

**Downloading Public Ports:
challenges of governance for lower tiers of public administration**

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Abstract

The goal of this paper is to fill a lacuna in the existing literature by bringing into focus the questions raised by the process of divestiture of small ports, questions that relate not only to the maintenance of port activities but also to the ability of the new agencies to carry out their new responsibilities. The paper is based on the results of research involving two case studies: Canada where the devolution process is largely complete, and France where the process is underway. From these cases we revisit the models of port governance and offer modifications, modifications that incorporate the issues of public port governance in an environment of devolution.

Introduction

For much of the Twentieth Century, ports were largely governed by public agencies. Public control extended through a range of roles: as regulator, as provider of infrastructures and

superstructures, as provider of port services including cargo handling and port labor. In the last two decades, however, a great change has taken place. In many jurisdictions ports have been transferred from state ownership and control to more flexible governance regimes involving private actors in varying degrees. This has attracted a great deal of interest in the academic literature (Baird 1995 and 1999; Baltazar and Brooks 2001; Brooks 2004) but in the majority of research the focus of devolution has been on the transfers of responsibilities from a state authority towards the private sector, either directly through a sale or concession or through a sharing of responsibilities (Hoffman, J., 2002 ; Cullinane, K.P.B., Song, D.W., 2002). In few instances has the transfer from one level of government to another been considered.

At the same time, the literature on devolution is heavily biased towards the largest ports, while in fact ports of all sizes are affected by the changes. Devolution of smaller ports involves a very different set of conditions and problems than those that confront the major ports, so that the issues and challenges confronting the new agencies are not directly comparable with those already described in the literature. When these agencies are lower tiers of government a further range of issues are precipitated.

The goal of this paper is to fill a gap in the existing literature by bringing into focus the questions raised by the process of divestiture of small and medium size ports, questions that relate not only to the maintenance of port activities but also to the ability of the new agencies to carry out their new responsibilities. How can the lower tiers of governments finance port activity? How able are they to establish partnerships with actors in the port industry? How may they manage conflicts between other ports under the same jurisdiction? How to coordinate relationships with other jurisdictions?

The paper is based on the results of research into the process of port devolution in France (Gouvernal, E., Debie, J., Slack, B., Comtois, C. 2005). Over the last two years the French State has transferred jurisdiction of the *ports d'intérêt national* (ports of national interest) to regional governments. There have been significant differences between the regions in their approach to the transfers. A variety of new structures have been proposed. This paper examines the challenges and opportunities the transfers have precipitated. France has passed from a one model structure of port governance that fits all ports to another that is more diverse and complex.

The paper is divided into four sections. The first describes the actual process of recent de-centralisation in France, and places it in a broader context. The second examines what has been transferred, since the State is retaining certain regalian powers. The third describes the new forms of governance that have arisen out of the transfer process. The fourth examines a range of issues and problems that have arisen and discusses the future challenges the new port administrations will face.

1. The process of port decentralisation in France

The case of France provides a useful example of the forms of port devolution that are reconfiguring governance, and, in particular, the position of different levels of public administration in that restructuring. French policy has been marked by a process of decentralisation since the 1980s. Different phases of decentralisation have taken place in different policy areas, such as education, social affairs, research, transport etc. Regarding ports, two phases of decentralisation are evident. The first took place between 1983-84, and concerned the smallest French fishing, cargo and recreation ports. This first phase was limited to the transfer of responsibilities from the State to the departments for the fishing and commercial ports. Municipalities were given responsibility for the marinas. The State gave local governments authority over the port domain without transferring property rights, which remained under State control. While some 600 ports were involved in this first phase of transfer, they were the smallest, and the 25 largest ports were unaffected.

The second phase of decentralisation has recently taken place, running from 2004-2007. It modifies significantly the governance of the 17 ports of national interest (see Figure 1) that are generally medium size ports, but leaving the status of 8 largest autonomous unchanged and still under State control. While affecting only a limited number of ports, this phase of port decentralisation has important consequences for many lower tier governments in the West (Bretagne, Haute and Basse Normandie) in the North (Nord pas de Calais) and the South (Aquitaine, Languedoc-Roussillon, Provence-Côte d'Azur, and Corse). Before examining the emerging forms of port governance, we provide an outline of the policy itself in order to expose the re-composition of public actors that are implicated in the new structures.



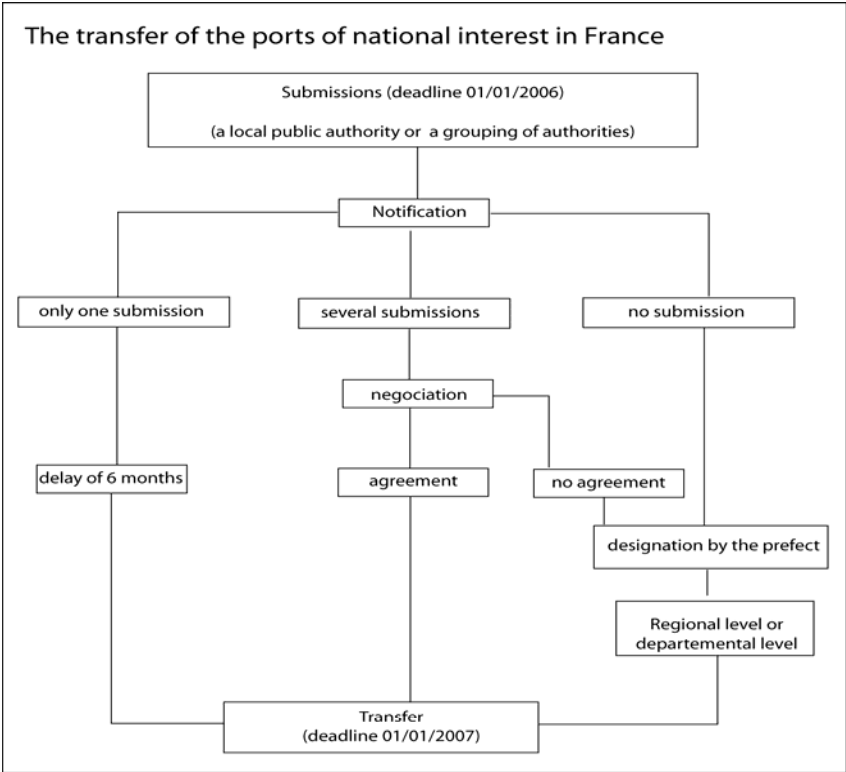
Figure 1: ports of national interest in France

This latest phase of decentralisation was defined by the Law of 13 August, 2004, relative to “the liberties and local responsibilities” that constitute this new wave of ‘regionalisation’ in France. This decentralisation touches many important aspects of social policy – housing and social welfare payments – as well as transportation – roads, airports and ports. Regarding ports, article 30 of the law calls for “the transfer of the property rights, the responsibility for planning; maintenance and management of the non-autonomous ports belonging to the State to local authorities or a grouping of such authorities before January 1st, 2007 at the latest”. The key difference between this and the earlier decentralisation of 1984 is the transfer of ownership of property rights.

The broad term ‘local authorities’ (*collectivités territoriales*) has been used deliberately in the French law to avoid imposing a fixed model on the divestiture process. The French government did not wish to favour one level of local government over another in taking over a port. It hoped to provide the opportunity for a range of lower tier public bodies, including the region, the department, an urban agglomeration or a city, to enter into a debate over the future control of the local ports. The policy called for a discussion and dialogue between

interested parties. According to the terms of the law, these local authorities had until 1st January 2006 to make a bid to take over all or part of a port located in its geographical domain. The different stages of the process took place between 1st January 2006, the deadline for the submission of candidacies and 1st January 2007, the last date of the transfers. If there was only one candidate for one or more ports, the transfer became effective within six months of the deposition of the offer, subject to State approval. Should several candidates present themselves, the representative of the State, the prefect of the region, was required to hold a meeting between the candidates to try to work out an agreement. Should an agreement be impossible, or should no public authorities come forward to submit a candidacy, the regions, in the case of the commercial ports, and the departments, in the case of the fishing ports, would be designated as the beneficiaries of the transfers (see Fig. 2). To facilitate the process, the State undertook to make available analyses of the profiles of each port. These profiles provided a description of the existing infrastructures in the zones to be transferred, a summary of the investments made in the past, and a review of recent traffic activity. They did not provide any traffic predictions, or a comparative analysis of the ports' competitive positions. In many cases, further consultants studies were commissioned by interested candidates to identify prospects and challenges.

Figure 2: submissions



2. The transfers (what has been transferred)

The transfer process had two main objectives: 1) to transfer full property rights of the port; and, 2) to transfer specific areas of competence. The transfer of property rights to local authorities applied to the areas within the administrative limits of the ports. This included the land in the port domain, along with the infrastructures and superstructures of the commercial port. It may be noted that the transfer also applied to public services related to port activity that were located beyond the administrative limits of the port. On the other hand, installations and equipment required for policing and the maintenance of security are freely made available to the State. Thus there are restrictions to the transfers. The State retains its regalian rights over matters relating to environmental protection, public security, navigation aids, as well as in the case of the commercial ports policing the waterways (controlling vessel movements). The local authorities, therefore, assume responsibilities for managing, maintaining and planning the ports, while the State retains its authority of security.

The division of functions provides a fine distinction between ‘port authority’ and the authority responsible for port security. Once the transfer has been accomplished the ‘port authority’ becomes the particular level of local government that has successfully obtained the port. As mentioned above it assumes responsibility for managing the port and issuing the concessions for the actual operation of the port. It also assumes responsibility for policing within the terminals, assigning berths, and allocating the use of port land. Its responsibilities are land-based, in contrast to the functions retained by the State that apply to the policing of water areas: movements of vessels, environmental protection and control of dangerous goods. This division of responsibilities is thus complex and potentially difficult to manage in practice. Under the law the parties may submit an application to modify the arrangements within three years of the transfer.

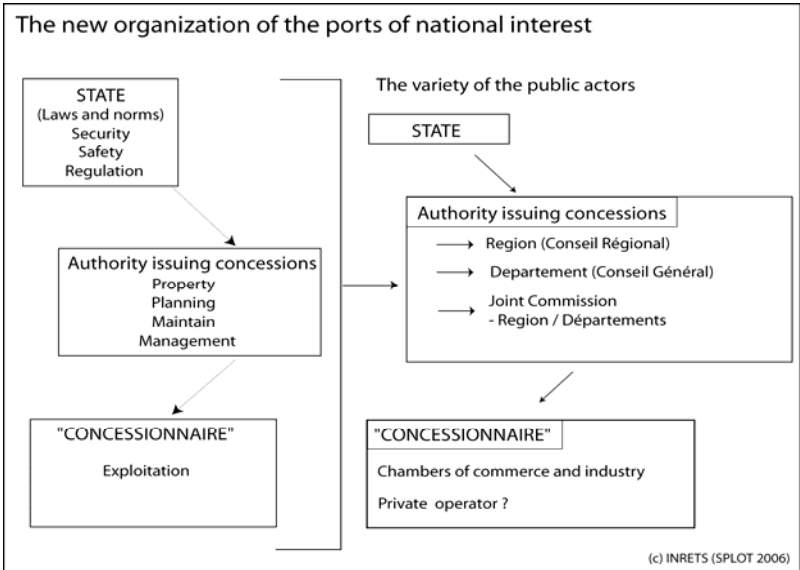
As well as distinguishing between the regalian powers of the State and the functions to be carried out by the local authorities it is important to distinguish between the issuer of the concession and the concessionaire. The process of decentralisation described above deals with the responsibilities of issuer of the concession, including ownership, management and planning. The local authorities to whom the ports have been transferred assume the responsibility of awarding concessions to operate the port, formerly held by the State. Practically all the ports that have been transferred as part of the latest round of

decentralisation are operated under concessions issued by the State by Chambers of Commerce and Industry (CCI). These agencies have a particular status in France. They are officially public bodies of an administrative character. Part of their income is derived from an additional levy on the professional tax (Impôt Additionnel sur la Taxe Professionnelle (IATP)) While retaining the status as public bodies, the CCIs represent the interests of small and medium size businesses in the region and the IATP is collected from the member firms. The law permitted an extension of the contracts that fell due before the transfers were completed. Eight concessions were thus extended until December 31 2006. A major question will be the issuing of new concessions by the new owners, since they may wish to review the commercial goals and objectives of the ports and introduce changes to the ways the ports are operated. The recent imposition of European Community law on French law (competition law) could bring into question the monopoly of the CCIs on port operations and open up the concessions to competitive bids. This issue is examined later in section 4 of the paper.

3. A new port organization and a diversity of public actors

The latest round of decentralization in France has given rise to the participation of a variety of public administrations, and thus has produced a complex pattern of port governance (see Fig. 3). As a result of the transfers three parties are involved in port governance: 1) the issuer of the concession, the new owner of the port who assures port planning and management; 2) the concessionaire, the body that organizes the operations of the port under the ultimate control of the owner of the port; and, 3) the State, that carries out its regalian functions, in particular police and security.

Figure 3: the new organization of the port of national interest



(c) INRETS (SPLIT 2006)

This allocation of responsibilities is even more complex when the situation is examined in detail, because the issuers of concessions may themselves comprise many levels of government (see Fig. 4). Since the invitation was made to submit candidacies two main configurations emerged. The first, and simplest, were those where one level of local authority only became the new owner. In the case of *Bretagne* there were no problems, as the *region* obtained the three commercial ports of Brest, Lorient and St. Malo without any other candidacies presenting themselves and the department of Finistere the fishing port of Concarneau. However, it must not be assumed that all single candidacies emerged without conflicts. In *Languedoc-Roussillon*, where the *région* has secured the transfer of the ports of Sète and Port la Nouvelle, this was achieved despite the opposition of the *département* of Hérault that wished to control Sète. The second configuration is where the issuers of concessions involve mixed candidacies. In the case of the ports of Caen and Cherbourg a joint commission has been chosen, comprising the region of Basse Normandie and the two departments of Calvados and la Manche.

Figure 4

The results of the transfer of the ports of national interest

Administrative region	Port	Attribution
Bretagne	Lorient Brest Saint Malo	Conseil régional Bretagne (region)
	Concarneau	Conseil Général du Finistère (departement)
Languedoc - Rousillon	Sete Port la Nouvelle	Conseil Régional du Languedoc-Roussillon (region)
Provence Alpes - Côte d'Azur	Nice	Conseil Général Alpes-Maritimes (departement)
	Toulon	Conseil Général du Var (departement)
Aquitaine	Bayonne	Conseil Régional Aquitaine (region)
Basse-Normandie	Cherbourg Caen	Syndicat Mixte (Conseil Régional Basse-Nomandie, Conseil Général Calvados, Conseil Général Manche)
Haute-Normandie	Dieppe	negotiations in progress
Nord - pas de Calais	Boulogne Calais	negotiations in progress

This case of the French ports of national interest is a good example of the evolving contributions of different tiers of government are implicated in port governance. The classic model of governance of public ports had one level of public administration as the sole participant. Many different levels of government are today involved in port administration. This multiplication of levels introduces a number of problems that are well illustrated by the example of the decentralised French ports. In the following sections we go on to explore three of the problems: the relationships between various levels of public administration, the issue of traffic growth, and the question of commercial viability.

4. Problems and challenges

The problems and challenges involving the links between the different levels of government

As outlined above, France's decentralisation policy has introduced a new role in port management for many public authorities. These changes raise a number of questions concerning the relationships between public authorities, especially in those situations where different levels of government are involved. The interests and powers of municipal, departmental, regional and national government are frequently divergent and sometimes contradictory, which raises the question of how and by whom will these differences in port management be arbitrated? Four possible sources of conflict are considered here: those between the State and the new port authorities, those between the municipalities and the new port administrations, those between the port authorities and the concessionaires, and those between the port authorities and the public bodies that have traditionally been concerned with port financing.

The relationship between the State and the new port authorities

The first set of challenges involves the division of powers between the State and the new port authorities. Given the magnitude of the changes and the speed with which they have been introduced, it is not surprising that there will be difficulties. Several of these difficulties involve financial issues, which we treat in other section. Here we draw attention to the division of powers. The Association of French Regions, a grouping of the 22 major administrative units of the country, has already called for a clarification of the regulations

concerning the port police, safety and security. The decentralisation policy has modified the maritime code and several rules that define the authority invested in the port police and their areas of jurisdiction. Because they are new they will require testing and evaluating, but already it is evident that there will be uncertainties because the port police fall under the control of the State for certain matters (relating to the water side) and under the port authority for others (relating to land-based activities).

Here it should be pointed out that the new authorities may have received powers transferred from the State, but under French law the State still is the only legislative authority. Thus the State may impose actions without the agreement or even knowledge of lower tier levels of government. A recent example was the decision of the State to apply a directive from the European Commission concerning lumber imports. The State decided to restrict to 12 the number of designated points of entry in order to control infestations. No port in *Bretagne* was selected, and thus the port of St. Malo, which has an important traffic in lumber stands to lose 40% of its traffic base.

Relations between municipalities and the port authority

Among the most important challenges confronting the new port administrations are those concerning land use planning. Ports everywhere are being confronted by urban pressures in relation to habitat and citizens concerns (Hoyle, B. S. and Hilling, D. 1984, Hoyle, B. S. 1989). Quality of life issues, negative externalities generated by ports, such as noise and congestion, and a general rejection of 'industrial' activities in areas close to dwellings form important urban preoccupations. Ports on the other hand necessarily have a commercial focus, and stress their integration into production chains, industrial activities, and job generation, of which only the latter is a priority of city inhabitants. Because port employment is tending to decline, ports find themselves increasingly being opposed by city governments. "Urban" projects find themselves frequently in opposition with "port-industrial" activities. In France, coastal municipalities have goals of developing tourist activities, with marinas, recreation facilities, hotels and apartments to exploit the tourist and recreation potentials of their sites. Decentralisation in France is likely to provoke further tensions around these issues. The law provides the possibility for the ports to review the perimeters of the port land, and may take advantage of the transfers to make adjustments. The city of Sète has already produced a planning report detailing its vision for the future of port land and has asked the prefect to authorise the transfer of certain sites in the west of the city for urban use. If the

demand is rejected as seems likely, the government of the region of Languedoc-Roussillon, as the new owner of the port will have to confront these demands of the city. Similar pressures are found at St. Malo, where the city wishes to reclaim part of the port site to establish a marina, and at Concarneau, where there are strong pressures to build residential developments along the sea front.

These port-city confrontations are likely increase, since although cities are not playing a major role in the decentralisation process as port authorities, they exert real local power through their control over land use. While port land is excluded from municipal control, the cities yield considerable influence over the port-urban interface, which gives them considerable bargaining power in determining port development.

Relations between the port authorities and the public authorities providing port financing

Not only do French ports have to deal with various territorial issues with different levels of public administration, but they are also are required to negotiate with several public authorities over financing. The ports of national interest receive funding from a variety of sources: the state, region, department and municipalities as well as the European Fund for Regional Development (FEDER) (for details see section financial issues). It is unlikely that decentralisation will bring about a complete change in financing, but several significant modifications are likely: the reduction or even disappearance of national funding. The crisis of the public debt of France has necessitated a stabilisation of public finances under the EU stability pact. This has reduced the amount of funds available for investment by the state. Many political actors in France see the decentralisation process as a transfer of the public debt rather than a transfer of functions. In addition, it is likely that European funds (FEDER) will not longer be available. The recent expansion of the EU to include new members from Eastern Europe with lower levels of economic development will divert investment funds from the West, and remove a traditional pillar of support for the ports of national interest.

These trends imply that the local lower tiers of government may be called upon to provide infrastructure investments. This will not be easy since some of these lower tier governments have been cut out of port administration. The department of Hérault, which has been excluded from management of the port of Sète, has already indicated that it does not feel obliged to support any plans put forward by the new port authority, despite the port being an important contributor to the departmental economy. A new form of cooperation between the regional

and local authorities of different political stripes will have to be fashioned for many of the decentralised ports.

Relations between the authorities awarding port concession and the concessionaire

Seven existing concessions that came up for renewal during the decentralisation process were extended to the end of 2007. For the other ports the concessions will expire at various dates in the future, the longest being in 2013. In every case the new port authority will have an important opportunity to award new concessions that respond the economic goals of the new owners. In contrast the existing contracts are based on a few technical requirements. While there is some ambiguity over French and EU competition law, it is possible that the new port authorities will open up bidding for concessions, concessions that up until now have been held captive by the CCIs. Certainly it is by no means evident at this time that alternate bidders will present themselves, but the process will give added power to the port authorities over the CCIs which have enjoyed exceptional independence in determining both operational and financial priorities for ports. A very different relationship between the port authority and the concessionaire is likely to be established.

The probleme of Traffic Growth and financial issues

The issue of Traffic

An important question is whether decentralisation will precipitate a growth of traffic? There is an assumption that under the new governance regime, with local management, the ports will be able to respond more effectively to local opportunities and development. This is a difficult question to answer, since there are many imponderables.

An examination of the existing traffic base of these ports does not provide strong indicators that their traffic is likely to grow in the future. For most of the ports traffic trends are very stable, and with a few exceptions there have been few new products handled (see Table 1). The ports are largely dependent on local markets for bulk freight. Minerals, forest products, fertilizers, agricultural products and petroleum are the leading commodities handled. Their quantities shipped reflect factors of production and consumption that are constrained by the

size of these local markets. Furthermore, in most ports the traffic is controlled by a few major players. For example, in the port of St. Malo 40% of the traffic is accounted for by one company, TIMAC, a fertilizer producer located on the port. Originally locally owned, it now is part of a much larger group, Group Roulier, and the question is with a shrinking market for fertilisers in the EU, whether this group will continue production in St. Malo. Dependence on a small number of major clients may be seen as a weakness of these ports.

Table 1 evolution of Traffic

	1998	1999	2000	2001	2002	2003	2004	2005
CALAIS	33 046	35 299	31 875	32 741	34 380	34 368	37 903	38 302
BOULOGNE-SUR-MER	2 972	2 849	2 916	1 842	1 640	1 500	681	0
DIEPPE	1 471	695	604	894	1 154	1 464	1 368	1 511
CAEN-OUISTREHAM	2 371	2 554	2 643	2 813	2 394	3 237	3 404	3 582
CHERBOURG	3 838	3 804	3 646	3 560	4 192	3 888	3 826	3 146
SAINT-MALO	2 045	2 051	2 116	2 118	2 145	2 211	2 257	1 858
BREST	2 278	2 279	2 112	2 345	2 425	2 521	0	2 461
LORIENT	2 383	2 553	2 658	2 682	2 677	2 613	2 687	2 679
BAYONNE	4 362	4 417	4 071	4 154	4 171	4 088	4 296	3 896
PORT-LA-NOUVELLE	2 342	2 427	2 280	2 292	2 267	2 266	2 171	2 293
SETE	4 012	3 692	3 918	4 051	3 857	3 756	3 614	3 839
TOULON	321	259	656	472	409	494	665	1 000
NICE-VILLEFRANCHE	553	555	562	743	611	624	554	713
BASTIA	1 731	1 872	1 977	2 057	2 224	2 281	/	2481
AJACCIO	923	992	1 057	1 113	1 149	1 172	/	1237

Unit thousand tons

Furthermore, expansion of traffic may precipitate demand for an enlargement of port infrastructures, with important questions about the ability of the administrations to cover the costs (see below). What is evident is that many of these ports are not capable at present of accommodating the larger vessels that would be required to handle greater volumes. An example is the granite trade of the port of St. Malo. A traditional product handled by the port, the increasing size of vessels in this trade has made it necessary for adjustments, with much of the traffic being diverted to Antwerp, and the remaining activity in the port being dependent upon coastal shipping with Scandinavia.

On the other hand, the new management may bring about a greater dynamism and perhaps a better local promotion of the ports. For them to grow they will have to diversify and attract new clients. Facing demands for capital investments in the ports, local authorities may have real incentives to promote port activity and expand income. Management issues are therefore likely to play an important part in determining the success of the transferred ports. But, who will take up the concessions? How will the port authority operate? Will the local administrations have the expertise and knowledge of the shipping industry necessary to manage and promote the ports? These are questions that are impossible to determine at this time.

A further issue that may affect the future of some of the ports is the broader question of short sea shipping (SSS). Promotion of SSS in Europe has been identified as an important policy goal by the EU in order to act as an alternative to road transport. SSS requires the participation of smaller ports, and thus further development of SSS would appear to be an important opportunity for the decentralised ports in France to exploit new activities. Again, this is a factor that is difficult to assess at the moment. Despite the great emphasis being placed by the EU and national governments on SSS, the evidence that this sector is in fact diverting traffic from the roads is by no means evident. The success of SSS in Europe up to the present day involves services to captive markets where road transport is not an alternative, such as ferries, where the French decentralised ports already play a role: Ajaccio, Bastia, Calais, Caen, and St. Malo. Whether these ports can also play a role in the 'motorways of the sea' remains to be seen.

Financial issues

Financial issues are amongst the most serious challenges confronting the new port administrations. We obtained financial profiles of the three commercial ports of the region *Bretagne*: Brest, Lorient and St. Malo. Despite the many omissions and inconsistencies in these reports, they enable certain important elements to be highlighted.

The financial profiles of the ports over a five year period reveal that operating income has generally stagnated in each of the ports, while expenditures have tended to rise (see figure 5). The result is that Lorient has been in a deficit position throughout, with a negative balance varying between €5,000 and €102,600 per year. Brest has produced a positive, though declining result throughout, while St. Malo has been in deficit in 2001 and 2004.

The operating income and expenditures do not appear to be correlated with traffic totals. Lorient, which generates the largest traffic volume of the three ports, approximately 2.5 million tons, generates the smallest revenues, €6.3 million, against €9 million for Brest and €11.7 million for St. Malo. The explanation is partly explained by the types of traffic that is reflected in port dues (see Table 2). While all three ports depend on bulk cargoes for the majority of their traffic volumes, Brest has a small (in volume) but important (in value) trade in refrigerated containers (frozen chickens) which augments its revenues through relatively high receipts from the taxes on goods, while St. Malo generates 37% of its port dues from passengers. A secondary source of revenues is rental income. This comes from two sources, rentals for the use of equipment, and rentals from use of land. As can be seen in Table 2 for St. Malo these represent important revenue sources.

Figure 5: financial profiles

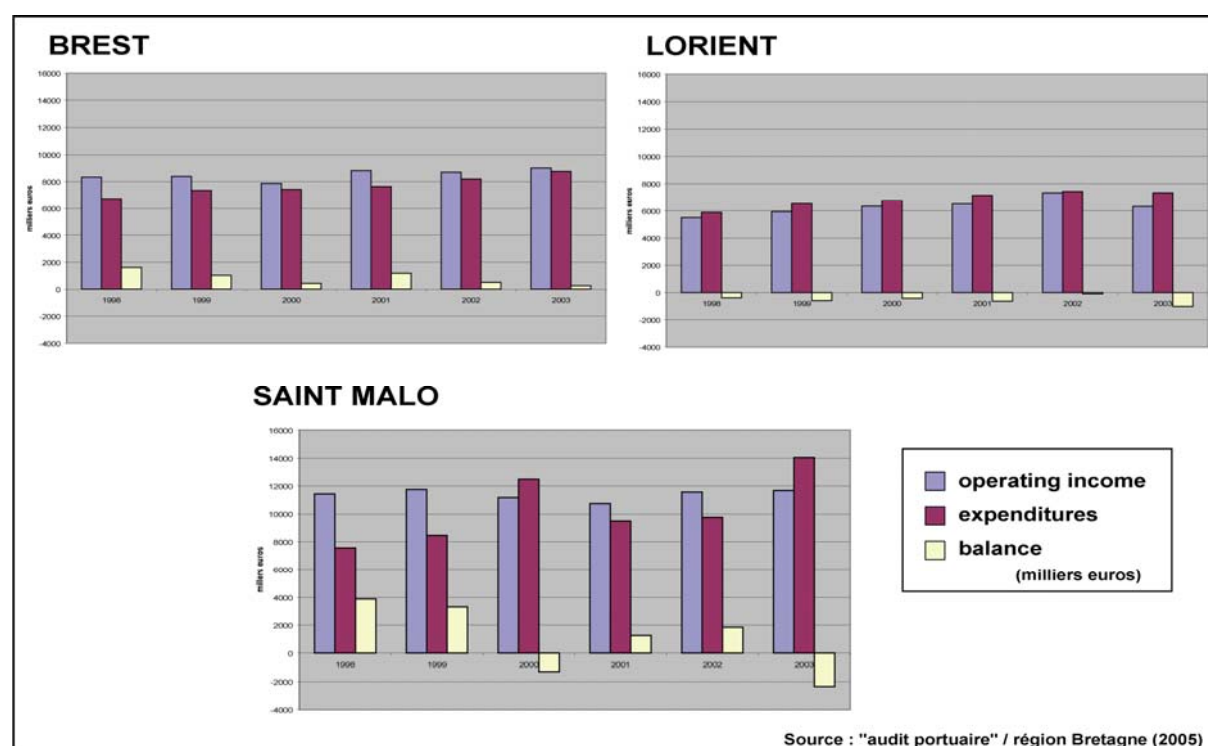


Table 2: ports dues, rents and tax

2003	Port dues				rents	
	Ships tax	Goods tax	Passenger tax	total	equipment	land
Lorient	2114	878	0	2992	3820	713
Saint Malo	2205	666	1679	4550	5207	1336
Brest	2159	1154	27	3340	2839	311

2003	Ships tax	Goods tax	Passenger tax
Lorient	71%	29%	0%
Saint Malo	48%	15%	37%
Brest	65%	35%	1%

The lack of correlation between traffic and revenues is repeated when the ports' assets (infrastructures and equipment) are considered. The official assessed value of Lorient in 2003 was €38.8 million, while the comparable totals for Brest and St. Malo were €22.4 million and €15.4 million respectively. As mentioned above, St. Malo generates the highest revenues, while its assessed value is the lowest. Conversely, Lorient is assessed highest, while it operates at a deficit.

The financial statements covering operational income and expenditures reveal the very precarious position of the ports. Opportunities to increase revenues by raising port dues appear to be difficult because if one port was to do this it might impact on its competitive position. If all the ports in the region united to raise dues, users could contest claiming anti-competitive behaviour. The best solution to raise revenues is surely to develop new business, and perhaps to add value to existing trades, as for example with the poultry shipments from Brest. Returning to the point made in section "the issue of traffic", much will depend on the ability of the new port administrations to promote the port and integrate it further in local and regional production and consumption chains.

The main financial challenges of the ports concern maintenance and new infrastructure investment. They have limited capacity to raise capital themselves, because of their poor financial health. They depend on other sources to provide necessary funds for maintenance, capital improvements and the purchase of equipment. Under the terms of the transfers the State is required to continue making annual support equal to the average of the last three years payments for operations, and the last ten years for infrastructure. This is proving contentious. State investments have been declining, for example in the case of Brest, State allocations for operations have declined systematically from €70,000 in 1990 to €37,000 in 2003. Capital investments typically require large sums, but are usually concentrated in specific years

separated by periods when there are few demands. A port that has received little support over the last ten years but now requires major investments would be disadvantaged. Furthermore, the State has not been honouring its previous commitments for funding over the last five years. In the case of Dieppe, whose financial state is catastrophic, region of *Haut-Normandie* is refusing to take responsibility for the port unless the State remedies this situation.

Other sources of port funding include the CCIs, local governments and FEDER grants. As explained in section 4 FEDER sources are likely to diminish. Thus, with potentially declining State and FEDER contributions the burden inevitably will fall more upon local contributions. Our discussions with many of the local actors drew divergent opinions. Some see this issue as one of the most serious confronting the new port authorities, claiming that regional budgets are already stretched, and in view of competing requests for capital investments, they would be hard pressed to justify and meet a demand for major port infrastructure expansion. Yet in order to expand the traffic base this may be what is required. Other opinions were more optimistic, claiming that in a relative sense, the potential infrastructure requirements of ports are significantly smaller than road investments or schools. The question is whether local elected officials would support a port over a road or a school?

Conclusion

The example of the process of decentralisation of the French ports of national interest provides a useful illustration of the new linkages that are being forged between various tiers of government. The role of public bodies in port administration is multidimensional and complex, comprising different interests that are sometimes in opposition and contradictory. France is not alone in carrying out a policy of decentralisation or divestiture, but its particular restructuring of port governance draws attention to the important role of different tiers of public administration, along the spectrum between the State and municipal, and including regional bodies and other associations that are made up of complex groupings of other public groups. This study suggests that state divestiture is much broader than an issue of changing the relationships between public and private actors, as suggested in much of the literature.

Two types of challenges have been identified in this study. The first relates to what may be called 'territorial' issues. The public agencies involved in decentralisation do not possess the same spatial scales of action – region, department, city – and thus do not have the same interest and goals. While the conflicts between these government tiers existed before port

decentralisation, the formation of a new public body entrusted with the administration and management of ports, introduces a new spatial actor. Thus this first set of challenges relates to the redefinition of port governance among a range of public bodies.

The second set of challenges is financial in nature, many of which are still unresolved. In the short term there is the issue of the transfers of State support to the decentralised ports. While the rules governing these transfers have been established, their application is proving contentious. The State has not carried out its previous promises concerning investments, and this is creating an uncertain climate for financial negotiations. More problematic are long-term financial issues. The ports are barely profitable. They need to develop new business, yet this will require investments. Who will provide these investments? The new port authorities will face reduced contributions from the State and European funds, and thus almost certainly will have to look for greater regional contributions. Will the regional governments be willing to undertake this commitment?

The transfer of ownership of medium size ports in France to lower tier governments may prove to be a watershed. This may lead to a revitalisation of the ports through more proactive port authorities. Responding more directly to the demands of the regional economy may lead to a growth of traffic and revenues. On the other hand the process may lead to a crippling of some ports because of inability to meet the financial demands of port maintenance and infrastructure expansion. At present it is unclear which direction the ports will take. Suffice to conclude that changing port governance has implications for both the commercial and public domains.

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