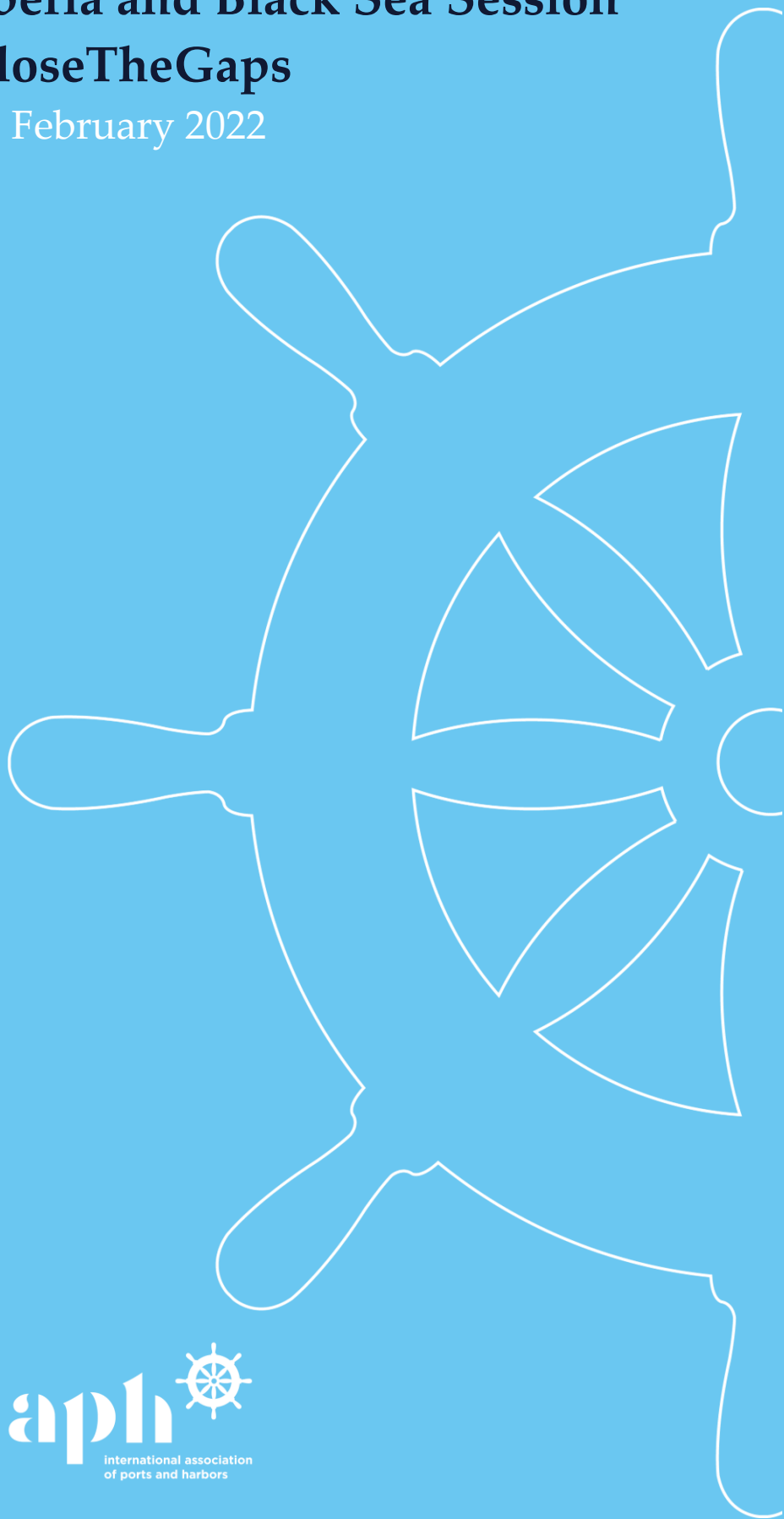


IAPH
Mediterranean, Iberia and Black Sea Session
#CloseTheGaps
15 February 2022



IAPH Mediterranean, Iberia and Black Sea Regional Session #CloseTheGaps – 15 February 2022

EXECUTIVE SUMMARY

The enclosed provides a summary of proceedings from the IAPH Mediterranean, Iberia and Black Sea Regional Workshop examining port competitiveness and identifying gaps to address in ports and port-related infrastructure and governance that took place on February 15, 2022. This was shortly before main outbreak of hostilities between Russia and Ukraine which has disrupted Black Sea ports and impacted the global supply chains for commodities, energy and beyond.

The purpose of this document is to provide succinct highlights of specific gaps as well as proposals and suggestions raised at the Workshop to deal with those gaps in port infrastructure. Identified gaps in the Black Sea will be major topics of discussion at the upcoming conference.

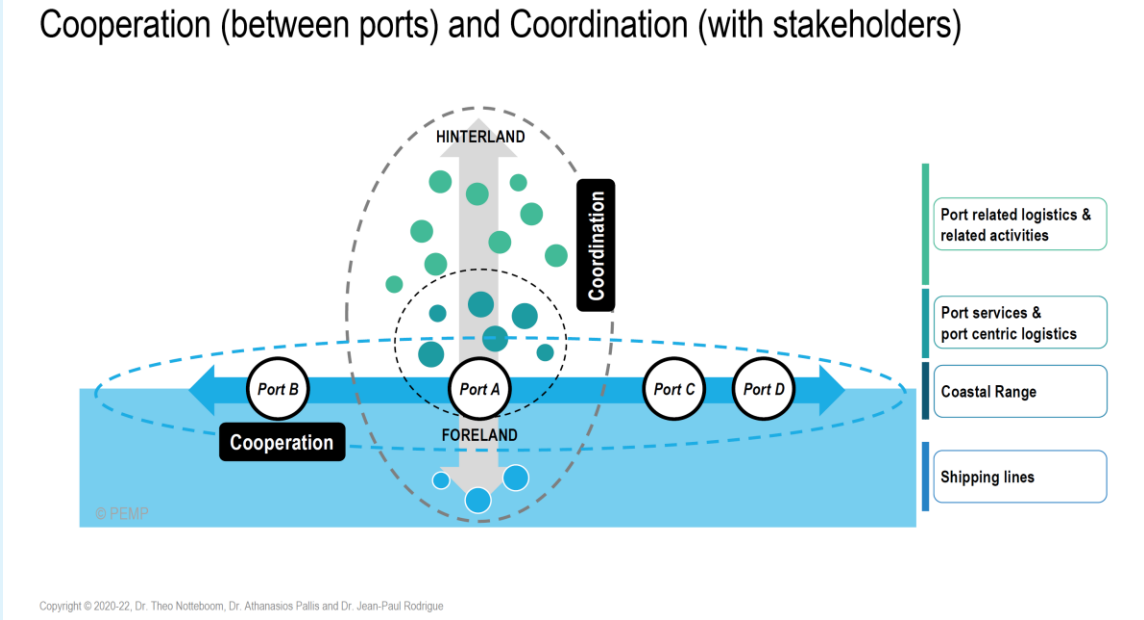
A more detailed analysis of the transcript and recording will be fed into the main workshop sessions of the IAPH World Ports Conference 2022 which will deal globally with the six areas of interest analyzed by a study that the University of Antwerp prepared for The World Bank in 2020¹, namely connectivity and accessibility, efficiency, digitalization, carbon emissions of shipping, shipping costs and regulatory environment.

The three main gaps identified for this region are efficiency, connectivity and accessibility and carbon emissions of shipping.

1.0. HIGH LEVEL OVERVIEW OF THE REGION IN TERMS OF PORT INFRASTRUCTURE GAPS

When facing port infrastructure gaps in the region which covers a massive coastal area spanning the Atlantic, Mediterranean and Black Sea, the need is seen for greater cooperation between stakeholders to improve fluidity in hinterland connectivity, combined with cooperation between ports in the extensive coastal ranges to jointly improve connectivity, efficiency and reduced carbon emissions.

¹ Aronietis, R., Van Hassel, E. and Vanelslander, T. (2020), Maritime connectivity study for The World Bank: the state of developing country ports and maritime services: a global review.

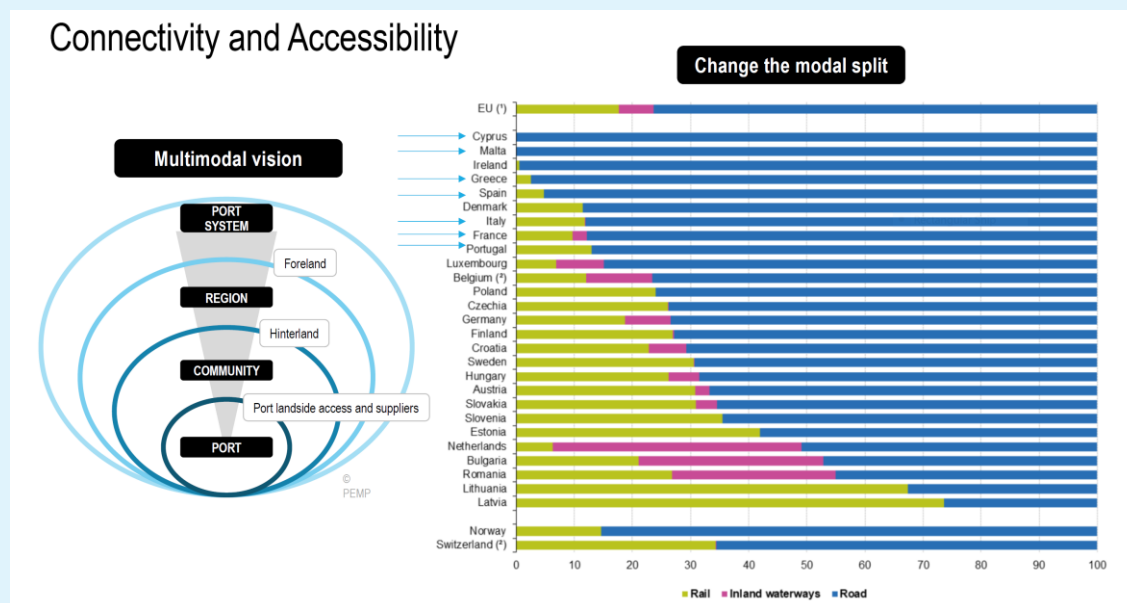


Aside from projects funded by EU via the European Union’s Trans European Network for Transport (TEN-T) initiative, the region is also characterised by major investments in port infrastructure by foreign private and public entities. This varies from the significant involvement of the world’s largest terminal operators in the Mediterranean to the establishment of Free Trade Zones in the Black Sea. It also includes direct foreign national investments in port authorities themselves. These foreign investors will have a significant role to play in closing the gaps in port infrastructure in this region.

The point was raised several times that the concessions for port terminals in the region had not necessarily led to improvements in efficiency or connectivity, and in certain instances port authorities’ ambitions for developing transshipment hubs often brought with it congestion challenges and high infrastructure investment costs that were eventually borne by beneficial cargo owners in the region and/or local importers and traders.

The need for a level playing field in investments in ports to improve efficiency was cited as well as overarching central coordination to ensure municipal or regional conflicts of interest

(even at national level) were dealt with to avoid duplication of resources such as digitalization and competitive hubs within close distance creating underutilization.



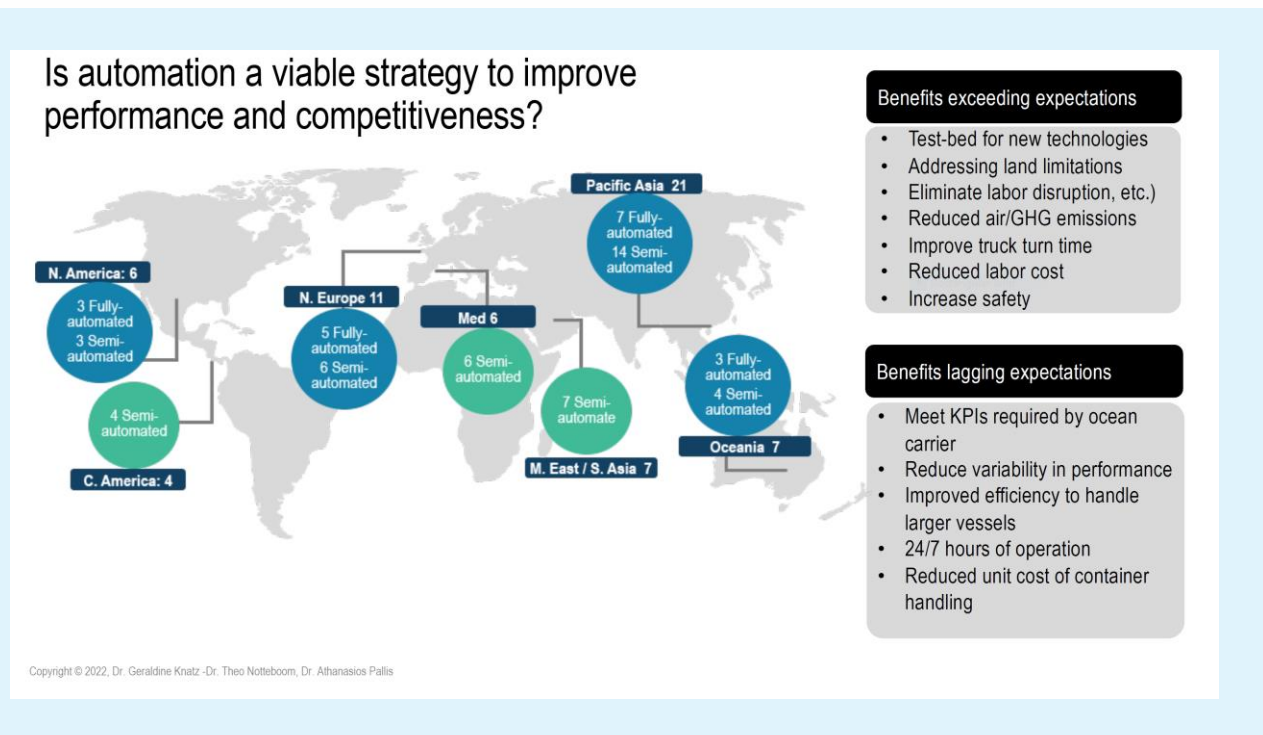
Source: Eurostat

As identified in the North Europe Regional Workshop, this extended region lacks a common multimodal vision given its absolute dependence on road transportation as primary hinterland method of cargo delivery. This brings with it congestion and air quality challenges to many ports in this region located in city centres and population conurbations in many of the areas of the Mediterranean, Iberian Peninsula and Black Sea.

An example was cited that Western Mediterranean cargo (example of ro-ro cargo) can only currently reach the Adriatic by road instead of rail. Another point was raised about the possibilities of greater use of short sea shipping in the region which should not compete against the vessel calls of the larger tonnage being deployed although this was easier said than done from an economic viewpoint.

There was also a call for improvement in rail accessibility at the berth side, as it was cited that often rail shunting operations were limited at ports which also then limits utilization capacity levels for this mode.

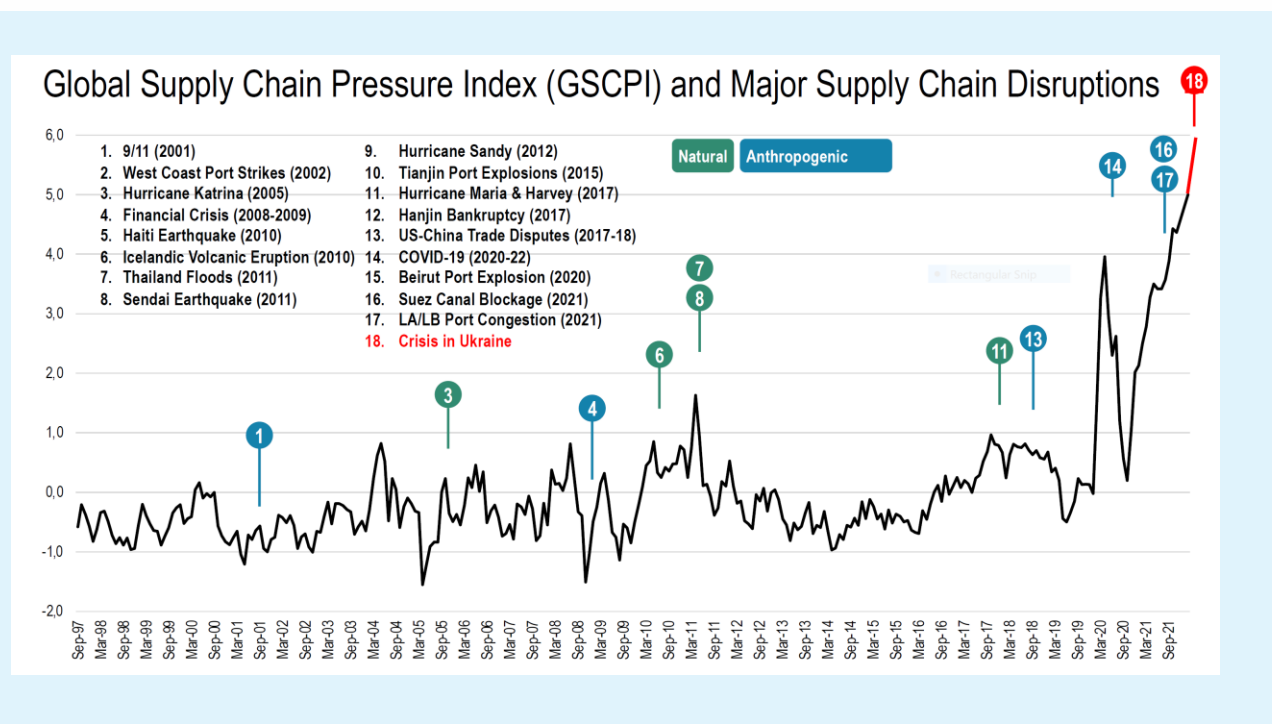
A recent trend to improve efficiency at ports has been witnessed in which ports have attempted to introduce automation or semi-automation. A recent survey of 62 global ports (including 6 semi-automated terminals in the Mediterranean) indicated that whilst some benefits had exceeded expectations (e.g.in safety, reduced labour cost and lower emissions) others had lagged behind. Notably these include meeting the KPIs required by ocean carriers, 24/7 non-stop operations, improved efficiency to handle larger vessels and overall reduced unit cost of container handling.



Equally, handling efficiency levels at port side need to be evaluated from the workforce and labour productivity viewpoint as most recent industry indicators indicate a downturn overall in port moves in the region. It was pointed out that with new semi-automation and automation emerging throughout the sector, a framework of structured, professional, vocation-based courses would need to be introduced to attract, train and retrain port

personnel in the new skillset required for future ports with improved efficiencies. In this region (especially the Mediterranean), the vast majority of ports still remain within city limits as brownfield sites with next to no possibilities for further growth unless new greenfield sites outside the city were under consideration.

Ports in this region are also facing an increasing challenge to their licenses to operate with many more direct interventions by their communities in demanding improved air quality, and legislators on an EU level putting pressure on ports through establishing the future Emissions Control Area (ECA) which will raise real questions about how level a playing field there will be between the competing EU and non- EU members in the region, especially in the Mediterranean with numerous African ports competing with their European neighbours for business. The additional gap identified is that if cargo is diverted as a result of the increased costs associated with an ECA, the emissions would simply get diverted to the non-EU port, defeating the whole point of the exercise to reduce emissions in the first place.



A final point was made that major supply chain disruptions do not look like they are going to disappear and that ports face an obligation to improve their resilience and capability of handling future disruptions. It is interesting to note that four of the last five major disruptions registered on the Global Supply Chain pressure index directly impacted or took place in or within the vicinity of this region.

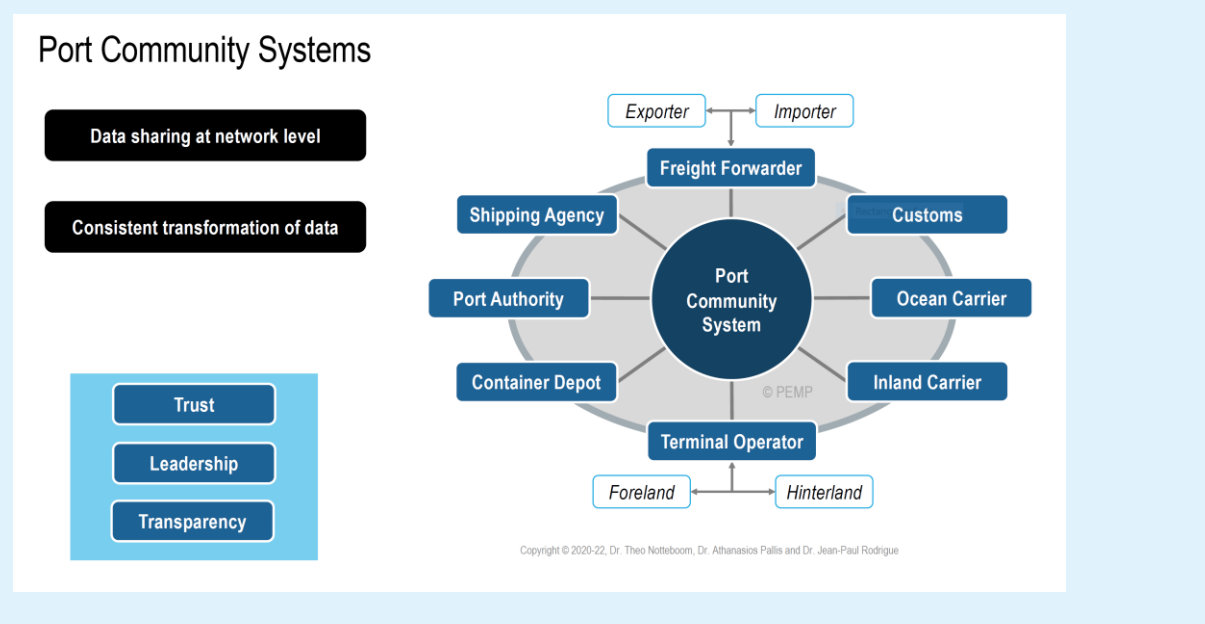
From the port service providers perspective, it was observed that terminal operators in the region are still predominantly involved in efficiency improvement and cost saving activities. The approach is now changing given the new context – automation and digital transformation of processes is taking place, as well as the quest for improvements in hinterland connectivity and emissions reductions through a closer relationship with the beneficial cargo owner throughout the supply chain. However, the emergence of the trend of ever larger vessels (not just in the liner container segment but also ro-ro and other shipping sectors) has meant that some ports in the region have responded less well than others given the sudden sharp increases in port moves and/or ro-ro moves. This, combined with the recent behaviour of shippers working to “just-in-case” as opposed to “just-in-time” has resulted in port congestion irrespective of efficiency or connectivity improvements. In some cases this has been compounded by vessel calls being dropped, cargo being left at alternative ports and a cumulative loss in schedule reliability well below the 40% level in many of the region’s ports.

2.0. HIGH LEVEL OVERVIEW OF WORKSHOP POINTS RAISED TO #CLOSETHEGAPS

It was felt a mindset change was also needed by ports and terminals in the region in terms of engaging with their local port communities as vital stakeholders on the issue of reducing emissions in the overall supply chain beyond port gates, as many terminal operators are venturing into either acquisitions or partnerships with inland warehousing facilities, rail and barge services. These ambitions have also been matched in some cases by several carriers acquiring logistics and supply chain companies in the region. It was felt that these changes could reduce the impact of port authorities in terms of influencing and attracting local manufacturers, importers and exporters to use their ports.

Evidence also suggests that logistics disruptions are becoming a long-term phenomenon at the supply chain level and consumer dissatisfaction means shippers are looking to re-evaluate their procurement in some cases with first signals of onshoring. By the same token

logistics users are now seeking alternatives to ports and sea freight and should no longer be taken for granted, as witnessed by strong growth in airfreight, the emergence of rail solutions between Asia and Europe and the investigations by some shipowners into using the Arctic route as an alternative to Suez. This would require major attention by port authorities requiring improved stakeholder management for the “demand” (as opposed to “supply”) chain players, bringing them in to listen to their needs and ensure all service providers in the port (pilots, bunker providers, chandlers, towage service providers) work together to provide them the service they need as a business.



NGO consultative Status: ECOSOC, ILO, IMO, UNCTAD, UNEP, WCO

While there is a greater proliferation of port community systems in Europe and in this region versus any other globally due to the policy impetus taken at European regulatory level to make these systems mandatory, they clearly need to be used more extensively and more efficiently to achieve the consistency needed to enable supply chain fluidity. On one hand an improvement is needed in terms of actual data sharing with greater trust between stakeholders. On the other there needs to be a consistent transformation of the data into operational flexibility and exception management handling. It was mentioned that many shippers and forwarders are not receiving adequate levels of information from terminal operators to ensure good connectivity and efficiency in their operations.

It was observed that the pandemic has accelerated ecommerce and home shopping, and with that the need for more granular detail in cargo traceability. Improved use of digital exchange of information and proactive notifications, as well as better exception management handling to ensure goods arrived on time were needed.

Greenfield ports in the region (especially in Spain) have been better able to accommodate increases in capacity than those located in brownfield sites, also providing better results when it comes to semi automation, the use of emissions-reducing materials handling equipment and introducing innovations to a newly incorporated workforce.

Cooperation between ports

- Mergers
- Direct cooperation between two or more ports
- Associations or networks
- Programs and projects funded by the EC

Is the regulatory option productive?



Copyright © 2020-22, Dr. Theo Notteboom, Dr. Athanasios Pallis and Dr. Jean-Paul Rodrigue

Cooperation between two or more ports also potentially provides greater scale and ability to absorb greater cargo volumes more efficiently, and to engender greater connectivity in the region. Formal mergers witnessed in Northern Europe (e.g. Haropa in France, Antwerp-

Bruges in Belgium) are also reflected the merger of various ports in this region, with several examples in Italy as a way forward. Nonetheless it was felt this needed to be matched with comprehensive frameworks being developed at national and supra-national level. As previously mentioned, the incidence of duplicated initiatives to digitalise using different systems, an unlevel playing field for investments in port expansions and possible overlaps due to regional or national interests need to be avoided.

In conclusion, the many contributions from the floor concurred that improved efficiency, better connectivity and reliability are inextricably linked with one another and that reduction in carbon emissions in both shipping and ports is only achievable with improvements in these areas in the maritime supply chain. Also provision of alternative fuels for ships will only come if ports become energy transition hubs themselves. The emergence of supply chain as an all-encompassing solution, digitalization in terms of making better use of port community systems and an improved regulatory environment with greater transparency for port management offers the best prospects of supporting these gaps in efficiency, accessibility and reliability in this region.

3.0. NEXT STEPS

These identified gaps and potential solutions will now be discussed at the IAPH World Ports Conference in Vancouver between 16-18 May both in plenary sessions and at the IAPH Regional Meetings which will have this Executive Summary to set the agenda on how to put together a plan to #CloseTheGaps in port infrastructure.