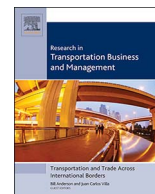




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Planning and concession management under port co-operation schemes: A multiple case study of Italian port mergers

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ABSTRACT

Recent governance reforms have driven many ports to introduce innovative co-operation schemes, including the merger of Port Authorities (PAs). Port merger is generally characterized by a certain level of complexity due to the challenges that ports must face within the most critical management processes affected by port amalgamation.

This paper aims to identify and analyse the main challenges that might emerge within two of these critical processes: port planning and concession management. This study undertakes a multiple case study analysis of two newly merged PAs: Genoa-Savona, as the major multi-site gateway port in Italy, and Naples-Salerno, which was renamed as the PA of the Central Tyrrhenian Sea.

The main findings of both case studies emphasize the existence of challenging areas that may result in either opportunities or threats, which can also depend on the managerial skills of PA organizations.

1. Introduction

Recently, many European countries have implemented port reforms that have modified the governance structure of ports. Port governance reforms often prompt ports to intensify coordination among themselves. In particular, ports in proximity may adopt strategies based on co-operation and integrated approaches to face collective challenges (Hall & Jacobs, 2009; Heaver, Meersman, & Van De Voorde, 2001; Slack, Gouveral, & Debrie, 2009).

In the literature, many scholars have discussed the issues of port cooperation and coordination. De Langen and Nijdam (2009) describe the port cooperation process of Malmö and Copenhagen, in Sweden and Denmark, respectively, and identify the advantages of the merger between small and medium-sized ports. Brooks, McCalla, Pallis, and Van der Lugt (2010) analyse the cooperation issues of peripheral ports, i.e., the geographical periphery of the port business. Caballini, Carpaneto, and Parola (2009) propose a classification of the main coordination models among ports in proximity. Among these models, a strong form of port integration is represented by port merger, which usually leads to the creation of a new managing entity, thus substituting previous ones.

The port merger process is generally characterized by a certain degree of complexity, especially when there is no voluntary merger between ports, as is the case in a typical top-down approach, and when

this process involves more ports. Port mergers entail a redesign of the most critical processes that are part of the institutional tasks of Port Authorities (PAs).

Furthermore, many changes in the shipping industry are currently putting increasing pressure on ports to improve their performance, thus affecting port competitiveness and its drivers (Parola, Risitano, Ferretti, & Panetti, 2016). In fact, the increase in global trade, the financialization of the terminal industry, and the naval gigantism phenomenon require increasingly more equipped terminals as well as increasingly more efficient methods of cargo handling and economies of scale.

In light of the above-mentioned factors, countries that have chosen port merger as a form of integration for their port systems must face many managerial challenges related to the redesign of the processes. Among these, two administrative/management processes are particularly relevant for landlord ports: the planning process and the concession management process.

Therefore, this paper aims to discuss how the challenges related to these two processes should be addressed within the new port managing entities resulting from mergers.

In this study, the Italian context is analysed. In Italy, as a result of the latest governance reform, 24 PAs have been replaced by 15 Port System Authorities (PSAs). Consequently, Italian ports currently play a central role in amalgamation processes that are the source of some

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managerial challenges. Through the mergers and the creation of new PAs, port planning, coordination, and management activities have become complex, with some potential areas of opportunity and threat.

The paper is organized as follows. Section 2 contains a review of the main literature contributions regarding the most adopted port cooperation schemes and describes the characteristics of the port merger processes introduced by the latest Italian port reform. Section 3 presents the adopted research methodology. Section 4 and Section 5 discuss the challenges that PAs must face within the planning and concession management processes. Finally, Section 6 presents the conclusions and discusses further research.

2. Background: governance reform and port mergers

2.1. Port cooperation and integration schemes

Ports tend to adopt several cooperation and integration schemes with the main purpose of improving port performance and competitiveness, thus increasing port throughput. Many ports have chosen to create common logistics systems, sharing the same transport infrastructures and/or being connected to the same hinterland. In these forms of cooperation and/or integration, ports are not individually managed; instead, they are coordinated to pursue several goals, such as the optimization of port spaces and infrastructure use or the development of joint projects. It is clear that these objectives can be better achieved at the local level, especially in the case of neighbouring ports in a growing market context. In fact, it is at the regional institutional level that port cooperation and integration may be more effectively taken into account (Fleming, 1983).

Recently, scholars have shown an increasing interest in port cooperation, integration, and coordination themes. In particular, Caballini et al. (2009) propose a taxonomy of the main coordination models among ports in proximity: (i) collaboration of adjacent ports on projects that are convenient to both of them; (ii) establishment of a body responsible for functions of common interest; (iii) extension of a port's jurisdiction over one or more ports in proximity that have a minor economic and political relevance; and (iv) complete merger of ports, with the creation of a new managing entity in place of the previous ones. De Langen and Nijdam (2009) discuss the cooperation between large ports around the world, distinguishing three categories of PAs: (i) PAs that have developed cooperation at a strategic level with other nearby PAs; (ii) PAs that cooperate with other PAs, although not at a strategic level; and (iii) PAs that do not have any form of cooperation with their neighbouring ports. In particular, De Langen and Nijdam (2009) identify a case of the best practice for port cooperation, namely, the cross-border merging process between Malmö and Copenhagen.

2.1.1. The case of port mergers

Port merger is a strong integration scheme, which is generally characterized by a certain degree of complexity. This implies a full amalgamation of the involved ports and affects the most critical management processes that are included in the institutional tasks of PAs. PAs expend significant effort in actually achieving substantial integration, which represents a prerequisite to merger success. Thus, a strategic vision is one of the cornerstones of PAs' ability to create port synergies and rationalization effects from a merger (Hitt, Harrison, & Ireland, 2001; Larsson & Finkelstein, 1999).

Despite its intrinsic complexity, a port merger may end up being advantageous for the port system as a whole. For example, it might avoid inter-port competition (Wang, Ng, Lam, & Fu, 2012), which does not allow for the improvement of overall international competitiveness. Nevertheless, port merger should occur on the basis of a comparative background analysis of the merging ports by taking into account the political and economic context in which they are inserted. This approach is used to determine whether the local situation can support the convergence of interests between the merging ports and whether the

merger can create additional value for stakeholders (Frémont & Lavaud-Letilleul, 2009; Hitt et al., 2001).

The analysis of traffic flows, port facilities, port stakeholders, and local political and economic conditions can indicate if two closely proximate ports are in a position of competition or, otherwise, of complementarity or cooperation (Frémont & Lavaud-Letilleul, 2009). Two ports that are dedicated to different traffic segments are not in competition, even if they are adjacent. Conversely, ports in proximity with similar profiles in terms of traffic type may compete with each other. In particular, if the two ports are of different sizes, they may give rise to three alternative situations (Frémont & Lavaud-Letilleul, 2009): (i) a greater specialization of both ports and an organization of port spaces to encourage the growth of traffic in the main port; (ii) a complementary port relationship that can exploit, for example, the good maritime accessibility of one port and the land accessibility of the other; and (iii) a greater inter-port competition that encourages the arrival of new operators and thus avoids the continuation of oligopolistic situations.

Worldwide, there are several examples of ports that have adopted merger as a form of cooperation. The Port Authority of New York & New Jersey (PANYNJ) is a public agency that was established to avoid competition between the states of New York and New Jersey. It has become one of the most relevant American public agencies, managing a highly diversified portfolio of activities (Rodrigue, 2003). In 2001, the ports of Malmö and Copenhagen, in Sweden and Denmark, respectively, merged and created the Copenhagen Malmö Port (CMP) that is involved in port activities by providing freight handling services. In this case, the decision to opt for a merger as a form of cooperation was taken due to several advantages, such as a more effective utilization of resources and a rationalization of the port infrastructures (Langen & Nijdam, 2009). To increase the total container traffic and the efficiency of intermodal transport, in 2008, the Canadian government merged the Fraser River PA, the North Fraser PA, and the Vancouver PA. These three PAs were replaced by the Vancouver Fraser Port Authority (VFPA), whose public name is now Port Metro Vancouver (Hall, 2014). Lastly, in Italy, the most recent port reform has introduced some port merger processes that are currently underway. This port reform pursues amalgamation and integration limit weaknesses and increase the competitiveness of the Italian port sector.

Port mergers may result from bottom-up or top-down pressures. In the first case (bottom-up), PAs play a more proactive role, as they choose to merge in the light of the strategic objectives that they themselves have identified. In the second case (top-down), merging processes follow a compulsory approach and take on a particular value and criticality when they are part of a broader port reform process at the national level.

2.1.2. The impact of compulsory mergers on PA management and processes

The advent of port integration/merger has an impact of port administration, operation, and governance. Indeed, as these changes are implemented during the “normal” life of PAs, it is relevant to question which kind of transformations they undergo and what influence they might have on the extant processes, routines, and projects. When law and policy-makers impose the merger process using a top-down approach, they typically look for positive effects in terms of rationalization (e.g., operating costs, space, etc.), strategic development (e.g., reduce project overlapping, optimize public funding, etc.), and market positioning (bargaining power with customers, higher marketing visibility, etc.).

Before the implementation of a reform at the national level, some pioneering ideas often emerge from individual PAs or local public institutions (e.g., municipalities, regions, etc.). These are voices from the territories that ask for a change in the institutional setting to obtain the rationalization of some administrative process, a more conscious planning activity, and a more effective management of public finance (cf. Debie, Lavaud-Letilleul, & Parola, 2013; see Fig. 1). Unfortunately,

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