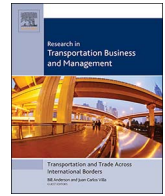




Contents lists available at ScienceDirect

Research in Transportation Business & Management

journal homepage: www.elsevier.com/locate/rtbm

Being left at the altar: A content analysis of the Ports of Houston and Galveston merger case that never happened

Cassia Bomer Galvao*, Amir Gharehgozli, Joan Mileski

Department of Maritime Administration, Texas A & M University at Galveston, TX, USA



ARTICLE INFO

Keywords:

Port cooperation and competition
 Port development
 Port of Houston
 Port of Galveston

ABSTRACT

Previous literature has focused on the economic drivers of efficiency to enhance port cooperation. This paper examines under which conditions port cooperation is successful or unsuccessful through a management lens using Axelrod's theory of the evolution of cooperation. Using content analysis methodology, we explore the case of the year 2001 failed merger of the Ports of Houston and Port of Galveston which continues to plague business between these two ports. We find that port characteristics drive port cooperation not merely economic efficiency. The characteristics that enhance cooperation include direct competition between the potential cooperating ports, similar size of each and economic rationality in the decision making to merge rather than political or social drivers. Further, we see that non-cooperation or a failed merger is not necessarily a bad result for each port. The failure may force each port to behave more strategically, which can enhance performance. In the case of the Ports of Houston and Port of Galveston, the failed merger serves as a wake-up call to differentiate the mix of customers served.

1. Introduction

The idea of cooperation among firms has been described theoretically through game theory and the art of cooperation paradigm (Axelrod, 1984; Gharehgozli, de Koster, & Jansen, 2017). Generally, cooperation is enhanced when there is market failure or “imperfect” competition (Axelrod, 1984). However, market failure is not always the driving force. Conditions for cooperation as described here do drive the success of cooperation.

All ports do not provide all services. An industry adage says, “If you have seen on port you have seen one port.” (Edmonds, 2011). Therefore, port cooperation may occur based on location rather than on factors of ‘imperfect’ competition. For example, port cooperation has occurred in closely located ports such as Tacoma and Seattle in the USA (Fleming, 1983, 1989; Knatz, 2017) and Malmö and Copenhagen in Europe (De Langen & Haezendonck, 2012; Grossi & Thomasson, 2015; Ryoo, 2011). In the case of these two cooperative situations, each has a port that is in a metropolitan area with high hinterland traffic and that requires heavy cargo to be handled by the cooperating port. Therefore, the benefits are shared by the cargo distribution across both ports. So what are the factors that make cooperation possible? What are the terms and conditions for the cooperation to succeed?

From previous specific port literature, port cooperation has been analyzed. Examples of cooperation include Los Angeles and Long Beach

in North America (Knatz, 2017), Rotterdam, Antwerp, Hamburg, Bremen and Le Havre in Europe (Klemann, 2017; Martín-Alcalde, Sauri, & Ng, 2016; Wiegman & Dekker, 2016), Algeciras, Dover, Calais, and Tangiers Med in the Mediterranean regions, and finally, Barcelona and the Tunisian Maritime Authority with several ports in Morocco (Brooks, McCalla, Palla, & Van der Lugt, 2010; De Langen & Nijdam, 2009). In this paper, we explore forms, degrees and conditions that enhance cooperation or make ports unable to cooperate.

Previous research notes that the dominant condition for cooperation is port geography i.e., location (Notteboom, Ducruet, & De Langen, 2007). This is due to the benefits of sharing physical resources. However, proximity to market is also a factor in cooperation (Brooks et al., 2010). However, is physical proximity necessary for cooperation? If physical proximity is necessary, what are the other conditions of port cooperation? Are there limitations? What are the motivations, strategies and plans when two ports cooperate? To determine these conditions, we explore the failed cooperation by studying the case of the Ports of Houston (POH) and Port of Galveston (POG) in Texas. This paper examines under which conditions port cooperation is successful or unsuccessful through a management lens using Axelrod's theory of the evolution of cooperation. Using content analysis methodology, we explore the case of the 2001 failed merger of the POH and POG, which continues to plague business between these two ports.

This paper is structured as follows. In Section 2 we present the

* Corresponding author at: PO Box 1675, Galveston, TX 77553, USA.

E-mail addresses: galvaoc@tamug.edu (C.B. Galvao), gharehga@tamug.edu (A. Gharehgozli), mileskij@tamug.edu (J. Mileski).

review of the main concepts on cooperation and competition found in the academic literature on seaports. In Section 3, we highlight the main development aspects of POH and POG prior to 2001 when the merger was attempted. In Sections 4 and 5 we present our methodology and the results of the content analysis, respectively. Finally, the conclusions summarize our findings and contributions to both academic scholar and industry practitioners in Section 6.

2. Concepts of cooperation and competition in ports

Seaports can be described as open systems through which cargo flows. There is the seaside or quayside where the cargo is loaded and unloaded on the ships, and there is the landside where the cargo is loaded or unloaded on or by trains, trucks, barges or pipeline. Cargo is generally stored for a period of time in the port waiting for further transportation either by water or by land. Therefore, terminals serve as the throughput to and from sea and land operations.

Analytical models have been used to help make informed decisions in the management of expenses and assets, and have had a large and growing role in the planning and execution of port and freight transportation services. Multiple reviews have been published in the last decade, focusing on the use of operations research models for handling (containerized) cargo (see, for example, Vis & De Koster, 2003; Steenken, Voß, & Stahlbock, 2004; Murty, Liu, Wan, & Linn, 2005; Stahlbock & Voß, 2008; Gorman, Clarke, Gharehgozli, Hewitt, & de Koster, 2014; Gharehgozli, Roy, & de Koster, 2016; Carlo, Vis, & Roodbergen, 2014a, 2014b, 2015). A considerable amount of research on port operations has focused on these models and the need for efficiency.

In order to address port cooperation we must also address competition between potentially cooperating ports. The literature on port competition includes using economics methods (like the game theory) and economic geography instruments to analyze the level and characteristics of port competition. Several of these studies have concentrated on examining the container competition (Comtois & Dong, 2007; Fleming, 1989; Fleming & Baird, 1999; Ng, 2006; Song, 2002). Much of this focus is due to data availability and the mega trend of cargo containerization (Pallis, Vitsounis, De Langen, & Notteboom, 2011).

In the economics field (Heaver, Meersman, & Van De Voorde, 2001; Ishii, Lee, Tezuka, & Chang, 2013; Meersman, Van de Voorde, & Vanelander, 2010; Wang, Ng, Lam, & Fu, 2012) efficiencies from economies of scale, profit maximization and cost minimization have explained both port competition and cooperation. In the geography field (Notteboom et al., 2007) the focus has been about the terms and scale of spatial development, the competition created and cooperation possibilities that could arise from that development. Other research has examined port competition also from a conceptual frame work of strategic management point of view using case study methodology (Brooks et al., 2010; Song, 2002) or have compared cases in Asia, Europe and USA aiming to give a response to strategic issues in the future of port cooperation (McLaughlin & Fearon, 2013).

The United Nations Conference on Trade and Development (UNCTAD) in 1996 conducted a series of empirical case studies with which UNCTAD developed a typology of port cooperation. Port cooperation typology includes partnerships, alliances and strategic alliances (UNCTAD, 1996). A partnership includes some of the strongest ties because there are generally contracts and the other commercial agreements shared. An alliance tends to include lesser ties. Further, a strategic alliance focuses on gaining competitive advantages through cooperation.

According to Brooks et al. (2010), ports can follow either of two strategies; (1) cooperate with each other or (2) integrate and coordinate their operations with the hinterland transport networks (see Fig. 1). The figure shows how cooperation strategy expands the range of ports and their services along a given coastline and how coordination among the

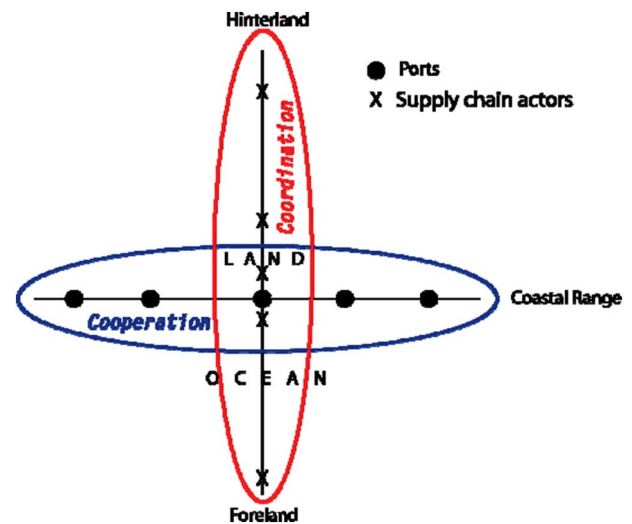


Fig. 1. Cooperation and coordination in strategic port management. Source: Brooks et al. (2010).

ports along a given coast line can serve shipping lines and the established supply chains.

Brooks et al. (2010) base their conclusion by analyzing 21 different cases of cooperation involving more than 70 ports on five continents. They conclude that cooperation may include training, technical exchanges, assistance in port management, sharing of information on port development and environmental programs, the promotion of mutual logistics business, and the development of common positions at international forums. Cooperation generally takes place between ports in the same geographical region with the aim being the joint development of infrastructure, regional promotion and marketing, common approaches to environmental issues and enhancement of particular trade corridors. Cooperation between bigger ports and smaller ones is also frequent.

With the growth in the magnitude of port operations, the relationship between neighboring ports is complex. Frequently, competition and cooperation occur simultaneously (Brooks et al., 2010; Notteboom & Winkelmann, 2001). An important motivation for cooperation is the reciprocal advantage gained by the involved parties. In other words, the idea of cooperation implies a strategic decision on how to be more efficient in terms of scale and scope; improved competencies, and gained positional advantage all of which may pre-empt the need for the ports to compete. Further, cooperation is a strategy to distribute traffic more flexibly and to counter market power of shipping lines (Avery, 2000; Juhel, 2000; UNCTAD, 1996).

Different from the UNCTAD (1996) typology, other researchers find that cooperation can have many different forms. It can be multi- or single- function, multi- or single- project and may even reach the form of co-optation, that is, cooperation with competitors aimed at achieving benefits that cannot be reached otherwise (Dagnino & Rocco, 2009; Slack, 1993; Song, 2003). In that case, different entities are both competitive and complementary units at the same time.

Cooperation can take place at the operational, tactical, or strategic level (Donselaar & Kolkman, 2010; Van Klink, 1997). At an operational level, cooperation helps with the daily activities. For example, cooperation can occur in the logistics of cargo and the training of staff management. At a tactical level, cooperation serves for the support of organizational policy such as the handling of port congestion and traffic across cooperating ports. At a strategic level, cooperation is aimed at long-term competitive advantage through common product or service development.

The work from Hidalgo-Gallego, Núñez-Sánchez, and Coto-Millán (2017) have presented a comprehensive analysis of port competition and cooperation that uses strategic interaction approaches from industrial organization and game theory. These authors conclude that the

Download English Version:

<https://daneshyari.com/en/article/7410148>

Download Persian Version:

<https://daneshyari.com/article/7410148>

[Daneshyari.com](https://daneshyari.com)