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Agenda items 3 and 4

PORT MODERNIZATION AND DEVELOPMENT

TRAINING AND TECHNICAL ASSISTANCE

Draft Conclusions

Ports - an emerging partnership for development

Introduction

1. The trends in the globalization of production noted in the conclusions of the first session of the Intergovernmental Group of Experts on Ports in 1993 are continuing, with resulting dramatic demands made on transport services. In this highly competitive environment, the existence of an efficient port network, including transport and communications systems, is essential. Transport operators demand reliable and low-cost port services. Seaports are interfaces between the various transport modes and are typically combined transport centres. In addition, they are also multifunctional trade and industrial areas where goods are not only in transit but also handled, manufactured and distributed. In fact, ports are multidimensional systems which, to function adequately, must be integrated into global logistic chains. An efficient port requires not only adequate infrastructure, superstructure and equipment but also good communications and especially a dedicated and skilled management team with a motivated and trained work force.

2. Over the last decades, there has been an evolutionary process through which a port organization passes from a wholly government-controlled body that is an instrument of economic policy to more efficient organization schemes, including the landlord organization scheme, coordinating private and public sector bodies, and sometimes the totally privatized organization. In all cases there is a need for government to provide a regulatory framework to address issues of national and international relevance such as safety and the environment and to act as coordinator for port development, including hinterland connections. There is an increasing trend towards separating regulatory and commercial activities, with the public sector retaining responsibility for the former and the latter being exposed progressively to free market forces. Rules of fair competition assume importance in cases where government is relinquishing involvement in the commercial aspects of port activity by assigning more responsibility to the private sector.

3. A pragmatic approach for port modernization, amongst others, is for Governments to encourage the private sector to participate in development and expansion projects. Investment of private capital through joint venture arrangements such as BOT (Build Operate Transfer) and BOO (Build Operate Own) represents a method of satisfying requirements for cargo-handling capacity and auxiliary services and can also provide an avenue for modernizing management skills. Such arrangements will assist in assuring the commercial viability of the project. However, experience so far has proved that it is unlikely that the private sector would be willing to invest in common infrastructure such as breakwaters and approach channels. Thus a partnership between the public and private sector for development is an emerging and necessary trend.

4. The Group observes that while developed countries have succeeded in certain cases in implementing privatization because they have the necessary framework, developing countries should be encouraged to do so with caution since they may hardly have the logistical, legal and financial framework.

A. General recommendations

(i) **Institutional reforms**

5. In the interest of efficiency, there is a need for Governments to review the institutional structure of their ports to see if the present structure is adequate for this new environment, notably when export-led development strategies are pursued. If restructuring or change is required to make the port more responsive to the market, there will be a need to revise or create a comprehensive legal framework which may influence ports to allow more efficient development and operation, oriented to free market forces.

(ii) Trade promotion

6. Port authorities need to be pro-active, which implies a degree of autonomy, in order to play an important role in fostering trade, and thus modern management techniques should be used and commercial disciplines adopted. This will improve efficiency in the transport chain, which can result in the capture of new markets for export goods.

(iii) Strategic port pricing

7. There is a tendency for government to intervene in port pricing, which sometimes adversely affects the availability of funds to the ports for their developmental programmes. While recognizing the necessity for government to hold a major stake in pricing decisions where developing ports may have to operate sub-commercially in the national interest, the Group considers that controls should be relaxed when a port has achieved financial self-sufficiency and can demonstrate that flexible (strategic) pricing will foster additional trade. Ports in competition need similar flexibility. The Group recommends that the principles of strategic port pricing should be taken into account when formulating port pricing policies.

(iv) Port cooperation

8. It is evident that cooperation among ports within particular regions and between ports with interests or trade in common is increasing. In some cases, ports have been drawn together as a consequence of bilateral agreements between nations. In other cases, ad hoc arrangements - such as sister port relations - are providing a valuable vehicle for technical exchange. The Group considers that cooperation is most essential in the area of compliance with international regulations and recommends that Governments acknowledge the important development role of cooperation, including fora such as Legiport.

(v) Training and technical assistance

9. Special attention should be given by the international community to the rehabilitation of ports in war-torn countries once hostilities have ceased and also to those affected by natural disasters. Experiences in such countries have shown that ports can have an essential role in providing employment and generating revenue to assist the country in its economic rehabilitation.

10. A port will not function efficiently without a suitably trained and motivated work force. The Group considers that training represents a most important investment and recommends that Governments promote the implementation, both within the public and private sectors, and where possible in collaboration

between the two, of programmes which offer suitable training in return for commitments by labour to act as partners with management in keeping ports available for service.

11. The Group believes that the work carried out by UNCTAD in the field of ports, namely research, training and technical cooperation, has benefited senior and middle managers of many ports and that this work should be maintained, and it recommends that Governments consider this when making decisions concerning UNCTAD's work programme.

B. Specific recommendations

12. With the rapid changes taking place in the port industry, and the importance of efficient ports for fostering trade and development, the UNCTAD secretariat should maintain its programme of work, which contributes to the development and modernization of ports, by updating the most important background studies, issuing new monographs on current topics and continuing the dissemination of information by means of the Ports Newsletter and other media to the informal network of port focal points. This programme should be carried out in cooperation with the regional commissions and international agencies (IMO and ILO).

13. The meeting of the Intergovernmental Group of Experts on Ports is a valuable forum for the international port community to discuss port developments and to provide guidance to the secretariat on its work, and it is therefore recommended that this body meets every two years.

14. In view of the importance of UNCTAD's background reports used in the Intergovernmental Group meetings and Monographs on Port Management to all ports in developing countries and countries in transition, these documents should be translated into as many of the official United Nations languages as possible and be made available to experts before the meeting takes place.

15. The Group considers that priority should be given to the following new topics for study:

- Quality management in port operations;
- Development of value-added services in ports as a means of trade promotion;
- Economic impacts on ports of potential developments in marine environment regimes;
- Comparative analysis of legal regimes for ports.

16. Subject to the availability of resources, priority should be given to developing training packages in the field of strategic planning, strategic pricing and quality management. In particular, the Group noted the valuable contribution the UNCTAD Trainmar programme had made to countries in transition and developing countries, and encouraged donors to contribute to this programme.