Implementing Public-Private Partnerships: The Case of French Port Authorities

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ABSTRACT

Shippers’ frequent re-designs of their transportation networks directly impact the relative strength of the positions held by ports in these networks. Therefore, Port Authorities need to adjust their investment/cooperation strategies, often using public-private partnerships. The purpose of this paper is to contribute to the analysis of the motivations, implementation and evaluation of such partnerships. The methodology is case-based and fully qualitative, both for data collection and for data processing. Three main motivations have been identified. Implementation features a standard activity split between partners, but proves to be rather context-specific on some other aspects. Evaluation is made through three main criteria.

KEYWORDS

Cooperation, Infrastructure, Investment, Port Authorities, Port Competitiveness, Port Strategy, Public-Private Partnerships

INTRODUCTION

As they compete fiercely against one another, supply chains are constantly trying to improve their performance, through process and network re-designs which are specifically affecting freight transportation routes, thus possibly leading to a reduction of the number of ports of call.

In order to keep their place in present logistics networks and earn new ones in other chains, ports must therefore optimize their processes for allocating resources to the activities they are trusted with.

More specifically, one of the predominant orientations of Port Authorities (PAs)’ strategy consists in setting up partnerships with the purpose of combining the partners’ financial and operational resources for the most efficient service of the supply chains they are (or would like to be) part of.

Standing out as one of the possible frames for this collective approach of port strategy making, public-private partnerships (PPPs) have drawn the attention of French ports, where various instances of their implementation can be found.

This paper, the purpose of which is essentially managerial, focuses on this PPP-based strategic option. A first section presents the research questions dealt with and the data collecting methodology retained, while a second section describes and discusses in a decision support-minded way the findings resulting from data processing.
RESEARCH QUESTIONS AND METHODOLOGY

Research Questions

French ports share a common trait: their lack of competitiveness compared to their European North Sea and Mediterranean contenders.

Among the acknowledged factors of such a situation stands out the insufficient integration of French ports in the European transportation networks.

Another explanation can be found in the productivity of their terminals, which is lower than that of their direct competitors.

In such a context, also featuring rapid changes in information processing technologies and freight transportation means, the enhancement of large French ports competitiveness can only come out of better choices regarding resource allocation and investment financing.

As far as port operations are concerned, industrial and commercial activities should be conducted by private companies, the PA dealing with port transit as a public service for the international trade (Peters, 2001).

Regarding the financing of the relevant resources, and accounting for the reduction of government support, the PA must be able to call upon private investors to fund costly handling equipment, its own financial means being rather allocated to the funding of collective infrastructures (Juhel, 1999).

PPPs are then often the only frame within which private companies and PAs can fruitfully cooperate in the launching of equipment building and operating projects (Olivier, 2005): these projects generate huge investment costs, and their success is tightly depending upon the quality of the resource combination which is implemented.

PPP-related issues have been addressed by numerous authors, from various fields of academic research, with a specific interest found for this topic in the maritime / transportation-centric economic and geographical literature.

As to the investment-sharing motivation for PPPs, Wiegmans, Ubbels, Rietveld, & Nijkamp (2002) investigate the types of assets involved and the respective contributions of public and private partners; in this same respect, Juan, Olmos, & Ashkeboussi (2008) rather focus on the contract-framed revenue split between PPP partners.

From an operational / managerial improvement standpoint, De Langen, Van der Horst, & Konings (2006), and Haralambides & Güjar (2011), specifically value PPPs as a way to enhance respectively the inland waterways’ operational performance and dry ports competitiveness; under a more global approach, Farlam (2005) and Pagdadis et al. (2008) feed back on key success factors for PPPs.

Conversely, PPPs have not drawn much attention from the management / business administration community. Contributions arise mostly from the accounting and the public management literature, and address predominantly the risk management (e.g.: Edwards & Shaoul, 2003; Regan, Smith, & Love, 2009) and the governance (e.g.: Moore & Hartley, 2008; Singh & Prakash, 2010) dimensions of PPPs.

Besides, the economics / geography academic fields provide a rather large sample of papers dedicated to PPPs in a seaport context. Contributions range from the operational level of PPP contract design (e.g.: Dekker, Verhaeghe, & Pols, 2003; Theys & Notteboom, 2010; Vining & Boardman, 2008) to the strategic level of PPP’s impact on port governance (e.g.: De Langen, 2004; Pallis, Vitsounis, De Langen, & Notteboom, 2011; Verhoeven, 2010), through the intermediate level of PPP-framed port IT restructuring (Bagchi & Paik, 2001) or hinterland access (De Langen & Chouly, 2004).

However, most of the literature considers the PPP motivation / implementation / evaluation steps from a more generic public-private partnering viewpoint: like so many others (e.g.: Kim, 2011; Nataraj, 2007), Engel, Fischer, & Galetovic (2010) investigate the role of PPPs in the optimization of the infrastructure financing process; equally, a vast body of literature is focusing on either of the risk sharing (e.g.: Alexandersson & Hulten, 2007; Ke, Wang, Chan, & Lam, 2010; Padova, 2005) and risk management (e.g.: Baker, 2003; Michel-Kerjan, 2003; Quiggin, 2006) issues associated to PPPs.
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