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Public-Private Interests and Conflicts in Ports: A Content Analysis Approach

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ABSTRACT

Various levels of private sector involvement such as changes to incentives, capital utilization, flexible finance schemes, and the infrastructure investment has occurred as consequences of port devolution and reform processes. Our investigation uses a basic content analysis across both academic literature and maritime specialized media with research appropriate selected keywords to identify potential conflict within the changing institutional processes. Two major ports, New York/New Jersey (USA) and Santos (Brazil), with different characteristics in institutional background, are studied aiming to identify these conflicts. The results presented offer a contribution that enhances the academic debate and potentially enlightens solution formulation for those active in the port management.

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1. Introduction

Port modernization process takes place in different parts of the world in the context of globalization to increase volume and to accommodate the diversity of global trade. In some countries, the modernization process is associated not only with the technological update to accommodate larger vessels and greater volume of container traffic, but also to the institutional changes aiming to promote economic efficiencies and facilitate international trade (Rodrigue et al, 2013). The process of the increasing involvement of the private sector in traditional strategic activities has created a demand for new governance models. In the case of ports, the governance structure have also changed the dynamics among stakeholders

(Brooks and Cullinane, 2007). These processes become particularly problematic when common interests are not found, conflicts emerge, and port performance (operational, financial, investment) suffers. Thus, this study aims to understand on particular challenges, conflicts, and changing dynamics in the public-private interaction in the port activities.

When arguing about the challenges of port economics, Heaver (2006) has identified that “the methods used to make decisions about the port facilities to be provided and the methods of operation have changed significantly over time (p.12).” As a result of the wave of devolution or reforms, it is expected that some conflicts will occur when a public port

authority governs increasing participation of private sector activities. Several studies have pointed out various motives of self-interests in port operations (Liu, 1995; Cullinane and Song, 2002; Meunier and Quinet, 2010; and Wang et al 2013).

Generally speaking, public interests include economic growth, local development in the port area/region, efficient port operation, and attraction of investment and cargo. These interests help relieve pressure on public budgets. However, like any entrepreneurs in transportation, the private sector usually looks for return on capital and moving cargo cheaper, faster, and more dependably in a manner that generates economies of scales.

Our assumption is that the increasing participation of private entities in the port activities has generated the demand for an institutional change and/or port reforms. This new regulation is designed to prevent major conflicts between private and public parts. However, as port activities expand, increasing participation of private sector and complex interaction among stakeholders may contribute to port conflicts. Hence, we focus on port conflicts in the context of public-private interactions. Despite the potential huge economic losses resulting from conflicts among port stakeholders, there is paucity of port literature discussing stakeholder conflicts. Thus, the aim of this investigation is to develop a analysis methodology that detects the main port conflicts contents in the public-private interactions and examine how does the academic literature capture these conflicts.

Given the enormity of this topic our choice was for the conduction of a comparative study of two major ports (in the national, regional and international level), the Port of New York/New Jersey and the Port of Santos. In this comparison, we identify similarities and differences in the stakeholder conflicts within two different historical and institutional backgrounds of these ports. This is a qualitative exploratory study that shows the need for further investigation by business and academic specialists to address the current challenges in port management.

This investigation aims to analyze three questions. First, what is the nature of the conflicts generated by port devolution and reform process between public and private interests in a port? Second, currently how are the conflict issues being examined by academics? Third, how does the academic literature capture the current industry practices and/or debates. Using a qualitative content analysis approach, we use the specialized port business media as evidence of the conflicts from the business perspective to bridge the gap with academic research. Following this introduction, section 2 presents the literature review about port conflicts; section 3 describes in details the methodology; section 4 presents the two port results; and section 5 composes the discussion, implications, and final remarks.

2. Literature Review

To identify conflict issues within the public-private domain in port management, two streams of academic literature, public-private partnerships (PPP)¹ and the role of port stakeholders, are found to be relevant. As highlighted in recent studies by Aerts et al (2014) and Roumboutsos (2015), the literature about private public partnerships is

extensive. However, scholars are very divided on the definition of PPP. As stated by Hodge and Grever (2007), *“there are no doubts that PPPs have become a favorite expression when describing new institutional arrangements for governments (p. 547-548).”* Carmona (2010) characterizes PPP as *“the bundling of service and the transference of relevant part of the risk to the private sector on basis (p.123).”* Meunier and Quinet (2010) note the importance of PPP saying *“[...] very rare have been the ports that did cover all functions by public entities: ports are by nature a place of interface between public and private interests, the question here is rather to analyze the degree of implication of the public authorities in this complex interface (p.134).”* Given that, we take PPP a valid term for public-private interactions². Stakeholder roles are widely studied in the 1980’s general corporate management literature; however, the application to port studies is rarely found. Exceptions are Notteboom and Winkelmann (2003), De Langen (2007), and Doms et al. (2013).

Notteboom and Winkelmann (2003) present the stakeholder relations management (SRM) as a new approach to assess port competitiveness. They highlight the fact that identification and classification of the various stakeholders are key elements for the SRM to determine port success and to keep a balance among economic, environmental, and social values.

De Langen (2007) identifies port stakeholder’s conflicts of interests in five major areas (environmental protection, urban development, labor, resident interests, and overall economic development). Further, port cluster performance depends on the quality of port governance, and differs substantially from the corporate governance models that portray the organization with formal control mechanisms of interaction. In De Langen’s (2007) analysis, port conflicts can be accommodated as the strategies of stakeholders change over time through a focus on flexibility. However, this study also suggests that more empirical validation is needed.

In their investigation about port conflicts’ nature and dynamics in selected French and Italian seaports, Parola and Maugeri (2013) build upon the literature by conceptualizing stakeholder’s conflicts with horizontal and vertical dynamics balancing public-private values and interests. With a slight deviation from De Langen’s (2007) conclusions, the authors believe that conflicts must be extended beyond the economic values in a multi-scalar and dynamic environment.

Parola and Maugeri (2013) further recognize that there are a number of conflicts among private bodies in operational and strategic executions, as well as asynchronization between the public institutions at the municipal, province, or federal levels. Therefore, their model emphasizes the legal and institutional aspects. The authors conclude, *“The competitiveness of seaports is now deeply affected by factors which are external to the port itself (e.g., road and rail infrastructures, accessible logistics platforms, etc.) and is referable to the effectiveness of the entire supply chain. [...] Further research is strongly encouraged to address conflicts under a dynamic perspective, in order to recognize the actors which are progressively involved, as well as to monitor and analyze the “migration” of conflicts over the geographic space (p. 121).”*

Doms et al (2013) use the port of Antwerp as a case to show how stakeholders have changed from 1960-2010. Additionally, Lam et al (2013) investigates the case of Hong Kong and Shenzhen port stakeholders recommending the establishment of a mega port cluster in that area. Combining the empirical and theoretical studies, Aerts et al (2014) perform a stakeholder analysis of critical success factors of PPP in

¹ The PPP theme is by nature vast, as there is virtually a possibility of PPP in any sector of economic activity. In this literature review investigation we have given priority to those that have studied this topic in the transportation and port sector.

² We assume PPP as one (among others) possible operational and institutional arrangement to combine public and private sectors

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