

One Port for the Delta?

38

[J A N B L O M M E]

Europe has a long maritime tradition. The long coastline, the high population density, the dense river network in north-western Europe, industrialisation combined with the wave of colonisation in past centuries, and the emergence of the welfare state after the Second World War, have all led to intensive goods traffic between the European continent and the rest of the world. After 1990, the globalisation of the world economy added a new dimension, leading to a striking increase in maritime traffic – which was then rudely interrupted by the global crisis of 2008/9. Yet despite this latter slowdown, the growth in the amount of goods traffic passing through Europe's ports over the last 150 years has been phenomenal, especially since 1950. In 1913, 19 million tonnes of cargo were transhipped in the port of Antwerp, and 28 million tonnes in Rotterdam; compare that with the figures for 2013: 191 million tonnes in Antwerp and 440 million tonnes in Rotterdam – a tenfold and fifteen-fold increase, respectively, within the space of 100 years. Even more remarkable, virtually all of that increase has taken place since 1950.

According to the European Commission, 90% of the EU's external trade volume and 40% of internal trade is carried by sea. In 2011, a total of 3.7 billion tonnes of cargo were loaded and unloaded in the EU-27 member states (Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, United Kingdom, Austria, Finland, Sweden, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia, Bulgaria and Romania), while 385 million passengers were carried on ferry services. Europe remains a very open economy today; the value of merchandise imports and exports amounted to 27% of GDP in 2012 in the EU-28 (EU-27 plus Croatia). The European Union remains the biggest trading region in the world: number 1 in the world when it comes to exports, just ahead of China, and number 2 for imports, after the USA. Until recently, ports were also key locations for investments in industry because of the space they offered, the synergy with other businesses and the logistical advantages (groupage and bimodal or trimodal transportation to the hinterland).

It is therefore clear that a well-functioning port system plays a crucial role in creating wealth and raising the efficiency of the economy for those countries and regions that are served by that system, and the Delta ports do indeed



provide a strong stimulus to prosperity in the Benelux. Not only are they crucial for maintaining the competitiveness of our industry but, as integrated logistical and industrial clusters, they generate a substantial proportion of Belgian and Dutch wealth from a small area. In 2012, for example, the direct and indirect value added contributed by ports amounted to 7.9% of Belgian GDP and 6% of Dutch GDP, while they were responsible for 7.9% of employment in Belgium (Flanders: 9.9%) and 3.3% in the Netherlands. Moreover, a substantial slice of the major industries remaining in these countries is located in the ports (fuel production and petrochemicals in Antwerp and Rotterdam, petrochemicals in Zeeland Seaports (Vlissingen and Terneuzen), steel in Ghent and Amsterdam and car assembly in Ghent). The Belgian and Dutch ports cannot be seen in isolation from the logistics sector in the two countries. Within the Flanders in Action programme, logistics has been designated as a core sector, and its success will in large part depend on a strong performance of the ports cluster. Similarly, ports in the Netherlands play a key role in the concept of the Holland International Distribution Council, whose aim is to make the Netherlands the most important European base for value-added logistics companies.

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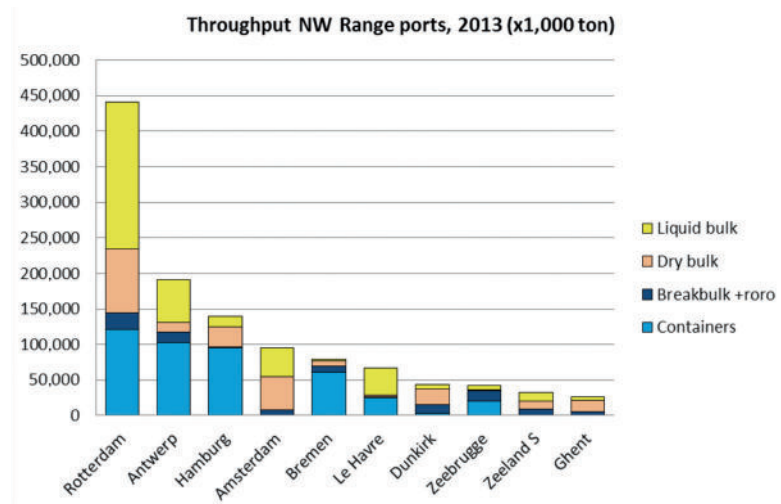
In relation to the size of the Netherlands and Belgium and their populations, the Benelux ports punch far above their demographic and economic weight. The Delta ports are far and away the most important gateway in north-western Europe for the import and export of commodities, industrial products and consumer goods. Within their range, the Delta ports have built a market share that over the last 20 years has remained consistently at around 70%.



Transshipment

Ports have traditionally been compared principally on the basis of the results of their core tasks, the throughput of maritime cargo between ship and quayside. This comparison provides a good impression of the importance and maritime typology of ports.

Chart 1



In volume terms, Rotterdam, with a total transhipped volume of 440 million tonnes per annum, is the biggest of the North-West European Range ports, i.e. ports partially serving the same hinterland region in north-western Europe. Antwerp, Hamburg and Amsterdam follow at some distance with just under 200 million, 150 million and 100 million tonnes, respectively. However, Rotterdam's strong position is largely explained by the impressive volume of transhipped



bulk products: liquid cargo such as oil and fuels accounts for almost 50% of the total transhipped volume in this port, while dry bulk such as coal and ore makes up 20%. If only general cargo is considered, i.e. containers and break bulk (goods that have to be loaded individually rather than in intermodal containers or in bulk), a quartet of ports emerges in which transshipment volumes are fairly similar: Rotterdam, Antwerp, Hamburg and Bremen.

Within the North-West European Range, Rotterdam and Antwerp are the only seaports where all categories of maritime traffic have a pronounced presence. The German ports are heavily focused on container transshipment. Amsterdam, Dunkirk, Zeeland Seaports and Ghent are predominantly bulk cargo ports, often specialising in a particular category (Roll-on/Roll-off (RoRo) ferry traffic for Dunkirk, break bulk for Zeeland Seaports and RoRo for Ghent). Le Havre and Zeebrugge focus mainly on two cargo segments: both ports specialise in handling containers, while Le Havre also focuses on liquid bulk cargo and Zeebrugge on RoRo traffic.

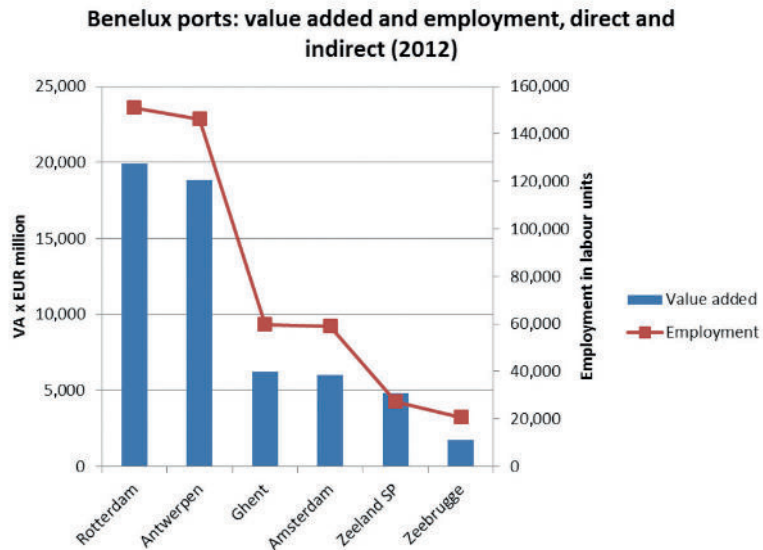
Ports are more than piers

However, modern ports are more than just piers for the transshipment of cargo; large, modern ports such as Antwerp are integrated maritime logistical and industrial clusters. Despite this, ports are still compared mainly on the basis of their total cargo transshipment volumes. In reality, a better way of measuring the true economic contribution of a port is the value added it creates, rather than the number of tonnes transhipped (from 'tonnage port to value port'). This value added has for many years been estimated for Belgium by the National Bank of Belgium (Economic Importance of the Belgian Ports: ... Report 2012) and for the Netherlands by Erasmus University Rotterdam in the 'Port Monitor' compiled on behalf of the Dutch Ministry of Infrastructure and the Environment (Havenmonitor 2012). Although there are a number of methodological differences (a bottom-up approach in Belgium via individual businesses and a more

top-down approach in the Netherlands based on more general statistics), the estimates are more or less comparable and constitute a unique source for understanding the structure of the Delta ports better.

A comparison between the main Benelux ports shows that – if allowance is made for a number of differences in the methodology used – value-added indicators allow a much more detailed comparison of the importance and structure of the different ports than the obligatory ‘tonnage approach’. For the Dutch ports, the Rotterdam–Rijnmond region was used for Rotterdam, the North Sea Canal region for Amsterdam and the Scheldt Basin region for Zeeland Sea-ports, because these areas correspond most closely with the geographical definition of the Flemish ports. Some of the results are shown in Chart 2.

Chart 2



The analysis shows that the size of a port expressed in terms of value added and employment presents a totally different picture from the comparison of the transshipment volumes in the respective ports. The two main ports (Rotterdam and Antwerp) each contributed value added of almost EUR 20 billion in 2012. These two ports account for approximately two-thirds of the value added and employment provided by ports in both countries. Services and industry are more or less in balance. The two main ports are followed by three important industrial ports, Ghent, Amsterdam and Zeeland Seaports, where the share taken by industry in the total value added ranges from just over 50% to almost 80%. With an industry contribution of barely 25%, Zeebrugge is the port with the least distinct maritime profile in this group. These differences are magnified further in the employment figures.

The employment figures involved in goods transshipment and storage, the core activity of any port, are striking in this regard. Despite a global transshipment volume in 2012 that was almost two and a half times as great as that of Antwerp (440 million tonnes versus 191 million tonnes in Antwerp in 2013),

Rotterdam employed fewer people in this segment than Antwerp (9,016 FTE in Rotterdam versus 14,161 FTE in Antwerp). This is of course explained by the different cargo and activity mix in the two ports, with much more labour-intensive transshipment of bulk cargo in Rotterdam compared with the greater importance of labour-intensive break bulk cargo transshipment and more intensive seaport logistics in Antwerp.

What if...?

One question that has to be addressed in relation to greater cooperation is the degree to which Benelux ports are competitive or complementary. Although the ports sector is by definition characterised by competition, and especially between Rotterdam and Antwerp, there is nonetheless a degree of complementarity between Benelux ports as regards goods flows and industrial specialisation. On the other hand, when it comes to container traffic, there is unrelenting fierce competition between the ports of Antwerp, Rotterdam and Zeebrugge.

What if...? In some parts of the world, such as China and North America, regional ports have been created from which other ports, sometimes several kilometres distant, are jointly managed and promoted. The six largest ports in the Benelux are located a maximum of 250 kilometres (Zeebrugge – Amsterdam) from each other, less than three hours' drive. The combined traffic passing through the six biggest Benelux ports, a total of 827 million tonnes in 2013, makes this the largest contiguous port region in the world. Suppose that Antwerp and Rotterdam were one day to become a single port; they would then form the third largest port in the world, handling 626 million tonnes of cargo (2012) – smaller than Ningbo and Shanghai but larger than Singapore and Tianjin. If Antwerp and Zeebrugge were to merge, the new entity would be the largest general cargo port in Europe. And if Zeeland Seaports and Ghent were to integrate, they would form a medium-sized global port. And there are plenty of other examples.

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But this is just playing with figures. The reality is that, with the exception of Vlissingen and Terneuzen (Zeeland Seaports), there are no regional ports in the Benelux. Why not? Most ports in Belgium and the Netherlands have a long local tradition and are firmly rooted in their local communities (the 'Hanseatic' tradition). And most port authorities in the Delta region have developed from local municipal administrations. The situation in the rest of Europe is different: around 45% of ports are owned by higher-level public authorities (the state, region, province), with 'only' 35% of port authorities having a direct link to the municipality. Moreover, many European countries also have a strong centralistic tradition which imposes its stamp on port management and policy.

For many years, the majority of Benelux and North-West European Range ports have co-operated on non-commercial matters, mostly in relation to less controversial topics such as joint lobbying on European ports policy or the creation of a level playing field in areas such as environmental policy and mobility.

Believers and Non-believers

A move has also been under way for several decades in Flemish political circles to work towards a closely integrated port landscape. Some may still remember the proposals made by former Minister-President Luc Van den Brande who, in the mid-1990s, called for the creation of a single port authority, to be known as Flandria Port. As long ago as 1995, private port associations had already made the case for joint marketing of the main Flemish seaports. New proposals on far-reaching cooperation between the Flemish ports were submitted to each new minister with responsibility for the ports. Although some reasonable attempts have been made in recent years to raise the profile of Flanders and its logistics capabilities abroad through a collaborative model (Flanders Logistics, which includes a section devoted to ports, in the Flanders Port Area), the tangible results have been modest. In practice, these initiatives have not really gone beyond being largely declarations of intent, which in periods of more intense competition have



often proved to be more cosmetic than real, an attempt to mask the heightened oppositions from public opinion. This is of course also connected to the often political and commercial fragmentation of the port landscape. In the Netherlands, too, there is a debate about further cooperation, but unlike in Flanders, the main-port concept, with a leading role for Rotterdam, is fairly generally accepted. The Dutch ports policy has in recent years focused more on the role of the state in ports policy and its direct participation in port management.

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To some extent, the debate about a single Delta port can be compared with the polemic surrounding the retention of the euro and closer European integration. The debate on further port unification also contains high-profile camps of visionaries and sceptics, or utopians and realists. Neither side is afraid to resort to phrases such as 'ivory tower mentality' or 'Soviet dirigisme', and more besides.

The central tenet of the Believers is a belief in the feasibility of a planned economy. Some go so far as to use a SWOT analysis of the Benelux ports as a basis for the steering of goods flows (and therefore of shipping traffic). Port cooperation and integration combined with more central control can avoid overinvestment and overcapacity, they argue. Not entirely without justification, Believers claim that the competition between individual ports and the related competition for government investment in infrastructure often leads to the development of large terminals at considerable public expense, which are later not used or underused (e.g. container terminals in Zeebrugge or Amsterdam). They also point to the risk of a price war in a bid to fill the (newly created) capacity. The end result is often value destruction in the ports concerned, partly because international port authorities are played off against each other by the shipping lines in tariff negotiations. Believers also argue that the differences between the Delta ports are largely lost on shippers and shipping lines on other continents. Cooperation and mergers would make it easier to develop a coordinated policy that prevents waste and avoids a scattergun approach to clients. Moreover, the lack of coordination can mean additional environmental costs.

For their part, the Non-believers point to the advantages of competition and market forces which stimulate credible initiatives and punish initiatives that

are inappropriate. Goods flows and the choice of ports by shipping lines and shippers cannot be imposed from above, but often follow traditional patterns, sometimes going back centuries. Shippers and logistics service providers know better than anyone else the advantages and disadvantages of the different ports. Some ports show wide variation in costs, accessibility and additional services. Mergers will consequently inevitably lead to additional costs for clients, stifle customisation and (sometimes) lead to artificial and more expensive solutions. They also underline the importance of ports for the local economy and the potential costs of any relocation of traffic and investments for towns and communities that have links to the port.

To date, only one successful merger has taken place between larger port authorities in the Benelux, when the ports of Vlissingen and Terneuzen merged in the mid-1990s to create Zeeland Seaports (formalised on 1 January 1998). Set against this one success are a number of notable failures. Attempts to amalgamate Ghent with Zeeland Seaports ran aground in 2006 when Zeeland Seaports said 'no'. In late June 2014, during a visit by the Benelux Parliament to the port of Ghent, calls were once again raised for more cooperation, but not a merger. An interesting experiment was the creation of the Scheldt-Meuse Operating Company (Exploitiemaatschappij Schelde Maas – ESM) in 1995, a joint-venture between Vlissingen Port Authority and the Port of Rotterdam Authority. The aim was to develop a joint port facility and river container terminal on the River Scheldt in Vlissingen. If the project could be realised quickly, it could bridge the lack of space in the Port of Rotterdam until the Maasvlakte 2 terminal came on stream, whilst at the same time launching a direct attack on the Antwerp cargo handling facility. Rotterdam would provide the funding for the project, offer technical know-how and a substantial part of the value added and employment would come to Zeeland. Procedural problems meant that the project dragged on much longer than expected and its *raison d'être* disappeared following the development of container capacity at other ports. A final decision to wrap up the initiative was taken in the wake of the crisis in 2009.

Realism

To some extent, the roots of this debate lie in the 'container fever' in the period from around 1995 to 2009 and the scarcity of handling capacity in north-western Europe. Many smaller ports saw their chance and dreamt of promotion to a higher league by building their own, new port capacity, often in segments with which they had previously had only limited experience. Some ports were partially successful in attracting niche cargo by playing to the full the competitive advantage card (e.g. container transshipment or handling specific break bulk commodities). However, the onset of the crisis in the maritime sector shuffled the deck once again from 2009; goods flows returned to their most cost-effective logistical routes and to their old established connections with the traditional main ports. This may well create opportunities for rethinking forms of cooperation that are more realistic and which take more account of the essence of what the different ports have to offer.

It would seem logical to base further cooperation on the concept of 'the best logistical route', with the cargo types and the most efficient supply chain being the central factors and each port focusing on its own strengths. It is key that

these initiatives come from the port authorities themselves; initiatives imposed by higher agencies almost always conflict with the particularism and autonomy of the port authority. Combining goods flows by creating critical mass is essential here, and increasing the responsibility of port authorities in expansion projects could potentially reduce the risk of overinvestment.

The creation of one Delta port is not something that will happen tomorrow, and possibly not the day after. However, more tangible cooperation on things such as the connectivity of our ports with the hinterland is certainly a possibility in the shorter term. It is easier first to explore the opportunities within our own national borders, because this is less commercially sensitive and less legally complex. From the perspective of the Benelux, too, there is scope for joint action on this topic, for example in seeking to attract German and Central European cargo for which the Delta ports offer cost and logistical benefits. ■

Translated by Julian Ross

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