

Summary

The policy document *Seaports: Anchors of the Economy* (2004) set out policy actions and goals for the further development and strengthening of the Dutch seaports. The policy audit revealed that the Seaports policy document has been implemented as agreed. Broadly speaking, the policy actions have achieved the desired result. Four indicators – direct and indirect added value and employment, the size of the Dutch market share and growth in private investments – reveal that the policy ambitions have been met.

We note, though, that in the policy audit it proved difficult to measure the contribution made by government policy towards achieving the goals and how large the impact of national and international developments have been.

In the *Seaports: Anchors of the Economy* policy document (referred to hereafter as the Seaports policy document) the Government set out its policy on seaports for the period 2005–2010. The Government also stated in the document that it would evaluate the policy at the end of this period. The Netherlands Institute for Transport Policy Analysis (KiM) was asked to carry out this policy evaluation. This report contains our findings.

Policy audit

The evaluation took the form of a policy audit. This is an evaluation study that follows a standardised method focusing on a specific item in the budget of a government department. In this case, the audit was of budget item 35.02, Mainport Rotterdam and other seaports, in the budget of the Ministry of Transport, Public Works and Water Management (now: Ministry of Infrastructure and the Environment – IenM). A considerable part of the seaports budget is not listed in the normal IenM budget, but is part of the Infrastructure Fund.

Background to the Seaports policy document

The Seaports policy document was prepared in response to a potential worsening of the international competitiveness of the Dutch seaports, which would have a negative effect on the whole Dutch economy. The document states that an important reason for this decline in competitiveness is the lack of a European level playing field, which is the result of EU member states interpreting the EU rules governing state assistance to ports in different ways. In addition, the ports faced various constraints, both in the available space for expansion and in their inland connections. This would affect both the 'front door' (for example access to the port of Amsterdam) and the 'back door' (inland connections, such as the A15 motorway).

Because seaports operate in an international context, European and global developments present both opportunities and threats. The market plays a leading role, whereas the government has limited possibilities to influence these developments. The national government can exert an influence through factors that affect competitiveness, such as the inspection burden, the construction of infrastructure and shaping the investment and business climate; the local

authorities have an influence via land use plans; and the EU can affect developments by setting international regulations governing factors like a level playing field and environmental legislation.

Seaports policy document implemented as agreed

The goal of the policy for seaports as set down in the Seaports policy document was to strengthen the social added value of the seaports for the Dutch economy. The government wanted to achieve this by improving the international competitiveness of the Dutch seaports within stated environmental and safety limits. With this goal in mind, three categories of instruments were deployed, to:

- improve market processes (for example, streamlining inspections and monitoring by government, and steering towards better market orientation);
- maintain or expand capacity (for example, better inland connections and making land available for growth);
- impose conditions on development (for example, to promote safety and environmental quality).

These instruments were then translated into policy actions and the development of infrastructure. Our policy audit revealed that the Seaports policy document has been implemented as agreed. Broadly speaking, the actions have led to the desired result. Of the five selected infrastructure projects, Maasvlakte 2 is under construction and four projects are in various stages of planning: A15 motorway from the Maasvlakte to Vaanplein, rail connection to Maasvlakte 2, IJmond Seaport, and Gent–Terneuzen Canal Zone.

Goals achieved; effect of policy actions difficult to measure

The Seaports policy document mentions five indicators for monitoring whether the policy has been successful or not:

1. The direct added value and employment generated by the seaport companies
2. The indirect added value and employment generated by the seaport companies
3. The size of the Dutch market share
4. The growth in private investment
5. The arrival of new economic activity

Four of the five indicators (indicators 1 to 4) reveal that the policy ambitions have been achieved. However, this does not necessarily mean that the chosen instruments and the resulting policy actions were responsible for this success. The Seaports policy document itself states that the chosen indicators have limited ability to show whether the policy has been successful and that work is underway to find a better set of indicators, which should be compatible with the amended budgetary system of 'responsible budgeting'. The contribution made by the government's policy instruments to meeting the policy goals is therefore hard to determine. Developments at the national, European and global levels and activities by other actors, such as the corporate sector, may have had a major influence. The government has anticipated to actual international developments, in particular

through the construction of infrastructure. Accessibility is a sine qua non for the development of ports and the government is the main agent of development in this regard.

Abolition of the 'Internal port projects' regulation

The budgets for item 35.02 are modest and, moreover, have declined over the years, from almost 6 million euros in 2006 to about 1.5 million euros in 2010. This is largely due to the abolition of the 'Internal port projects' regulation (HIP-regeling) in 2006. The amount of additional employment created by the regulation was disappointing. Besides, nine out of the ten of the projects would have gone ahead anyway without the regulation. Nevertheless, the subsidy did have the effect of accelerating the completion of these projects. The abolition of this regulation was an appropriate policy response. Besides, the budget has been consistently underspent. This underspend can be accounted for by various minor causes.

Given that of the five infrastructure projects financed from the Infrastructure Fund that we selected (Maasvlakte 2, A15 Maasvlakte–Vaanplein, rail connection Maasvlakte 2, IJmond Seaport and Gent–Terneuzen Canal Zone), four are still in the planning stage, no financial information is yet available on their implementation.

Recent developments

Sustainability, innovation, logistics and collaboration between ports are of considerable importance for the future of the seaports. The government, either alone or in cooperation with partners from the relevant industrial sectors, is pursuing various initiatives to capitalise on these developments.

KiM analysis

Based on our evaluation of the implementation of the policy set out in the Seaports policy document, the KiM has come to the following findings and conclusions:

- The share of the Dutch economy attributed to the seaports (in added value, employment, transshipment) has declined, but a number of comments must be borne in mind to put this in the right perspective. While there was a relative decline with respect to other sectors of the economy, other factors, such as the competitiveness of foreign ports, tariff changes and geopolitical trends, may have had a greater influence than government policy.
- The concepts of 'international competitiveness' and 'social added value' are too general.
International competitiveness should ideally be specified more precisely by differentiating between different commodity flows and markets and what these contribute to the added value. In reality, however, this is hard to do. With regard to social added value, a distinction should be made between social costs and benefits and private economic costs and benefits.
- There were four motives for the privatisation of the Port of Rotterdam: the continuity and quality of the port, efficient market conditions, nautical safety and sustainable land use.
With regard to continuity and quality, and with an eye to the future privatisation of the other seaports, the KiM wonders which interests are at stake and whether the government has a role to play.

- One way government has responded to anticipated market developments, such as economies of scale, increasing competition and globalisation, is by building new infrastructure. Although the construction of infrastructure is one of the most important instruments of government policy, no assessment has been made of whether this is the most effective type of policy response.
- Besides the instruments brought to bear in the Seaports policy document, in broad terms the government has a wider range of instruments at its disposal. Within the framework of this evaluation we have not investigated whether the mix of policy instruments deployed in the Seaports policy document is the optimal mix or whether another mix would have been a more appropriate way to pursue the policy objectives.
- To make a better assessment of the effectiveness of measures taken, future policies should be accompanied by a financial statement that links the policy actions to the available resources. This will enhance transparency and make it easier to keep track of any interim changes.
- The seaports policy may benefit from also addressing the effect on the market of the increasingly powerful position of a small number of very large foreign players. Mergers of shipping companies and the acquisition of container terminals by shipping companies are just two trends that have led to the emergence of market players that wield considerable power and which are eroding the influence of port authorities.