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**PORT MODERNIZATION:  
A pyramid of interrelated challenges**

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## **ABSTRACT**

The course entitled *Port Modernization: a pyramid of interrelated challenges* seeks to encourage participants to analyse a series of factors affecting the administration and operation of ports. Its central aim is to generate a consensus among the port community on the need to restructure the port system. The course is divided into three modules:

**I. Structural changes:** this module analyses structural changes in markets, services, technologies and the legal framework, which are affecting trade and port activities. The products that pass through ports must compete in the global economy, and port services have to reflect international levels of productivity and cost. In that sense, port operations need to be optimized and carried out in an integrated fashion so as to become systems. The move towards "systems optimization" provides a global, as opposed to a fragmentary view of port activities in the logistic and physical distribution chain.

**II. Private-sector participation:** The initiative for private-sector participation in public-sector ports usually arises from one or more of the following factors: competition from other ports, or competition between customers; Government political platforms; public outcry against high port charges; low productivity; theft and unavailability of the merchandise. Any entity providing port facilities and services should operate in a commercial environment governed by market mechanisms. Governments should adopt a legal regime combining deregulation and decentralization with antimonopoly laws and specific legislation defining private-sector participation.

**III. Market-based port labour reform:** the main aims of the reform are to expose the labour sector to market mechanisms so as to increase the speed with which workers respond to market signals, to their own benefit as well as that of users and private terminal operators. To achieve this goal, Governments need to deregulate and decentralize the commercial environment and collective bargaining in ports. Government participation in port activities should be confined to setting up a regulatory regime and dispute settlement systems, adopting antimonopoly laws to prevent abuses by private terminal operators or unions, redefining the concept of social equity to guarantee compensation to workers for acquired rights, early retirement and training.

**The results** of structural changes, private-sector participation and labour reform will be: i) **operational**, because they will attract new investments, foster specialization and improve productivity and competitiveness both within ports and between them; ii) **economic**, because efficient ports foment increased trade and, directly or indirectly, job creation; **political**, because Governments' commercial activities in ports, along with the chances of pressure groups abusing governmental powers, will be reduced, and iv) **social**, because they will facilitate co-operation between dock workers and private terminal operators, thereby ensuring more effective fulfilment of commercial and social goals.

## PRESENTATION

In a world where open economies and globalization are becoming the rule, public-sector ports continue to operate largely according to an outdated model: namely, inward-looking development, with strong economic intervention by the public sector, a lot of inefficiency and labour regimes established more in accordance with sociopolitical criteria than commercial ones.

As a result, a significant part of the port system is a long way from responding adequately to the new demands of the world economy. What is more, in many cases the system tends to hinder full integration into the world economy, due to its bureaucracy, operational slowness, inadequate technology and a predominance of vested interests. For countries to be able successfully to follow the path of export-based development, it is essential to intensify port reform and modernization process, which in some cases has already begun.

This document is based on the three studies named below, and is intended mainly to provide didactic support material for participants on the course entitled *Port Modernization: a pyramid of interrelated challenges*. Among other sources, it makes use of information gathered during the 20 times this course was given in 1997 and 1998, in countries of Africa, Latin America and the Caribbean, Asia and West Asia.

The studies mentioned above are the following:

1. *Labour reform and private participation in public sector ports*, Cuadernos de la CEPAL N° 77, 1996, 167 pp.
2. *The restructuring of public-sector enterprises: the case of Latin American and Caribbean ports*, Cuadernos de la CEPAL N° 68, 1992, 148 pp.
3. *Structural changes in ports and the competitiveness of Latin American and Caribbean foreign trade*, Cuadernos de la CEPAL N° 65, 1991, 141 pp.

### 3. CHARACTERISTICS OF THE COURSE

**Objectives:** to train course participants to be able to:

- i) identify and understand the main market trends and signals and encourage a commercial outlook; and
- ii) make suggestions and recommendations for ports to facilitate the incorporation of modern technologies and provide a basis for private-sector participation and market-based reform of port labour regimes.
- iii) As a part of this strategy, two regulatory frameworks must be adopted to prevent the abuse of market mechanisms either by the private terminal operators or by the labour sector.

**Methodology:** Presentations are generally made in question and answer sessions, so as to encourage participants with diverse and often conflicting interests to work together to formulate a port-modernization strategy.

**Profile of participants:** high-level decision-makers from ministries of transport, finance, economics and planning; port authorities; the main port customers (exporters, importers and carriers); freight forwarders, unions, private investors and others.

**Duration of course:** the course is divided into three modules of four hours each. It is recommended they be held in the evening after working hours, to ensure attendance by a larger number of participants.

**Plan of work:** at the end of the first module participants will be asked to analyse a hypothetical case study involving two coastal countries and another landlocked one in order to draw up an infrastructure investment plan which

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