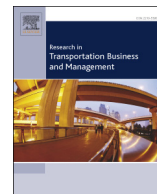




Contents lists available at ScienceDirect

## Research in Transportation Business & Management



# Government policies and Portuguese port governance in the period from 2005 to 2015<sup>☆</sup>

Vítor Caldeirinha<sup>a</sup>, J. Augusto Felício<sup>b,\*</sup>, Sandra Figueiredo da Cunha<sup>a</sup>

<sup>a</sup> Centro de Estudos de Gestão, ISEG - School of Economics and Management, Rua Miguel Lupi, 20, 1249-078 Lisbon, Portugal

<sup>b</sup> ISEG - School of Economics and Management, University of Lisbon, Rua Miguel Lupi, 20, 1249-078 Lisbon, Portugal

### ARTICLE INFO

#### Article history:

Received 1 May 2016

Received in revised form 17 October 2016

Accepted 12 November 2016

Available online xxx

#### Keywords:

Government policies

Port management

Port strategy

Port performance

Liberalization

Concession

### ABSTRACT

This research focuses on the effect of Portuguese government policies in port management, port strategy and port performance in the period from 2005 to 2015. With the structural equation modeling, we analyzed a sample of 172 observations. Government policies influence the port sector differently. The policies adopted during the period under study produced different effects, especially the national planning policies for investments as well as the central control policy, implemented to make operations and port labor more productive. The main contribution of this paper resides in understanding that it is essential to ensure sustainability conditions for the national port system in an increasingly globalized market where the trend is to be less dependent on the government policies.

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## 1. Introduction

Portuguese ports experienced significant developments in the period from 2005 to 2015. Some of these include: the increase of cargo and passengers,<sup>1</sup> better positioning of the port authorities focused on the client, greater autonomy and private participation in the port management model, greater interconnection between ports and logistics chains, greater intervention of the ports in the region and in the hinterland, further liberalization and deregulation of the sector, better coordination of decisions among the various stakeholders in the ports, and better port and logistics information systems. Nevertheless, the international financial crisis, the intervention of the troika (IMF, ECB, and EC) in

Portugal, and the development of shipping and port operations have been very influential contextual factors. The pressure on the different governments has led to changes in the national port sector with different objectives.

During these years, the State established management contracts with the port authorities (PAs), granting greater autonomy and accountability (“devolution”). Investment plans provide greater sustainability, and the State is responsible for more control and supervision. The cooperation between ports and PA increases, and each PA assumes its strategic plans, coordinated at the national level, with the support of the port community and municipalities. The Association of Ports of Portugal (APP) promotes greater cooperation between ports, focusing in particular on the port information system, port single window (PSW) and logistic single window (LSW), involving marketing activities, standardization of management procedures, extending the hinterland, the integration of logistics solutions, and the use of common services.

The organization of the Portuguese ports is based on the landlord port model, which develops the PAs (previously focused on the operation of terminals instead), converting them into entities with greater autonomy, responsibility, and ability of supervision and control. PAs hold responsibilities for port expansion, integration of logistics solutions, interconnection of information systems, and adoption of customer support mechanisms. As noted by Choi, Dooley, and Rungtusanatham (2000), ports are part of complex adaptive systems with solutions that are agile and integrated in logistics chains, which requires a strong

<sup>☆</sup> The authors thank Professor Peter De Langen at Eindhoven University of Technology for comments and suggestions on governance and port reform. The authors acknowledge financial support from FCT – Fundação para a Ciência e Tecnologia (Portugal), national funding through research grant (UID/SOC/04521/2013).

\* Corresponding author.

E-mail addresses: [vitorcaldeirinha@gmail.com](mailto:vitorcaldeirinha@gmail.com) (V. Caldeirinha), [jaufeli@iseg.utl.pt](mailto:jaufeli@iseg.utl.pt), [jaufeli@netcabo.pt](mailto:jaufeli@netcabo.pt) (J. Augusto Felício).

<sup>1</sup> Between the years of 2005 and 2015, with the development of new cruise ports and the flourishing of tourism in Lisbon and Madeira, the load on Portuguese ports increased from 61.5 million tons to 86.5 million tons (41%), the movement of containers increased from 0.9 million TEU to 2.56 million TEU (175%) and, passenger traffic grew from 0.64 million passengers to 1.3 million (104%).

relationship between ports, ship-owners, and shippers. Consequently, the State becomes more rigorous, enforcing budget restraint mechanisms, the assumption of goals, and the definition of joint policies for the sector.

During the last few years, the government promoted the liberalization of the sector including the flexibilization in port labor's legislation, facilitating the entry of new competitors, and promoting public discussion of barriers to competition, as is reflected in the process of the reform of the ports (AdC, 2015). Policy coordination between ports and between them and the State, rail transport operators, and logistic nodes located in Portugal and Spain was intensified and covered also port investment conditions and expansion of the hinterland. The State relies on the port regulator. At the beginning of the period, the port regulator was the Institute for Ports and Maritime Transport (IPTM), subsequently integrated into the Institute for Mobility and Transport (IMT). At the end of the period, the Authority for Mobility and Transport (AMT) was created as an independent regulatory agency. The knowledge about the importance and effect of the Portuguese government's policies in the national port sector is scarce and there are no studies on this matter. Linking port governance and performance is not easy and, therefore, only a few studies of significant interest have been conducted (Brooks & Pallis, 2008). Brooks and Pallis (2012) identified a serious gap in the research devoted to managerial decision-making in ports, in general, and in PAs. This research discusses the role of governance options adopted by PAs in the management of ports and the need to better understand the conditions for the sustainability of results.

This research focuses on the policies of the Portuguese government for ports adopted between 2005 and 2015. The first objective is to analyze the effect of government policies in the management, strategy, and performance of the Portuguese ports. The second objective is to verify that the port management, port strategy, and port performance are influenced differently by the policies adopted by governments in the period from 2005 to 2010 and from 2011 to 2015. We used a sample of 172 valid observations collected in the national port community and the structural equation modeling (SEM) methodology.

The policies adopted by different governments distinctly influence port management, port strategy, and port performance. In the period between 2005 and 2010, national planning policies promoted by the government, its initiative to turn operations and port labor more productive and the lack of initiative regarding port concessions, produced important effects on port performance and port strategy. In the period between 2011 and 2015, the liberalization and concession policies were abandoned and the efforts are shifted towards to policies focused on PAs' autonomy based on management contracts. The main contribution of this study understands that, in an increasingly globalized and demanding market, reforming the national port system is essential making it less dependent on government policies. The increased competition requires the adoption of national planning in a consistent and sustainable manner.

Following the introduction, we present the theoretical foundations, constituted by the definitions and Portuguese port sector organization, contextual issues, government policy for ports, port reform in the periods of 2005 to 2010 and 2011 to 2015, and common trends in the period of 2005 to 2015. The third section refers to the methods, including the research model and hypotheses, the factors and variables, and the data and sample. The fourth section focuses on the analysis and the results. The fifth section deals with conceptualization and discussion. And, finally, we present the conclusions and contributions.

## 2. Theoretical foundations

Baltazar and Brooks (2006) developed a theoretical approach to the concepts of port governance and a conceptual model of governance, including the operational environment, the established strategy, and the structure. Studies by Brooks and Cullinane (2006) and Brooks and Pallis (2008) improved the model. We can also find the model by

Verhoeven (2010), in addition to the models of port management and ownership by the World Bank (2001). Nonetheless, these models do not address the relationship between governance and performance broadly enough and, therefore, have limited applicability. The lack of details about the typology of governance actions also leads to the limited applicability in port reform processes, even if the objective of port governance is to promote port performance through a specific governance model (Baltazar & Brooks, 2006; Brooks & Cullinane, 2006; Brooks & Pallis, 2008; De Langen & van der Lugt, 2007).

In theoretical terms, the reform of the Portuguese port sector was based on the transition from a centralized structure model oriented towards efficiency, based on a low complexity environment, to a more organic model oriented towards efficacy and customer satisfaction, focused on connecting to logistics chains, taking into account the increasing complexity of the logistics chains and the Portuguese market, observing one change which has yet to be completed (Baltazar & Brooks, 2006). The reform in the period under analysis is essentially based on the port management model, involving the review of the role of the port authorities, in accordance with the literature (Verhoeven, 2015; Van der Lugt, De Langen, & Hagdorn, 2015), with a clear impact on the factors of competitiveness and on port performance. In this paper we consider the importance of literature, in general, in regard to the evidence of the main performance objectives, namely: a) to ensure the conditions for economic development considering the impact of ports on the economy and employment (Cheon, 2007); b; Tongzon, 2002) to guarantee client and supply chain satisfaction (Brooks, Schellinck, & Pallis, 2011); and c) to promote the growth of maritime-based commercial and logistic activity, reflected in the port activity, i.e. the movement of cargo, passengers, and vessels (Trujillo & Tovar, 2007; Cheon, Dowall, & Song, 2010). The reform takes these performance perspectives into account, making it essential for the port to hold competitiveness factors that ensure efficiency, i.e. doing the same with fewer resources (Félicio, Caldeirinha, & Dionísio, 2015; Onut, Tuzkaya, & Torun, 2011), and ensuring effectiveness in satisfying customers with appropriate solutions for their needs in a customized way (Brooks et al., 2011).

### 2.1. Definitions and Portuguese port sector organization

The port administration is the port authority (PA) of each port, which has supervisory, management and allocation of private use and public service functions and others, such as, pilotage services, environmental protection, and port development functions. The PA also shares power with the maritime police or the captaincy regarding security issues, and coordinates itself with Customs and Immigration and Borders Service. In addition to the duties and functions, the PAs are important agents with political influence in the government, municipalities and State entities.

The Institute for Mobility and Transport (IMT) is a direct administration body of the State with autonomy, which provides support in the technical regulation, licensing, coordination, supervision, and planning of the transport sector and in the economic dimension of the port and maritime sector. The IMT replaced (2011) the Institute for Ports and Maritime Transport (IPTM) during this period, to include a more integrated view of transport (Roque, 2015). The Authority for Mobility and Transport (AMT), recently established, has regulatory responsibilities and is in charge of the promotion and defense of competition in transports as well as in the port and maritime sector, absorbing some of the functions previously assigned to the IMT. The Ministry of Finance carries out the supervision of the ports along with the Ministry of Planning and Infrastructure and the Ministry of the Sea, as a shareholder, and monitoring the financial function of the companies through the DGTf - General Directorate of Treasury and Finance (Fig. 1).

The PAs consist of the General Assembly, in which the State is the sole shareholder, the Board of Directors, and the Supervisory Board. The Board of Directors, appointed by the State, is comprised of 3 to 5

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