cargoes handled, in particular the considerable growth of container traffic and by technological changes.

b) Public financing per Community region

The distribution of *total* public investment made in ports in major maritime regions in the Community is shown in Table 3, based upon Member States replies to the questionnaire:

⁹ Sources:

1) see Commission “Green Paper on Sea Ports and Maritime infrastructure” e.g. Annex II - MAP 6: Freight transport growth in TEN ports between 1993 to 1996: 2.472 Mio tonnes ? 2.622 Mio tonnes = +2% p.a.;

2) see Shipping Statistics Yearbook 1997 of the Institute of Shipping Economics and Logistics (ISL) page 379: Total Cargo Traffic of Major European ports 1985-1996: +1-2% p.a.

3) see Statistical Yearbook “EU Transport in Figures”, edition 1999, page 53: change in port traffic 1970-1997 for major Community sea ports +1.4% p.a.

Table 3: Total public investment per major maritime region:

Maritime Region	1995 (Mio. Euro)	1996 (Mio. Euro)	1997 (Mio. Euro)	regional split (1997)	Evolution 1995 - 1997
Baltic	216,9	217,5	307,3	19%	42%
North Sea	801,2	921,4	1002,9	63%	25%
Atlantic	91,2	65,5	64,5	4%	-29%
Mediterranean	179,5	185,6	221,8	14%	24%
Total public investment	1.288,8	1.389,9	1.596,6	100%	24%

The following tables indicate the evolution of public investment per maritime region and major investment categories:

Table 4: Public investment in typical “start-up” investments:
(1.1.-land purchase, 1.2.-maritime infrastructure, 1.5.-infrastructure links)

Maritime Region	1995 (Mio. Euro)	1996 (Mio. Euro)	1997 (Mio. Euro)	regional split (1997)	Evolution 1995 - 1997
Baltic	5,1	7,5	39,2	23%	671%
North Sea	122,1	85,9	80,5	47%	-34%
Atlantic	12,8	11,5	11,6	7%	-9%
Mediterranean	42,1	42,9	39,2	23%	-7%
Total public investment	182,1	147,9	170,6	100%	-6%

Table 5: Public investment in port infrastructure:

Maritime Region	1995 (Mio. Euro)	1996 (Mio. Euro)	1997 (Mio. Euro)	regional split (1997)	Evolution 1995 - 1997
Baltic	16,2	15,7	12,3	2%	-24%
North Sea	202,5	264,8	371,8	73%	84%
Atlantic	59,0	39,7	24,8	5%	-58%
Mediterranean	49,3	59,0	98,7	19%	100%
Total public investment	327,0	379,0	507,6	100%	55%

Table 6: Public investment in port superstructure and services:

Maritime Region	1995 (Mio. Euro)	1996 (Mio. Euro)	1997 (Mio. Euro)	regional split (1997)	Evolution 1995 - 1997
Baltic	161,9	163,6	224,8	34%	39%
North Sea	329,9	369,4	353,6	53%	7%
Atlantic	13,0	7,7	17,8	3%	36%
Mediterranean	66,9	68,0	67,5	10%	1%
Total public investment	571,7	608,7	663,6	100%	16%

Table 7: Public investment in maintenance and other activities:

Maritime Region	1995 (Mio. Euro)	1996 (Mio. Euro)	1997 (Mio. Euro)	regional split (1997)	Evolution 1995 - 1997
Baltic	33,6	30,7	31,1	12%	-8%
North Sea	146,8	201,3	197,0	77%	34%
Atlantic	6,3	6,6	10,3	4%	64%
Mediterranean	21,2	15,7	16,4	6%	-23%
Total public investment	207,8	254,3	254,8	100%	23%

In order to assess the above data on public investment in ports by Community maritime region, the following remarks should be made:

- Public investment need to be set against traffic handled by ports in the individual maritime regions.

Table 8: Freight turnover in major Community ports¹⁰ (1993-1996; Mio tonnes):

Maritime Region	1993 (Mio. to)	1996 (Mio. to)	regional split (1996)	Evolution 1993 - 1996	Investment per ton Euro/ton 1996
Baltic	211,9	234,3	9%	11%	0,93
North Sea	1206,1	1282,8	49%	6%	0,72
Atlantic	378,6	399,4	15%	5%	0,16
Mediterranean	675,7	705,3	27%	4%	0,26
Total Freight Turnover	2.472,3	2.621,8	100%	6%	0,53

¹⁰ Source: see Commission "Green Paper on Sea Ports and Maritime infrastructure" e.g. Annex II - MAP 6: traffic for major TEN ports

- In the **North Sea** region, covering with major ports some 50% of the European port traffic, public financing, in absolute terms, is the highest in comparison to other Community regions. Noteworthy is also the high level of public investments in this region in relation to traffic per ton. This may indicate, on the one hand, the enormous financing needed to remain state-of-the-art, but also, on the other hand, be an indicator for substantial capacity build-up through modernisation and/or expansion of existing infrastructure with the help of public funds. The latter conjecture is supported by the fact that public investments, particularly in port infrastructure and maintenance, are showing one of the highest growth rates in comparison to other Community maritime regions.
- Data on public financing, as available from Member States replies, shows a different picture for the **Baltic** region. Here clearly the emergence of new markets is reflected in the boom for typical 'start-up' investments in ports such as land purchase, basic maritime access and infrastructure links. The same can be said for public support in more commercially oriented investments like superstructure and services, whereas, for obvious reasons, spending on maintenance is less prominent. Considering the relatively small share of overall Community port traffic, public funds play an important role in creating an operational port sector in this region.
- The share of total public spending in **Atlantic** ports is, in absolute terms and over time, one of the lowest in the Community. Indeed, overall public investments in these ports seem to indicate a trend, which is contrary to a steady growth in traffic. However, a clear orientation towards commercialisation and increase in port efficiency is indicated in the dynamic evolution of public support, albeit on low absolute levels, for investments in superstructure, services and maintenance.
- Similar as to the North Sea region, the **Mediterranean** is experiencing high growth rates for public investments in port infrastructure, indicating considerable increases in capacity and/or efficiency within existing ports. On the other hand, decreasing public financing for typical 'start-up' investments (however on substantial level) seem to indicate that in this region capacities have been progressively adapted to demand.
- As already seen when examining the data on financing per investment category, it is to be noted that, also under maritime regional aspects, growth rates of public investments in most cases considerably exceed growth rates on the demand side, i.e. port traffic. However, the lead time factor must be taken into consideration, namely that investments generally take a number of years before they will actually be completed and used.

5. PUBLIC FINANCIAL FLOWS AND ACCOUNTING SYSTEMS (Part I - A.1.2 and B.1.9 of the questionnaire)

The questionnaire aimed to examine the possibility to obtain from existing accounting systems meaningful and readily available information on financial flows between the public sector and ports:

- to deliver **aggregated information on public investments going into** a port, and
- to retrace **flows and use of public investments within** entities, which are, at the same time, engaged in both public infrastructure management and commercial activities.

To that end, Member States replies to the questionnaire show that basically three accountancy practices are used, which, to a large extent, are a consequence of the organisational structure in ports:

- The *first* corresponds to a port management with an accounting system that produces financial statements comparable to those employed in the private sector. Accounting procedures follow the general accepted accounting principles (GAAP) of the respective country, and audits through independent bodies are common. This situation can be found in a number of ports of Types *II*, *III* and *IV*. Overall, a trend could be observed to adopt this accounting system more often, possibly as a result of increased commercial exposure of ports. It should be noted that this practice is, in the first place, intended as an operating tool for the port management and as a benchmarking instrument for its shareholders.

- The *second* system can be described as public accounting or ‘budget’ approach. It is commonly found in ports, which are under relative strong public control (e.g. by a P.A.), such as Types *I* and *II*. In principal, these accounting procedures are intended to record the use of public monies.

- The *third* type of accounting system is employed in certain ports which are part of a wider public body (e.g. at municipal or federal level) and, as a consequence, do not maintain separate accounts. Expenditure such as investments are executed under the authority of the municipal body and are recorded as an integral part of the (public) accounting system of the municipality. This approach, termed as “bundled” accounts, can be found in some of the ports classified as Type *I*. As with the second type of accounting system, it is designed to monitor and control the financial affairs of the wider public body as a whole.

When analysing these three accounting systems employed in ports, it is obvious that **no** accounting procedure is, by its nature, in a position to provide, in a transparent and practical way, the information looked for.

The **aggregation** of data covering **all public financial support going into** a port is virtually an impossible task with only the help of existing accounting systems. This is demonstrated by the fact that replies to the questionnaire did not report the complete financing given by public sources (see point 4.). When it comes to the possibility of an accounting system to **retrace financial flows and use within** different public entities,

clearly a public accounting system, which was from the beginning not installed to distinguish between commercial activities and public infrastructure management, is unlikely to be an appropriate tool for showing the various flows of public monies and their cross-relationships. Indeed, the public ‘budget’ accounting system practised by certain municipal ports with its inherent principle of universality, i.e. the ‘non-dedication of expenses and incomes’, precludes a clear separation of money flows linked to specific activities.

6. CHARGING SYSTEMS AND COST RECOVERY PRACTICES (Part II of the questionnaire)

The question of charging systems and cost recovery practices for the use of transport infrastructure has been addressed by the Commission’s “White Paper on Fair Payment for Infrastructure Use”¹¹. As a follow-up to the discussion opened by this document between Member States and the Community institutions, the questionnaire enquired how and to what extent public monies invested in a port area are recovered from the user of the infrastructure ‘port’. It is again important to underline the apparent discrepancies in Member State replies on the level of investments carried out by the public sector (see point 4.). Hence the question of cost recovery cannot be satisfactorily and comprehensively examined when there are serious doubts about one important element of the equation, i.e. the cost side.

Member State replies on the subject of cost recovery varied in quality. Many answers indicated both, that they apply **or** require full cost recovery of the investments carried out. Others indicated that they **try** to generate incomes covering investments made by the port authority, but did **not** consider other financial flows. Statements like “Cost-recovery is not used at all levels”, “Cost-recovery is applied taking into consideration competitors”, and “We use a full cost-recovery system; in 1997 a recovery rate of 87% was achieved including State contributions”, etc. showed a wide range of cost recovery methods, if any.

Where Member States submitted quantified data, the analysis revealed that operating costs are generally covered through incomes such as dues, fees, rents etc.. Of course, the composition of these incomes is heterogeneous and directly linked to the organisational and managerial structure of a port.

Table 9 gives an overview on the distribution of income per type of port organisation, as established by the inventory and based upon Member States replies:

Type of port organisation (I.3. - Table 1)	income charging vessels	income charging cargo	income renting activities	income cargo handling	income other activities
Type I (public management)	31%	43%	20%	-	6%
Type II (public management)	20%	40%	32%	-	8%
Type III (mixed management)	21%	41%	10%	23%	5%
Type IV (private management)	25%	31%	8%	36%	-

¹¹ COM(98) 466 ‘Fair Payment for Infrastructure Use’

- The above data appears to indicate that ports, in which the public sector is strongly involved (Types I, II), either in its function as owner and/or through management company, tend to rely, as main source of income, on more traditional port activities such as renting, ship and cargo fees, concessions etc..

Ports, which are operated under more commercial rules (Types III, IV), tend to rely, as main source of income, more on commercial added-value operations, such as stevedoring, other specific services or logistics in major hubs for global shipping lines.

- Although such a conclusion may not be drawn directly from the above, however it can be assumed that ports operating under more commercial terms are more successful in recouping infrastructure investments, also in view of the investors' profitability objectives. The contrary, allowing for exceptions, may be the case for publicly run ports, which are often obliged to pursue other objectives than only an economic return.

When it comes to the question how expenditure on investments is passed on to users, and in particular capital intensive ones (e.g. construction of rail, road, access, infrastructure links etc.) which are possibly carried out under the auspices of public bodies not directly related to the management of a port, Member States' replies were largely moot.

7. ACCESS TO PORT SERVICES (Part I – A.4 of the questionnaire)

The questionnaire invited the Member States to provide clarification regarding access to the port services market, notably concerning the methods for selecting/authorising (depending on the type of service) service providers in ports. While there is normally a simple selection of providers of cargo handling services (allocation of land and/or buildings), a more formal authorisation (usually with specific conditions) is required from the providers of those services which demands certain qualifications or equipment, e.g. to ensure safety. The results can be summarised as follows in the light of the different categories of ports identified earlier:

In the (smaller) Type I - ports, the authority responsible for the port normally selects or authorises the providers of port services in a transparent manner, e.g. through public tenders or other forms of open selection procedures. However, in some ports, the selection or authorisation is carried out under direct agreement, i.e. following bilateral discussions between an interested provider and the port authority.

In Type II - ports, there is a public body that operates with a considerable degree of managerial autonomy. This body selects or authorises service providers either through open tenders, or through direct agreements without an open selection procedure. Such direct agreements appear to be widespread. It is worth noting that the ports falling under this type of organisation are among the ones that handle the most significant volumes of traffic in the EU.

In ports that can be classified as type III, and where often a port operating company is jointly established between the public and the private sector in order to provide port

services, directly negotiated agreements seem rather common. In these ports, services are provided either by the port operating company itself or by other companies (sometimes on behalf of the operating company) usually on an exclusive basis.

As regards type IV, the port services are normally carried out either by the private owner of the port or by a service provider selected by the owner generally through direct agreement.

In view of the above, it seems that the selection or authorisation of individual service providers is carried out in different manners in the ports. When the selection/authorisation is only based on direct agreement between the service provider and the relevant authority, it is usually more difficult for other potential service providers to enter the market, particularly in those ports where the number of service providers is limited. Further, without any public and transparent procedure for the selection/authorisation, the criteria and conditions for market access often remain unclear.

8. CONCLUSIONS

- **Public financing plays an important role in the Community sea port sector.**

Recalling that an estimated 10% of overall Community investment in transport infrastructure is public money spent on ports, and that ports generally compete with each other, issues of state aid and competition policy, both of EU concern, need addressing. The involvement of Member States in the financing of ports pursues varying national interests, not only narrow port policies. It has a considerable impact on the development of ports, their functioning, their integration in the European transport network as well as on each port's competitive position in the market of transport services.

- **Public investments in ports have a considerable impact on the competitive positions of ports in the Community.**

The results of the inventory have shown that there are substantial public funds being provided to facilities and services resulting in a risk of distortion of competition. For example, a public financing of port superstructures for commercial market operators at conditions that do not correspond to those available to other market players is geared to disturb the sensitive market of port services. In addition, the inventory confirms that the public sector itself is experiencing a reorientation towards a more commercial involvement in ports, this being also a consequence of global trends for concentration and vertical integration in the market of maritime transport. Public undertakings are entering more often into direct competition with private operators. In these circumstances it is important that the Commission ensures, with the help of appropriate tools, fair competitive conditions for all operators.

- **Transparency in public financial flows in the Community port sector is an essential tool to ensure, before the background of the common transport policy, a level playing field within and between ports. It is insufficient.**

Due to the diversity of port structures, present accounting systems employed in the Community port sector are not in a position to provide transparent and readily accessible information on the flows of public monies into a port or between different organisational and managerial entities within a port.

- **Charging systems and cost recovery practices in Community ports vary considerably.**

From the limited information available through the inventory it is clear that charging systems and cost recovery practices in Community seaports do not follow common rules. These systems would require considerable modifications if a charging system covering all modes of transport would be introduced.

- **The port services sector is still characterised by unclear procedures which in effect limit access to the port services sector.**

The responses show that potential operators, either public or private, wishing to enter the market in order to provide port services, still face various obstacles, which are often the direct consequence of ports typology and the ports' organisational structure.

Inventory of public financing and charging practices in the Community Sea Port Sector.

Introduction:

Public financing is for the purposes of this inventory considered to entail any financial advantage conferred in any form whatsoever by public authorities, i.e. national, regional or local. For these purposes, public authorities also include public undertakings and State-owned banks. Investment in ports is also co-financed by the Community, particularly by the Structural Funds, the Cohesion Fund and through the Trans-European Networks programme. Public financing can be provided in form of **general schemes** covering all ports and/or **individual measures** covering only specific ports. These schemes or measures are financed through various **financial instruments**, such as providing grants, soft loans, interest subsidy, reductions in or exemption from general forms or levels of tax relief (on profits, investment income, property income, asset sales, VAT, local taxes). This includes also reductions in or exemption from social security payments (e.g. in respect of dock workers) or other fiscal charges, special provisions for tax allowances or depreciation, loan facilities and guarantees.

GLOSSARY FOR THE PURPOSES OF THIS INVENTORY¹²

1. Maritime/Port Infrastructure classification

1.1 - Land purchase

- 1.2 - Maritime access =**
- Capital dredging
 - Sea locks, dams & exterior breakwaters
 - VTS/Radar & ship movement information networks
 - Lights buoys & navigational aids

- 1.3 - Port infrastructure =**
- land reclamation works
 - Internal locks (new works & capital repairs)
 - Docks, quays (quay walls), jetties piers, berths,
 - River berth & harbour basin dredging

- 1.4 - Port superstructure =**
- Pavements
 - Warehouses; sheds
 - Cranes and gantries and other mobile/semi-mobile equipment
 - Linkspans
 - Terminal and office buildings and other associated facilities;
and
 - Leasing/renting of buildings and/or equipment
 - Public utilities (sewage, water supply, etc.)

- 1.5 – Infrastructure Links =**
- Railways & metrolinks within the port area
 - Roads within the port area
 - Canals within the port area
 - Tunnels and bridges within the port area.

- 1.6 Port maintenance works =**
- Maintenance dredging
 - Maintenance of Port infrastructure and superstructure
 - Others

- 1.7 Port services =**
- Cargo-handling (stevedoring, storage, stowage)
 - Technical-nautical services (pilotage, towage, mooring)
 - Other services (fire fighting, water & electricity supply, safety services, bunkering, cleaning, pollution control etc.)

- 1.8 Other port activities =**
- Promoting industrial areas or units, port-related activities such as added-value enterprises etc.

¹² This list is not exhaustive, but merely gives an indication of what types of facilities are normally considered to fall under the various categories for the purpose of this exercise.