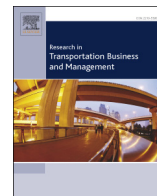




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# Port privatisation in Sweden: Domestic realism in the face of global hype

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### ABSTRACT

The purpose of this paper is to analyse both the port privatisation process adopted in Sweden and the outcomes achieved as a result of that process. An overview of the Swedish economy is provided and the nature and importance of the Swedish port sector in supporting that economy is established. It is also shown that private sector involvement in the Swedish port industry is already quite substantial (particularly in bulk operations), but that the ownership and control of the more important multiuser ports, particularly in the container sector, is already largely devolved to regional municipalities. A focus on the port of Gothenburg is justified on the basis simply of the volumes handled and the importance of its contribution to the national economy compared to the other two ports (Stockholm and Gävle) where privatisation has been implemented. Through a review of the available literature and a series of confidential interviews with important stakeholders, it is revealed that certain aspects of the port of Gothenburg's privatisation process were flawed. A number of adverse outcomes are analysed that, it is suggested by interviewees, may be directly attributable to the privatisation of the container terminal at the port of Gothenburg.

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## 1. Introduction

At the time that the last major review of international port governance and reforms was published (Brooks and Cullinane, 2006), the government of Sweden were in the throes of developing a national strategy for its port sector, in anticipation of a forthcoming “European Port Policy” to be published by the EU in the following year. The Swedish government initiated a “Port Strategy Investigation” which defined twenty Swedish ports for detailed analysis by the Swedish National Road and Transport Research Institute under a government commission (Vierth et al., 2007). These twenty ports accounted for two-thirds of the total tonnage of goods handled in 2005 and over 90% of all containers moved through Swedish ports. As evidence of the virtually unique importance of the interaction between the port sector and the use of the rail mode for moving freight within Sweden, all but one of these twenty ports were connected to the rail network.

Based on the outcomes of its “Port Strategy Investigation”, port reform in Sweden has largely followed EU-initiated transport reforms in general and port reforms in particular. In addition to this, the port sector has also been heavily influenced by the international regulation of sea transport, mainly related to safety and security as well as to the environment (e.g. IMO regulations).

One of the most significant reforms within the EU has been COM 2007 (616) on European Ports Policy (European Commission, 2007). In 2007, the Swedish government adopted a national port strategy

which identified the country's key ports from a transport system perspective (SOU, 2007). In SOU, 2007:58 it is established that the organisation of the Swedish port sector is somewhat unique within an international context. In contrast to the majority of European ports, where terminal operations are normally separated from the infrastructure, most Swedish ports are characterised by the presence of integrated companies that involve both operations and infrastructure ownership.

The significant involvement of regional authorities (municipalities) as port owners is also a rather unusual characteristic of Swedish ports in comparison to European norms. Compared to the Swedish context, in most other countries within the EU and the wider Europe, a larger influence over the port sector is exerted at the national level, even extending in some cases to the national ownership of ports. All these characteristics of the extant organisation of its port sector not only point to the difficulty of transferring existing governance models from elsewhere (Vierth, 2010), but have also combined to fashion the development of the port devolution process within Sweden. In particular, the proliferation of regional involvement in the port sector has exerted a significant influence over the process of port privatisation in Sweden and constitutes one of the major reasons why so few ports in Sweden have actually been privatised.

The purpose of this paper is to review both the process and outcomes of Sweden's rather limited foray into port privatisation. In so doing, there is a need to provide some contextual background in terms of the Swedish economy (in Section 2) and its port sector (in Section 3) upon which its economy is so dependent. Section 4 describes the privatisation process as implemented within Sweden and justifies a focus on the port of Gothenburg, while Section 5 analyses the various

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forms of outcome that have been attributed to that specific privatisation. The analysis and description of the privatisation of ports in Sweden and its outcomes are based, to some limited extent, on secondary sources such as newspapers, trade journals and other media. The main source of information for this content is a number of confidential interviews with key stakeholders such as port authorities, terminal operators, the employers' association "Ports of Sweden", shipping lines and freight forwarders. As such, much of the content is unattributed. Section 6 provides a summary and conclusions.

## 2. The Swedish economy

With direct coastal access to the Baltic Sea in the west, south and east of the country, the kingdom of Sweden shares land borders with Norway to the west and north and with Finland in the far north. There is also a fixed link road-rail bridge to Denmark in the very south of the country. Sweden's population of approximately 9.9 million people is largely distributed across the south of the country, mainly within the larger urban centres (Statistics Sweden, 2016a). Sweden's GDP in 2015 was 4.2 billion SEK,<sup>1</sup> equating to a GDP per capita of 424,000 SEK (Statistics Sweden, 2016b).

Sweden's economy is very heavily oriented towards international trade. Trade figures and trends for the last decade can be seen in Fig. 1. Until 2008, Sweden experienced a sustained period of economic growth, largely on the back of both strong domestic demand and exports. The Swedish economy moved into recession in the third quarter of 2008 and the contraction continued in 2009 as a global economic crisis took hold, reducing both export demand and consumption. A rebound was staged in 2010 as a result of growth in commodity exports, but this slipped in 2013 because of the continued economic weakness of the EU, Sweden's main export market.

Sweden's export-oriented economy is founded primarily on a natural resource base revolving around timber, hydropower and iron ore. The country's principal exports and the value of those exports to the economy in 2015 are shown in Table 1. Privately owned firms account for the vast majority of industrial output, with the engineering sector accounting for approximately 50% of output and exports. Agriculture, on the other hand, now only accounts for about 1% of GDP and of employment (CIA, 2016). Many of Sweden's industrial giants are household names across the globe; for example, Volvo, Ericsson, Electrolux, ASEA/ABB, Scania, Alfa-Laval and SKF.

The spatial distribution of Sweden's trading relationships is illustrated in Fig. 2, which shows the proportionate value of trade (both imports and exports) with the world's major trading regions. Within Sweden's most important regional trading partner, the EU, its most significant trading relations are with Germany, Norway, Denmark, Finland, the Netherlands and the UK. From outside this region, the USA is an important export market, while China is an important source of imports.

## 3. Sweden's ports

More than 90% of Sweden's foreign trade is transported through a port (Ports of Sweden, 2016). In 2015, the whole of the Swedish port sector handled approximately 170 million tons of cargo over the quay, requiring 76,085 vessel calls (Ports of Sweden, 2016). Table 2 provides information on how this total tonnage was split across different types of cargo.

Sweden's port sector is characterised by the presence of numerous small ports and harbours, many of which are already owned and operated by the private sector, mainly for the handling of bulk cargoes. It is also worth noting that many ports are multiuser in type where containers (LoLo) and trailers (RoRo) constitute the most common segments. The majority of the larger ports tend to be owned and operated by regional municipalities. The industry association "Ports of

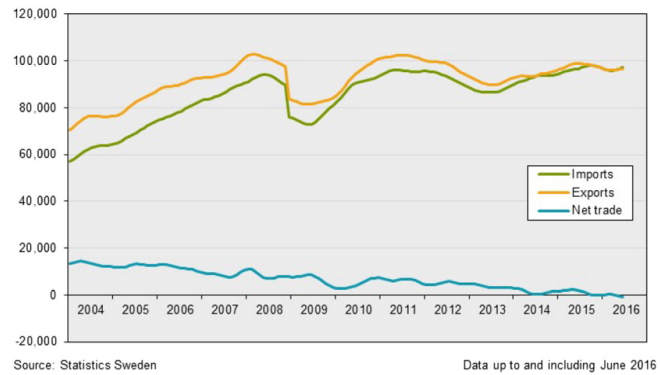


Fig. 1. Monthly values of exports, imports and net trade of goods. (SEK millions, current prices).

Sweden" is an employers' organisation comprising a membership of 60 ports which together employ more than 4000 employees. Practically all of Sweden's main ports are members of this organisation, but most definitely the country's largest ports providing multiuser services. The locations of Sweden's ten largest ports are shown in Fig. 3, while Table 3 provides data on their recent activity levels.

## 4. The privatisation process

Within the context of port privatisation, it is important to recognise that Sweden has a fairly long tradition of possessing many private ports which usually exclusively serve the needs of the owner. Many of these ports are specifically for moving bulk cargoes, around which much of Sweden's economy revolves. In fact, there are only three significant container ports in Sweden that have been privatised and those by means of concessions; Gothenburg, Stockholm and Gävle (see Fig. 4). Although the issue of port privatisation in Sweden does have a national context in that the government of Sweden has a duty to facilitate compliance with EU directives in this arena, more importantly the issue has a very distinct regional context, since many of the ports are owned by regional entities such as cities or municipalities. This, together with the already high private sector participation rate, has rendered port privatisation in Sweden less harmonised from a national perspective. Hence, the ultimate rationale for adopting a policy of port privatisation is very dependent on the characteristics of a region and of the individual ports within that region. Ultimately, port privatisation in any and all regions of Sweden has a very strong and individual political context; the close political link between port operations and ownership, the power and influence

Table 1  
Export values by SITC commodity groups in 2015 (SEK millions).

SITC commodity group	Value
Industrial machinery	186,406
Electronics, telecommunication	136,058
Road vehicles	123,401
Paper, paper products	75,384
Pharmaceuticals, products	72,768
Food, beverages, tobacco	71,758
Petroleum products	68,021
Iron and steel	54,588
Parts and accessories	49,262
Passenger cars	36,305
Manufactures of metals	34,874
Plastics	30,108
Instruments, photo/optical equip	28,920
Wood	28,044
Textiles, clothing, footwear	26,614
Lorries, trucks	25,262
Non-ferrous metals	24,170

Source: Statistics Sweden (2016c).

<sup>1</sup> Swedish Krone. At the time of writing, US\$ 1 = SEK 8.56

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