



Participation of Private Investors in Container Terminal Operation: Influence of Global Terminal Operators

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Abstract

Private container terminal operators have begun to participate in the port business in Asia since the late 1980s. Terminal operators decide whether to invest in terminal infrastructures, and the enhancement of the quality of service level. The paper analyses the influence of global terminal operators and the port ownership structure on the container terminal's efficiency. Two hundred and sixty container terminal data for China, Korea, and Japan were collected. The paper applies a negative binomial regression analysis. The paper finds that the port restructuring has contributed to productivity gains. It is found that the influence of GTO on the efficiency is evident and positively related to the port efficiency. The paper also finds that the country effect prevails over a terminal operator group effect.

Key Words : Container Terminal Operator, Port Industry, Port Efficiency, Global Terminal Operator, Privatization of Port

I. Introduction

Ports account for transport of international trade and trade chains. Growth of trade volume demands efficient port management and investment in container terminals. On the other hand, increased vessel size has resulted in a move of power in favor of shipping companies. They exert pressure on ports to improve productivity and to develop new facilities. However, investment costs for port infrastructure and facilities are extremely high. Ports and terminals were therefore privatized in order to finance the investment in ports, and to boost economic growth.

Private container terminal operators have begun to participate in the port business in Asia. Removing terminal assets and operational functions from government hands has allowed specialized entities; Global Terminal Operators (GTOs) to concentrate on terminal operations and cargo handling services. Concessions and leaseholds have attracted new investment from global terminal operators, shipping liners, and private cargo handlers. This has also promoted intra-port competition between multiple service providers within a port (Cheon et al., 2010).

In fact, terminal operators decide whether to invest in terminal infrastructures, and the enhancement of the quality of service level. GTOs, as private companies, by definition, will maximize profit, and they should try every method to increase efficiency levels including cost efficiency. Since the beginning of the global financial crisis, major containership operators have been confronted financial challenges. However, there has been little attention paid as to the terminal operators were which assure and secure the management of the terminal as well as their impact of GTOs on the port efficiency.

This paper examines the influence of GTOs and the restructuring of ports on the terminal performance. One common approach in port efficiency study is the use of SFA, DEA, and survey. The paper uses a parametric analysis via negative binomial regression to generalize the functional relationship between a response variable and explanatory variables. The study develops empirical models that describe the main features of the relationship entirely from data. This paper is organized as follows. The next section introduces a literature review and formulates hypotheses. Section III provides an empirical study and Section IV discusses the result. Finally, concluding remarks are presented in Section V.

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