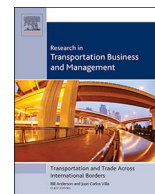




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## Port governance and cooperation: The case of Japan

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## ABSTRACT

This paper looks at the various patterns of port cooperation in connection with the governance structure of ports. Literature review shows that recent port studies have mainly focused its attention on the port competition and the necessary port governance to win it. However, we also find some other elements of port effectiveness in the recent literature in terms of cooperation/coordination/integration, port cluster concept and harmonization. The authors question the paradigm of profit-making ports in connection with their corporatization, which may have lead port managers to fall into construction wars with unnecessary investment. Instead of competing with each other, can ports cooperate? If so, how can they? In order to answer these questions, the authors first suggest the typology of port cooperation and next examine it through the case of Japan. It is meant that the description of multi-faceted port governance cases of Japan will discover some tips for more effective port management with cooperative methods. The specific case of the Suruga Bay Port shows one of the rare cases of multi-port management, and displays an intriguing style of cooperation, coordination and integration. The strategy first define a clear concept of role-sharing among the three ports, and, next, draws up a general action plan, which is divided into commercial and construction programs. The final stage is set on the regional spatial planning, which covers all transportation infrastructure, industries and tourism. This case introduces a generalization of the port cooperation issue in conclusion.

### 1. Literature review and problem setting

Port studies have focused mainly on port governance and competition. Notteboom and Yap (2012, chap. 27) suggest that port competition is not a well-defined concept as it depends on the type of port and the commodity handled. Port competition involves variety of competitions between shipping lines, terminals, logistics companies, land transporters, industries and the like. In this scope, port authority and port policy makers play a role of representatives and defenders of the port sector at a higher level, being engaged in offering infrastructure.

Tally (2012, chap. 24) focuses on the effectiveness of ports in the context of competition. Port effectiveness concerns how well the port provides services to its users. He argues that, in order to be effective, a port must be technically and cost-efficient. This implies that a port is treated as a profit-making entity and supposed to win the competition. Governance of the port is necessary to achieve this goal.

Another approach to the concept of a port is suggested by de Langen and Haezendonck (2012, chap. 31). They regard a port as a cluster of economic activity to address the important issue of cooperation and changing governance structures of ports located in geographical proximity. In the concept, the port authority is well positioned to make

investments with collective benefits. This implies that cooperation of various stakeholders concerning the port cluster, beyond the scope of the port areas, is essential for the effectiveness of the port.

Recent advances in this field were made in the review by Brooks, Cullinane and Pallis (2017). It highlights the evolution of port governance focusing on the devolution of responsibility, deregulation and privatization. They analyze that, in the 1990s, the first wave of port reform was symbolized by the devolution of port control and the privatization of governing bodies, and from 2000 onward, port reform has shown some diversification; i.e. developments of contradictory policies being applied to different countries. Various types of port governance models lack sustainability and there is no evidence of “best practice”. They argue that EU’s mantra, “harmonization”, has been hampered by disagreements among nation states and stakeholders. The jurisdiction of port governance does not show consistency among countries and thus investment plans vary from a government to another. Link between a port and its hinterland is often weak and lacks uniformity in the relevant supply chains. The review concludes that, while the diversification of port governance remains to be the central policy and its operation being privatized, causality between port reform and port performance should more clearly be established by model building for

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generalization.

The function of ports has expanded from the traditional role of landlord to that of a hub for a wider range of logistical networks. [Notteboom, Pallis, de Langen and Papachristou \(2013\)](#) suggest that future researches should examine the flexibility of port planning, port investment as a business model and efficient land use. [Chen and Everett \(2014\)](#) compare port reforms in Taiwan and Australia. They detect increased control by the central government in Taiwan and a growing trend towards full privatization in Australia. [Zhang, Lam and Huang \(2014\)](#) see the Port of Hong Kong as facing fierce competition from the neighboring main land ports and suggest that it should develop its agility and value-added functions in supply chains. [Carriou, Ferrari and Parola \(2014\)](#) examine the port governance structure in Marseille, where port management and operation have been separated, and the latter is privatized. They point out the lack of social responsibility and the single-minded economic focus of this strategy as shortcomings of the reform.

[Shinohara \(2017\)](#) analyses Japanese port policy and identifies its public investment strategy of ‘selection and concentration’ in two centrally located groups of ports as impairing the level playing field for the country’s container ports, which number 136 as of 2015. The International Strategic Ports Policy of 2010 aims at regaining hegemony in the trunk line trades as a hub of the East Asia. However, he argues that, as compared with the geographical characteristics of Busan Port, Japanese ports, which do not share any hinterlands with those in the neighboring countries, need not to conceptualize their position in the international port competitions.

This study builds upon the above-mentioned existing literature. A port has been treated as a combined entity of the port manager and its clustered stakeholders, which has been deemed to aim at profit-making. Port governance has thus been discussed in terms of higher competence to win the competitions. During the last two decades of research development, such competition paradigm has prevailed and less attention has been paid on the port’s original role as an infrastructure provider and controller for safe navigation for the public good; inter alia, as an industry supporter. Notably, the focus of port studies is shifting from the governance structure to win competitions to a wider scope of function of a port in supply chains.

Why are ports regarded as competing with each other? A port as part of infrastructure does not gain much monetarily from the victory; i.e. increased throughput or ship callings. Service providers at the port do gain from it, but many service providers in the port have their operation in the competing port as well. Therefore, the concept of port competition turns out to be vague and elusive and tend to be confused with the competitions between service providers. If port governance is discussed on the assumption of port competition, the objective of the governance should also coincide with the paradigm. Corporatization of port authority as a trend may have lead our research focus to fall unexpectedly deep into the competition paradigm and we have seen many unnecessary rivalries of container port constructions in proximity.

[Brooks and Pallis \(2012, chap. 25\)](#) state that there continues to be little consensus on what governance models are most appropriate. The allocation of responsibilities for “public goods” and what ports should provide to all those who seek their services remain unclear.

If ports do not compete with each other, how should they strategize? Can ports instead cooperate with each other? Service providers of stevedoring, warehousing, trucking, tugging etc. are certainly cooperating with peers or competitors operating at another port from time to time, as well as competing with each other. Can port managers do the same?

This paper tries to contribute to enriching this discussion. It will be devoted to conceptual examination. The case of the port policy of Japan is adapted to observe governing structure and coordination for logistical efficiency. The authors are confident that the description of a Japanese case is worthwhile investigating in the sense that it displays preciseness of planning, uniqueness of its development from the historical view point and rareness of information in other than the

Japanese language.

In [Section 2](#), a conceptual discussion is explicated on the typology of port cooperation. In [Section 3](#), we give an overview of the current situation of the Japanese port policy as a case, especially their governance structures. In [Section 4](#), the geographical configuration of Japanese ports and their respective roles are explained. In [Section 5](#), we investigate the Ports of Suruga Bay Concept, which is an initiative taken by Shizuoka prefectural government to manage multiple ports under a single broad-based administrative structure. Here, a detailed explanation is given on the concrete process of actions and the strategy. We investigate the rationale of the geographic range of port management, public or private control and inter-administrative coordination for spatial planning. In [Section 6](#), the general applicability of this approach to other areas is also examined. Final discussion focuses on competition vs. cooperation of ports in general. [Section 7](#) gives a concluding remark.

## 2. Typology of port cooperation

The origin of a port was just a geographical position at which ships call to load and unload cargo or passengers. The location was designated by the ruler of the area so that he could control the inbound and outbound movement of goods and people and levy taxes on them. The construction of jetties, wharves, sheds, warehouses etc. enabled the port to function as increasingly important infrastructure and contribute to the development of economy of the area. Within this purview, cooperation between ports did not happen because the port simply worked as a geographical location on either side of sea transportation.

However, recent development of port management theories addresses a port as the center of economic cluster and assumes the port to be connected to inland transportation, industries and tourism. It implies that the port manager is expected to function as a generator of value by creating synergies out of the innovative connectivity. The work may take the form of cooperation, coordination and integration ([Notteboom & Yap, 2012, chap. 27](#)).

Cooperation is detected typically in the case of a hub and spokes. Trunk lines need large ships to maximize the effect of economies of scale by carrying large volume of cargo between hub ports, and transship some cargo there for feeder services to/from peripheral ports. The port manager can facilitate this connection in the course of port marketing, though the decision to set up the route is completely up to shipping lines. (See [Panayides & Song, 2012, chap. 29](#).)

Cooperation between port service providers takes place much more frequently. For example, co-working relationships are seen in numerous occasions such as between warehousemen and truckers, forwarders and customs brokers, pilots and tug operators, port radio operator and harbor master etc. Those cooperative working styles have been developed through the natural economic transactions in the history. In this field the port manager has comparatively less influence on the cooperation.

On coordination a port manager must focus its effort more. For example, construction of roads, bridges, tunnels, railways must be connected to the development of the port. Industries must be attracted to locate in the port area. For that purpose, attractive tax system, labor supply, utility supply, housing, school education and the like must be combined in the packaged offer. The port manager plays the role of a strong coordinator for these deals.

A port manager can also coordinate to develop mutual assistance processes with other ports that share the similar hinterland as a contingency plan. This is effective for the cases of natural disasters.

However, in the case that the port manager is a public organization, there is a bottleneck of adherence to a narrow work domain by the staff, which makes it difficult to coordinate cooperation across organizations. It is particularly the case if rigid bureaucracy is the organizational culture and there is less flexibility in the job functions in the port manager organization.

Integration takes place more often in the private sector in the form

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