



## Liberalisation of EU port services: issues and consequences for dock workers

**SUMMARY** *EU ports play an important role in facilitating the EU's external trade and internal market exchanges and are a direct and indirect source of more than half a million jobs.*

*The Commission has been trying for many years to develop a specific EU policy framework for ports. Twice in the past decade, Commission proposals for secondary legislation implementing the EU Treaties' provisions on the freedom to provide services were rejected by the European Parliament. Dock workers were strongly opposed to these proposals. Today, provision of port services is governed by national legislation, and is characterised by different levels of public and private sector involvement, and various labour systems for dock workers.*

*However, structural reforms in the port sector - whether prompted by the need to increase efficiency or required in the framework of a financial assistance programme to a Member State in difficulties (such as Greece) - has led to a move away from the service port model (state-owned) towards the landlord model (with participation of private operators).*

*A review of the current policy framework for ports, focused on improving transparency of port finance and assuring a level playing field for service providers, is expected to be presented by the Commission in 2013.*



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### Background

Port services is one of the few sectors of the European Union (EU) economy in which monopolies and exclusive rights still exist. The European Parliament rejected two separate Commission legislative proposals on market access to port services, in 2003 and 2006. As a consequence, EU port services are currently governed by varying national legislation, and the Commission is still [concerned about efficient competition](#) within and between ports.

In 2011, following up the [EU2020 Strategy](#) for growth, the Commission adopted a [White Paper](#) defining its transport policy agenda for the next decade. It announced, amongst other things, that market access to ports needed to be further improved.

In recent years, different Member States (e.g. [France](#), [Spain](#), [Finland](#), [Belgium](#), and [Ireland](#)) undertook or considered reforms in their respective port sectors. Moreover, in the context of [financial assistance](#) granted to Member States in difficulties, the Commission, the International Monetary Fund (IMF) and the European Central Bank (ECB) have requested structural reforms in the port sectors of [Greece](#) and [Portugal](#) including measures to privatise ports, and changes in port governance models and port labour regimes (see below).

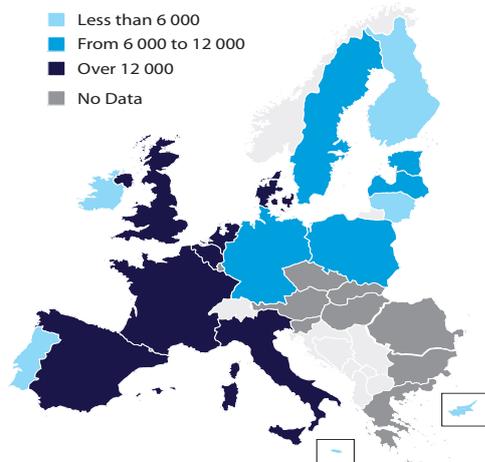
In addition, a [report](#) of the European Court of Auditors (2012) concluded that much of the investments made in port infrastructure lack strategic planning and do not support transport policy objectives.

The Commission [intends](#) to bring forward a new package of measures for ports in 2013.

## EU ports at a glance

According to the [Commission](#), there are over 1 200 ports<sup>1</sup> on the EU's 100 000 km coastline. They handle 90% of the EU's international trade, 40% of intra-Community trade, and are a direct and indirect source of more than half a million jobs (Figure 1). The EU's top three ports - Rotterdam (Netherlands), Hamburg (Germany) and Antwerp (Belgium) - handled over [30% of EU container traffic in 2010](#).

**Fig. 1: Employment in EU port-related services, (in thousands, 2004-2005).**



Source: [Employment trends in all sectors related to the sea or using sea resources](#), European Commission, 2006.

EU ports [operate](#) under various [port models](#) with differing levels of involvement of public and private actors.

**Service ports:** the port authority<sup>2</sup> (the body with overall responsibility for a port) owns and operates the infrastructure (docks, terminals) and superstructure (cranes), provides all commercial services, and fulfils all regulatory functions (e.g. tariff and financial policy). There are no such ports in the EU (but they are found in India, Sri Lanka, and Kenya, for example).

**Figure 2: The biggest world container ports vs. EU container ports, in million of TEUs, 2011)**

Port	Country	2011	World ranking
Shanghai	China	31.74	1
Singapore	Singapore	29.94	2
Rotterdam	Netherlands	11.88	10
Hamburg	Germany	9.01	14
Antwerp	Belgium	8.66	15
Bremen	Germany	5.92	22
Valencia	Spain	4.30	31

Source: [The Journal of Commerce](#), Top 50 World Container Ports, 2012.

**Tool ports:** the port authority owns the infrastructure and superstructure, and rents it to operators which carry out commercial operations, but retains all regulatory functions. Cargo handling (loading and unloading activities) is carried out by private companies. Prior to France's [port reform](#), most of the '[Ports autonomes](#)' were tool ports before shifting to the landlord model.

**Landlord ports:** the port authority owns only the basic infrastructure, leasing it out to operators, mostly on a long-term concession basis, while retaining all regulatory functions. Port operations are carried out by private companies, which provide and maintain their own superstructure, including buildings and cargo-handling equipment at the terminals. In landlord ports, dock labour is managed by private terminal operators, although in some ports it may be provided through a port-wide labour pool system (see below). Most EU ports are landlord ports. Examples include Hamburg, Rotterdam and Antwerp.

**Fully privatised ports:** port land is privately owned, with both infrastructure and superstructure privately managed. Some regulatory functions are also privatised. Fully privatised ports are few in number, and are found mainly in the United Kingdom (UK).

All these port models have [strengths and weaknesses](#). So far, the [Commission](#) has expressed no intention to harmonise them since it considers that national authorities are best placed to shape port management.

## Dock labour: features and issues

### Economic rationale

The organisation of dock labour<sup>3</sup> varies considerably across EU ports. Research<sup>4</sup>, highlights that the requirements of port market players point to a maximisation of the performance of dock workers and a minimisation of the costs of port labour (such as 'hidden costs', see below). Labour productivity in ports is however a complex issue which can not be treated in isolation since it is linked to a number of factors such as technology used, training and experience levels, quality of the influx of dockers, etc.

### Technological advances

Until the end of the 1940s, cargoes were mostly packed in units that dock workers could carry, i.e. the so-called 'man load'. Since the 1950s, ports have dealt with a shift from 'man load' to bulk cargoes. This went hand in hand with the development of specialised terminal equipment (e.g. quay cranes, forklifts, terminal tractors, etc.) and specialised ships (e.g. container ships).

### Evolution in labour conditions

Changes in technology increased the need for skilled dock workers with the qualifications and experience to operate more specialised handling devices. This need was further reinforced by the increased focus of port customers on precision, damage<sup>5</sup> prevention and overall quality of service. These developments prompted some degree of permanent employment, which, in turn, led to the adjustment of wage systems by combining basic wages and bonuses<sup>6</sup> instead of only opting for time-rates or piece-rates. Job security and guaranteed wages in dock pools raised economic and social standards. In addition, increasing containerisation

brought a stronger focus on training and career planning for dock workers.

### Dock labour pools

Dock pool schemes were historically introduced to protect dock workers from fluctuations in dock labour. All of them are based on restrictions of entry to keep the growth of dock workers in line with the growth in port demand. This restriction is still one of the Commission's main causes of [concern](#) in terms of freedom of establishment. Potential problems related to pools are high direct costs and the rigidity of supply caused by strict job demarcation (dock worker categories) and low labour mobility.

### Strikes and labour disputes

Most often, strikes result from disputes over terms and conditions in the renewal of collective bargaining agreements. Strikes generate high 'hidden costs' for ports (port deviation costs for ship-owners, time costs for ships in port, lost revenues for port-related companies, time costs and broader logistics costs for cargo owners and potentially high costs to factories linked to

major disruptions in their production lines). In general, strikes have negative long-term effects on a port's reputation.

### Trade unions

Trade unions are very well organised in Belgian, Dutch and German ports (70-80% [union membership](#)). These ports are among the most efficient in the world and their labour forces are highly skilled, productive and well paid. [Practitioners](#) argue that, within the EU, trade union structures have been stronger at national rather than EU level, due to the fact that port policy is still largely dominated by national legal provisions. However, liberalisation and privatisation attempts provide incentives for trade unions to cooperate at EU level.

### Globalisation of cargo handling

The involvement of multi-national enterprises (*Thyssen Krupp Stahl* and *Hüttenwerke Krupp Mannesmann* have their own terminal in Rotterdam; *ArcelorMittal* has terminal facilities at many of its maritime steel plants) and the development of specialised fruit terminals (e.g. *Dole*, *Chiquita*) can have a significant impact on dock labour. Losing or gaining a large customer can have a major impact on the port, mirrored directly in the number of dock workers required.

## Labour arrangements in some EU ports

### Germany (Port of Hamburg)

In 1980, there were more than 11 000 dock workers in the port of Hamburg. In 2007, this had fallen to about 5 000, essentially due to increasing mechanisation and containerisation. This reduction was mainly absorbed by early retirement of older dock workers under a preferential scheme. The *Gesamt Hafenbetriebs Gesellschaft* (GHB) is the largest provider of dock workers in the port. GHB can also function as transfer point for surplus dock workers. Companies can offer excess capacity to the pool, but the pool is not obliged to take it. Dock workers that temporarily face less or no work and cannot be placed elsewhere, receive a guaranteed wage. This salary is paid by the customers of the port through a 1.5% mark-up on the price for stevedoring services (related to cargo handling). This ensures that qualified dock workers remain in the port and can be redeployed.

### Greece (Port of Piraeus)

Until 1999, the port of Piraeus was organised as a service port. Dock workers were not part of a pool system but were hired on open-ended contracts. They could only be fired for reasons related to professional misbehaviour, which had led to overstaffing. There were no specific legal requirements for dock workers' qualifications. In 2006, the Greek government launched a call for tenders for the concession of Pier II of the port. (Pier I remained state-controlled). [Experts](#) claim that the award process contradicted the main objective of the concession, i.e. tackling the inefficient labour regime and reforming existing practices<sup>7</sup>. No provisions were made for re-training port workers or for integrating a mechanism to certify port workers' qualifications. The concession was due to start operating in 2009, but strikes shut down the container terminal for close to two months. The concession winner, Cosco Pacific, reopened in 2010. In addition,

in the context of a loan package from the EU, the ECB and the IMF, the Greek government has [committed](#) to repealing fixed fees for dock workers, allowing them to be employed under private sector law, and transferring ownership of Pier 1 to the Privatisation Fund by April 2013.

### Netherlands (Port of Rotterdam)

Dock labour in Dutch ports is governed by collective bargaining agreements, which in most cases make it mandatory for the port employer to use its permanent dock workers or those from a labour pool. Cargo flows being cyclical, port employers have set up a flexible system combining permanent employees (contracted to one terminal operator) and casual workers linked to a labour pool. A series of reforms has led to the progressive liberalisation of dock labour pools, previously financed with government participation. In 2009, a Rotterdam court declared bankruptcy of the last such pool, *SHB Havenpool*, at the port of Rotterdam. Most of SHB's activities were revamped in Rotterdam Port Services. The new company kept 300 of SHB's former 440 workers. Rotterdam's Port Training College provides a mandatory training programme for dock workers, run by the port transport industry in collaboration with the Rotterdam Port Employees' Association, trade unions, the municipal authority and government.

### United Kingdom (UK)

Since the abolition of the National Dock Labour Scheme in 1989, stevedoring companies employ a core workforce and run their own recruitment agencies to satisfy peaks in labour demand. It has been argued that the abolition of the scheme was not a complete success as it led to a decrease in welfare provisions for dock workers. The productivity of port workers in UK ports has generally increased. However, some experts<sup>8</sup> claim that it is not at all clear how much of the productivity gains came from abolishing the scheme and how much has been passed on to port users and consumers. Others<sup>9</sup> assert that UK ports are

now "locked in a vicious spiral of cost-cutting, based predominantly on reducing labour costs" and that the UK experience provides few arguments to support full privatisation when other less radical reforms could have achieved the same objectives.

## First and second port services packages

In 2001, the Commission published a [communication](#) on the quality of port services together with a [draft directive](#) on access to the market in port services (known as the **first port services package**). The directive aimed to grant freedom to Community providers of port services, as well as access to port installations through the liberalisation of three types of service - technical nautical services ([pilotage](#), [towage](#) and [mooring](#)), cargo handling, and passenger services. The main controversy was spurred by "self-handling", i.e. the option for a shipping company to provide certain port services, normally provided by the port, using its own land-based personnel. After nearly three years of negotiations, Parliament and Council reached [agreement](#) in conciliation, but this was [rejected](#) by the full Parliament. The Commission withdrew its proposals.

Less than a year after that rejection, in 2004, the Commission brought forward a [new draft directive](#) (the **second port services package**). Under the new proposal, self-handling would be allowed for cargo and passenger operations. For [short-sea shipping](#) (short-distance transport) and "[motorways of the sea](#)" (designed to move long-distance transport off roads onto the sea, to fight congestion), self-handling could be performed by land-based staff of the company and also by the ship's crew, allowing crews to load and unload their own ships. The principle of self-handling was reintroduced, but in modified form. Compromise amendments were tabled in the Transport Committee, notably to exclude self-handling from the scope of the directive. Members amended the draft directive but then

rejected the text as amended. The original proposal was thus tabled in the plenary and was rejected by a large majority. Again, the Commission withdrew its proposal.

### Trade unions' role in rejection of the first and second port services packages

Self-handling was the main concern of dock workers, who feared that allowing ship-owners to use their own staff to load and unload ships would mean professional port-service providers facing competition from cheaper, unskilled labour. Sweden was the only Member State to oppose the Directive in the Council. [Practitioners](#) claim that the other Member States and major stakeholders such as shipping companies, public port authorities and private port operators backed liberalisation, leaving unionised labour as the only opponent. Experts argue that dock workers' networks were instrumental in coordinating transnational strike action against specific companies (e.g. P&O in Belgium, the Netherlands and the UK) and in facilitating rapprochement between rival national unions and between rival international federations (e.g. the [European Transport Workers' Federation](#) and the [International Dockworkers' Council](#)). Despite [disagreement](#) over the strategy - dialogue vs. direct action - the movement culminated in the first ever pan-European dock workers' [strike](#) and demonstrations in [Brussels](#) and [Strasbourg](#) in 2003. They were timed to coincide with key stages of the conciliation procedure and votes in the European Parliament and led to the rejection of the directive in the first port services package.

[Practitioners](#) maintain that with the second port services package, public port authorities and private terminal operators alike called for extensive amendments. They no longer insisted on the inclusion of self-handling, to avoid further social unrest and hence, more cost for service providers. Still, some commentators [regretted](#) that [Parliament](#) and the Commission abandoned further liberalisation not because they were against it but for fear of more strikes and protests.

## Forthcoming review of EU port policy

In September 2012, Transport Commissioner Siim Kallas [announced](#) a review of the current policy framework for ports. The aim would be to focus on reducing the administrative burden, improving transparency of port finance and further liberalising the port services market.

The review will be based on an impact assessment, a number of studies<sup>10</sup>, including a [business survey](#) of port stakeholders in 2012, and an [assessment of dock labour regimes](#). The latter revealed that a high number of employment restrictions are still in use (such as [closed shops](#) for example). The [Commission](#) judges the provision of port services inefficient in terms of cost, quality and reliability.

In addition, the absence of EU rules to cover the wide range of national legal provisions makes it difficult to monitor or measure performance. EU Member States' different approaches to concessions<sup>11</sup>, which are not always awarded in a non-discriminatory, objective or transparent way, are another

ground for concern for the Commission.

The publication of the review is [foreseen](#) for spring 2013 and is expected to consist of a new Ports Policy Communication, possibly accompanied by one or more specific (legislative) proposals and/or instruments.

## Further reading

[Representativeness of the European social partner organisations: Sea and coastal water transport](#)/ Eurofound, 2008.

### EU rules on port subsidies

The authorisation of State aid to seaports is based on Article 107 TFEU. The [Commission](#) allows investment in public infrastructure, provided it is open to all users. In contrast, investment in superstructure (warehouses, workshops, offices) often favours certain operators and is not allowed. In view of the variety of situations, [experts](#) argue that it would be preferable to set up common guidelines on port subsidies rather than creating an institutional framework.

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## Endnotes

<sup>1</sup> Only merchant seaports will be discussed in this briefing.

<sup>2</sup> In all port models, the port authority is usually a public entity, except in the case of fully privatised ports.

<sup>3</sup> It should be noted that to date, there are no EU-wide statistics available on the number of dock workers and their pay levels.

<sup>4</sup> Unless otherwise indicated, all information on dock labour is based on [Dock labour systems in North-West European seaports: how to meet stringent market requirements?](#), Theo Notteboom, ITMMA, Antwerp, 2010.

<sup>5</sup> Cargo damage incidents can generate high hidden costs and negatively affect the reputation of a terminal or port.

<sup>6</sup> Bonuses and wage supplements are widespread in the port industry. Usually, the base wage of dock workers is only a fraction of the monthly income they can generate through a range of bonuses and miscellaneous compensations linked to the nature, complexity, and timeframe of their tasks.

<sup>7</sup> Experts [claim](#) that salaries of up to €140 000 a year, with most dock workers registering for work from 325 to 335 days per year, were confirmed by a judicial inquiry in 2004.

<sup>8</sup> [British port policies since 1945](#)/ R. Gross, Journal of Transport Economics and Policy 32 (1), p. 51-71.

<sup>9</sup> The British port transport industry/ Turnbull, P., Weston, S., Part 2. Employment, working practices and productivity, Maritime Policy and Management, p.181-195.

<sup>10</sup> A [stakeholder conference](#) was held in September 2012 in Brussels, where preliminary results of these [studies](#) were presented.

<sup>11</sup> The [Commission](#) is looking at revising EU rules on public procurement, including for concessions.