Port Reform Toolkit
SECOND EDITION
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# Contents

## OVERVIEW

## MODULE 1
### FRAMEWORK FOR PORT REFORM

1. Introduction and Objectives  
2. Context for the Framework Module  
3. The Port Business Environment  
4. A Road Map for the Port Reform Process  
   4.1. Setting Reform Objectives and Planning for the Creation of Value  
   4.2. Reform Policy Decision Context  
      4.2.1. Methods of Private Sector Involvement  
      4.2.2. Modes of Public Interest Oversight  
         4.2.2.1. Regulatory Oversight: Economic and Technical Issues  
         4.2.2.2. Oversight Administration  
   4.2.3. Port Sector Funding: Financial Implications and Risk Allocation  
   4.2.4. Legal Framework Adaptation  
   4.2.5. Service Packaging and Restructuring  
   4.2.6. Labor Adjustment and Settlement  
   4.2.7. Responsibility for Implementing Port Reform  
   4.2.8. Sequencing of Transactions  
   4.2.9. Transaction Preparation  
5. Implementing Port Reform: Pulling It All Together

## MODULE 2
### THE EVOLUTION OF PORTS IN A COMPETITIVE WORLD

1. Overview of the Competitive Landscape  
   1.2. Rivalry among Existing Competitors  
      1.2.1. Hinterland Market Access  
      1.2.2. Ability to Service Transshipment Trade  
      1.2.3. Regional Port Capacity and Demand  
      1.2.4. Ability to Create Competition within the Port  
      1.2.5. Stakes at Risk  
      1.2.6. Ability to Absorb Losses  
      1.2.7. Ability to Control Operations
1.2.8. Limits on Rivalry within Ports 25
1.2.9. Government Willingness to Subsidize Operations 26
1.3. Threat of New Competitors 28
  1.3.1. Capital Expenditure for New Port Facilities 28
  1.3.2. New Distribution Patterns 28
  1.3.3. Provisions in Operating Agreements 28
  1.3.4. Natural Barriers 29
  1.3.5. Magnitude of Switching Costs 29
  1.3.6. Cost Advantages and Customer Loyalties 29
1.4. Potential for Global Substitutes 29
  1.4.1. Other Global Sources for Products Moving through the Port 29
  1.4.2. Substitute Products for Exports and Imports 30
  1.4.3. Magnitude of Switching Costs for Substitution 30
  1.4.4. Demand Elasticity of Exports and Imports 30
  1.4.5. Importance of Port Costs in Total Delivered Price 30
1.5. Bargaining Power of Port Users 32
  1.5.1. Concentration of Port User Power 32
  1.5.2. Impact of Changing Business Relationships 32
  1.5.3. Presence of Large Value-Adding Tenants 33
  1.5.4. Importance of Port to the Economy 33
  1.5.5. Ability to Replicate Port Services 33
  1.5.6. Facility Investments by Port Users 33
1.6. Bargaining Power of Service Providers 34
  1.6.1. Experience and Capabilities of Service Providers 34
  1.6.2. Participation in Facility Financing 35
  1.6.3. Choke Points in the Port 35
  1.6.4. Ability to Absorb Downtime 35
  1.6.5. Interrelationships between Providers and Port Users 35
  1.6.6. Rights and Obligations Conveyed by Contractual Agreements 35
1.7. The Bottom Line 36
2. Port Dynamics in the 21st Century 36
  2.1. Globalization of Production 36
    2.1.1. Vertical Specialization 36
    2.1.2. Focused Manufacturing 37
    2.1.3. Expanded Logistics Reach 37
    2.1.4. Increased Sourcing Alternatives 37
    2.1.5. Impact of Globalization on Ports 37
  2.2. Changing Technology 37
    2.2.1. Containerization of World Trade 39
    2.2.2. Future Containership Designs 40
    2.2.3. Impact on Port Operations 41
    2.2.4. Need for Container Port Productivity Improvements 41
    2.2.5. Growing Role of Information Technology 42
    2.2.6. Port Requirements for Large Cruise Ships 42
    2.2.7. Other Technology Affecting Port Services 44
  2.3. Shifting Bargaining Power 44
    2.3.1. Consolidation among Ocean Carriers 45
    2.3.2. Emergence of Global Logistics Service Providers 51
## Contents

2.4. Changing Distribution Patterns  
  2.4.1. Becoming a Hub  
  2.4.2. Benefits of Hub Status  
  2.4.3. Hub Problems  
  2.4.4. Inland Container Terminals Shifting Activities from the Port  
2.5. Environmental and Safety Concerns  
  2.5.1. Growing Environmental Concerns  
  2.5.2. Recent Environmental Article  
  2.5.3. Issue of Substandard Ships  
2.6. Impact of Changing Dynamics on Ports  

### 3. Challenges and Opportunities  

3.1. Transferring Port Operations to the Private Sector  
  3.1.1. The Need for Change  
  3.1.2. Impact of Privatizing Operations  
  3.1.3. Lessons Learned from Past Privatizations  
  3.1.4. Contingency Plan  
3.2. Opportunities for the Private Sector  
  3.2.1. Terminal Operations  
  3.2.2. Towage Services  
  3.2.3. Maintenance Dredging  
  3.2.4. Information Technology  
  3.2.5. Environmental Facilities and Ship Safety  
  3.2.6. Other Port Services  

References  

### MODULE 3  

ALTERNATIVE PORT MANAGEMENT STRUCTURES AND OWNERSHIP MODELS  

1. Objectives and Overview  
2. Evolution of Port Institutional Frameworks  
3. Port Functions, Services, and Administration Models  
  3.1. Interaction with Port Cities  
  3.2. Role of a Port Authority  
  3.3. Role of Port Operators  
  3.4. Roles of a Transport Ministry  
  3.5. Port Functions  
  3.6. Port Administration Models  
    3.6.1. Service Ports  
    3.6.2. Tool Ports  
    3.6.3. Landlord Ports  
    3.6.4. Fully Privatized Ports  
  3.7. Globalization of Terminal Operations  
  3.8. Port Management and Competition  
  3.9. Port Sector Regulator  
  3.10. Value-Added Services  
4. Port Finance Overview  
  4.1. Financing Port Projects  

References
Contents

4.2. Financing Ports: From a Lender's Point of View 97
4.3. Public-Private Partnerships 98

5. Port Reform Modalities 99
5.1. Strategies and Reform Options 100
5.1.1. Modernization of Port Administration 101
5.1.2. Liberalization 101
5.1.3. Commercialization 102
5.1.4. Corporatization of Terminals 104
5.1.5. Corporatization of a Port Authority 106
5.1.6. Privatization 107

6. Reform Tools 109
6.1. Contracting Out and Use of Management Contracts 109
6.2. Concession Arrangements 110
6.2.1. Leasehold Agreements 112
6.2.2. Concession Agreements 114
6.2.2.1. Master Concession 116
6.2.2.2. BOT Arrangements 117
6.3. Comprehensive Privatization 120
6.4. Ports as Transport Chain Facilitators 123

7. Marine Services and Port Reform 124
7.1. Harbormaster's Function 125
7.2. Pilotage 126
7.3. Tugboat Operations 126
7.4. Mooring Services 127
7.5. Vessel Traffic Services and Aids to Navigation 127
7.6. Other Marine Services 128

References 130

MODULE 4
LEGAL TOOLS FOR PORT REFORM 131

1. Introduction and Overview 131
1.1. National Ports Commission 132

2. General Approach for Drafting a Ports Law 132
2.1. Preface 134
2.2. Definitions 134
2.3. Objectives and Functions of a Port Authority 136
2.4. Corporatized Ports—Special Considerations 138
2.5. Implementation Problems 138

3. Port Authority and Terminal Operations 139
3.1. Licensing 140
3.2. Marine Management 140
3.3. Financial Issues 142
3.4. Violations 143
3.5. Appealing Port Authority Regulations 143
3.6. Liability for Damages 143

4. Port Regulations 145
4.1. Port Operating Regulations 145
4.1.1. Vessel Traffic Management 145
4.1.2. Pilotage 146
4.1.3. Order and Safety in the Port 146
4.1.4. Reporting and Communication 146
4.1.5. Dangerous Cargoes: Transport and Handling 146
4.1.6. Pollution and Reception Facilities 149
4.1.7. Regulation of Other Port Functions 149

5. Port Competition Modalities 150
5.1 Legal Structure of Port Competition Regulation 151

6. Full Concession Agreements 154
6.1. Full Concession, Leasehold, and Land Rent 154
6.2. Full Concession and BOT Schemes 154
6.3. Full Concession Agreement Structure 156
6.3.1. Preconcession Documents 157
6.3.2. Definitions 157
6.3.3. Conditions Precedent Sample 161
6.3.3.1. Part 1—Conditions Precedent to be Fulfilled by the Operator 161
6.3.3.2. Part 2—Conditions Precedent to be Fulfilled by the Port Authority 162
6.3.4. Term of the Concession Agreement 163
6.4. Concession Parties 163
6.5. General Rights and Obligations of the Operator 164
6.6. General Rights and Obligations of the Port Authority 165
6.7. Transfer of Rights, Obligations, and Assets 166
6.8. Performance Parameters 168
6.8.1. Productivity Targets 169
6.9. Transfer of Employees 171
6.10. Force Majeure 171
6.11. Lease of Facilities 173
6.12. Site Access 175
6.13. Governing Law 175
6.14. Freedom to Set Tariffs 175
6.15. Taxes 175
6.16. Concession Fee 176
6.17. Insurance and Indemnity 176
6.18. Physical Security 176
6.19. Unclaimed Cargo and Carriers 178
6.20. Information and Communication 178
6.21. Termination and Prolongation 179
6.21.1. Termination Due to Noncompliance 179
6.21.2. Termination Compensation 179
6.21.3. Option to Continue 180
6.21.4. Bankruptcy 181
6.22. Expiration of Concession 182
6.23. Arbitration 182
6.24. Costs 183
6.25. The Tender Process and Transaction Preparation 184
6.26. Miscellaneous Conditions 186

7. BOTs and Construction 186
7.2. BOT and BTO Arrangements 187
Contents

7.2. BOOT Arrangements 188
7.3. Functional and Technical Design under a BOT Arrangement 188
7.4. Design and Construction Flaws 190
7.5. Building Conditions 190
7.6. Construction Program 191
7.7. Zero Date 191
7.8. Drop Dead Date 192
7.9. Extension Events 192
7.10. Completion Tests and Take-Over 192
7.11. Hand-Back and Transfer of Facilities 193
7.12. Lender Security 194
7.13. Change in Law 194

Annex I—Checklist of Concession/BOT Agreement Provisions 196

MODULE 5

FINANCIAL IMPLICATIONS OF PORT REFORM 203

1. Introduction 203
   1.1. Cost Risk 204
   1.2. Revenue Risk 204

Part A—Public-Private Partnerships in Ports: Risk Analysis, Sharing, and Management 206

2. Introduction 206

3. Characteristics of the Port Operator 207
   3.1. General Aspects 207
      3.1.1. National Environment 207
      3.1.2. Industrial and Commercial Dimension 208
   3.2. Specific Aspects Particular to the Port Sector 208
      3.2.1. Vertical Partnership with the Concessioning Authority 208
      3.2.2. Horizontal Partnership with Numerous Players 209
      3.2.3. Long-Term Commitment 210

4. Risk Management 211
   4.1. Country Risks 211
      4.1.1. Legal Risk 211
      4.1.2. Monetary Risk 212
      4.1.3. Economic Risk 213
      4.1.4. Force Majeure 213
      4.1.5. Interference or “Restraint of Prices” Risk 213
      4.1.6. Political Risk 214
   4.2. Project Risks 215
      4.2.1. Construction Risks 215
      4.2.2. Hand-Over Risks 216
      4.2.3. Operating Risks 216
      4.2.4. Procurement Risks 217
      4.2.5. Financial Risks 217
      4.2.6. Social Risk 218
   4.3. Commercial or Traffic Risk 218
   4.4. Regulatory Risks 219
      4.4.1. Regulatory Tools 219
         4.4.1.1. Technical Regulations 220
4.5. Economic and Financial Regulation 221
   4.5.1. Scope of Operator Activity 221
   4.5.2. Public Service Obligations 221
   4.5.3. Noncompetition Guarantees 222
   4.5.4. Pricing Controls 222
   4.5.5. Fee or Subsidy 223
4.6. Golden Share or Blocking Minority 224
4.7. Risk and Port Typology 224
   4.7.1. Operator Handling Only Its Own Traffic 224
   4.7.2. Operator Acting on Behalf of a Third Party in a Competitive Situation 224
   4.7.3. Operator Acting on Behalf of a Third Party in a Monopoly Situation 225
   4.7.4. Transit or Transshipment Traffic 225
   4.7.5. Mixed Situations 226
4.8. Other Concessioning Authority Guarantees 226
4.9. Contractual Risks 227
   4.9.1. Contract Management 227
   4.9.2. Indexation Risk 228
   4.9.3. Credit Risk—Bonds 228
4.10. Approach of the Different Partners to Risk and Risk Management 228
   4.10.1. Concessioning Authority 229
   4.10.2. Project Sponsors 229
   4.10.3. Lenders 230
5. Concluding Thoughts 230

Part B—Principles of Financial Modeling, Engineering, and Analysis:
Understanding Port Finance and Risk Management from Public and Private Sector Perspectives 231

6. Introduction 231
7. Measuring Economic Profitability from the Perspective of the Concessioning Authority 231
   7.1. Differential Cost-Benefit Analysis 231
   7.2. Commonly Used Economic Profitability Indicators 232
   7.3. Assessing the Economic Costs of the Project 233
8. Rating Risk from the Perspective of the Concession Holder 233
   8.1. Financial Profitability and “Bankability” of the Project 233
   8.2. Assessing the Project Risks by Producing a Rating 234
      8.2.1. Commonly Used Financial Profitability Indicators 234
         8.2.1.1. Payback Time 234
         8.2.1.2. Project IRR 236
         8.2.1.3. Project NPV 236
         8.2.1.4. Investment Cover Ratio 236
   8.3. Project Discount Rate—Cost of Capital 236
   8.4. Financial Debt Remuneration Requirement 237
      8.4.1. Inflation 238
      8.4.2. Risk Rating by Determining rd 238
      8.4.3. Debt Remuneration Requirement Conclusion 238
   8.5. Equity Remuneration Requirement 238
      8.5.1. Sharing of Public-Private Financial Commitments: Arbitration between Financial and Socioeconomic Profitability 240
## 9. Financial Project Engineering 240

**9.1. Financial Structuring within the Framework of a Project Finance Set-Up** 240

**9.2. Debt Structuring** 242

**9.3. Long-Term Commercial Debt** 242

- **9.3.1. Foreign Currency Loans** 243
- **9.3.2. Guaranteed Commercial Debt** 243
- **9.3.3. Export Credits** 243
- **9.3.4. Financial Credits with a Multilateral Umbrella (A- and B-loans)** 244
- **9.3.5. Bonded Debt** 247
- **9.3.6. Structuring Equity and Quasi-Equity** 247
  - **9.3.6.1. Equity Provided by the Public Sector** 247
  - **9.3.6.2. Equity Invested by the Project's Sponsors** 248
  - **9.3.6.3. Equity Invested by Multilateral Institutions** 248
  - **9.3.6.4. Equity Invested by Bilateral Institutions** 249
  - **9.3.6.5. Specialist Investment Funds** 249

**9.4. Managing Exogenous Financial Risk** 249

- **9.4.1. Interest Rate Risk Management** 250
  - **9.4.1.1. Interest Rate Swaps** 251
  - **9.4.1.2. Firm Financial Instruments in the Over-the-Counter Market** 252
  - **9.4.1.3. Firm Financial Instruments in the Organized Markets** 252
  - **9.4.1.4. Conditional Financial Instruments (interest rate options)** 252
- **9.4.2. Foreign Exchange Risk Management** 252

**9.5. Financial Engineering and Political Risk Management** 254

- **9.5.1. Guarantees Offered by Multilateral Agencies** 255
- **9.5.2. Guarantees Offered by Export Credit Agencies** 257

**9.6. The Use of Private Insurers for Covering Political Risks** 257

## 10. Financial Modeling of the Project 257

**10.1. Construction of the Economic Model** 257

- **10.1.1. Capital Expenditure Types** 257
  - **10.1.2. Operating Revenues and Expenses** 258
    - **10.1.2.1. Operating Revenue and Charges in Terminal Management Operations** 259
    - **10.1.2.2. Operating Finance Requirement** 259
    - **10.1.2.3. Operating Account Balance** 259
  - **10.1.3. Tax Flows** 260

**10.2. Construction of the Financial Model** 260

- **10.2.1. Cash Flow Statement** 260
- **10.2.2. Profit and Loss Account (income statement)** 260
- **10.2.3. Balance Sheet** 261

## References 261

**Appendix: Risk Checklist—Principal Risks in a Port Project** 263

## MODULE 6

**PORT REGULATION: OVERSEEING THE ECONOMIC PUBLIC INTEREST IN PORTS** 267

**1. Introduction** 267

**2. Regulatory Concerns When Formulating a Port Reform Strategy** 268

- **2.1. How Ports Compete** 270
- **2.2. Assessing Port Sector Competition** 271
2.2.1. Transport Options 272
2.2.2. Operational Performance 272
2.2.3. Tariff Comparisons 273
2.2.4. Financial Performance 274
2.3. Costs of an Inadequate Regulatory Framework 274

3. Strategies to Enhance Port Sector Competition 277
   3.1. Structural Strategies 277
   3.2. Structural Remedies 279
   3.3. Regulatory Strategies 280
   3.4. Decision Framework for Selecting Port Competition: Enhancement Strategies and Remedies 282

4. Designing a Port Regulatory System 283
   4.1. Step 1: Specify Regulatory Objectives and Tasks 285
   4.2. Step 2: Conduct a Legal Review of the Regulatory System 286
   4.3. Step 3: Determine Institutional Arrangements for Regulatory Oversight 286
   4.4. Step 4: Determine Degree of Regulatory Discretion 293
   4.5. Step 5: Identify Appropriate Regulatory Tools and Mechanisms 294
   4.6. Step 6: Specify Operating and Financial Performance Indicators 296
   4.7. Step 7: Establish an Appeal Process and Procedures 299
   4.8. Step 8: Incorporate Regulatory Details into Laws and Contracts 299

5. Summary and Conclusions 302

Annex A. Port Tariffs: General Structure, Items, and Flow of Charges 304
Endnotes 308
References 310

MODULE 7
LABOR REFORM AND RELATED SOCIAL ISSUES 313

1. Context for Labor Reform 313
2. Key Labor Issues 317
3. Labor Involvement in Port Reform 318
4. Organizing to Address Labor Reform: A Task Force Approach 321
5. The Institutional Framework for Labor Reform 323
   5.1. Redefining the Concept of Social Equity 323
   5.2. Meeting Commercial Needs 324
   5.3. Fostering Competition 325
   5.4. Government’s Role 325
   5.5. Time Frame for Port Labor Reform 326
6. Developing the Workforce Rationalization Plan 326
   6.1. Alternatives to Dismissals 327
   6.2. Elements of a Staff Retrenchment Program 328
   6.3. Pitfalls in Designing and Implementing Severance Packages 329
   6.4. Rationalizing the Workforce: When and By Whom? 331
      6.4.1. Prereform Rationalization 331
      6.4.2. Postreform Rationalization 332
   6.5. Who Should Pay for the Expenses of Port Labor Rationalization? 333
7. International Support for Labor Adjustment 334
8. Postreform Labor Management Relations 336
REFERENCES

Annex I. World Bank Labor Adjustment Projects 336
Annex II. List of Organizations That Have Obtained and Renewed an International Labour Organization Portworker Development Program License 351

MODULE 8
IMPLEMENTING PORT REFORM 353

1. Strategic Preparation: The Interministerial Working Group 353
   1.1. IWG Mandate and Composition 354
   1.2. Hiring Advisers 354
   1.3. Time Frame 355
   1.4. IWG Workplan 356

2. Redefinition of Authorities and Powers 356
   2.1. Regulatory Principles 356
   2.2. Port Authorities and Consultations 356
   2.3. Public Infrastructure Pricing 356
   2.4. Labor Redeployment 359
   2.5. Contract Management Principles and Procedures 359

3. Legal Adaptation 359

4. Transaction Preparation 359
   4.1. Financial Model 360
   4.2. Due Diligence 360
   4.3. Contractual Document Preparation 360
   4.4. Bidding Documents’ Preparation 360

References 363

BOXES

Module 1
Box 1: Port of Cartagena (Colombia) Performance Improvements since Private Concessioning in 1994 2
Box 2: Argentina: Selected Performance Indicators for the Port of Buenos Aires 3
Box 3: Port Projects with Private Participation in Developing Countries 5
Box 4: Investments in Port Projects with Private Participation in Developing Countries by Project Type, 1992–2004 6
Box 5: Public-Private Roles in Port Management 9
Box 6: Port Reform Decision Tree 11
Box 7: The Public-Private Balance of Risk and Regulation 15
Box 8: Shifting the Boundary of a Public-Private Partnership 20

Module 2
Box 1: The Competitive Landscape 22
Box 2: Checklist of Key Questions for Positioning in the Global Port Market 23
Box 3: Load Centers Competing for the Gulf Market 26
Box 4: Intraport Competition in the European Union 27
Box 5: Reebok Logistics Center in the Maasvlakte Distripark 31
Box 6: Enlarging Venezuelan Export Markets of Coal and Crude Oil 32
Box 7: Suppliers to Container Terminal 34
<table>
<thead>
<tr>
<th>Box</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>Evolution of Containerized Shipping</td>
<td>38</td>
</tr>
<tr>
<td>9</td>
<td>Development of Container Vessel Sizes as a Percentage of the Global Fleet</td>
<td>39</td>
</tr>
<tr>
<td>10</td>
<td>Ships on Order as of September 2005</td>
<td>40</td>
</tr>
<tr>
<td>11</td>
<td>Evolution of Cellular Fleet</td>
<td>40</td>
</tr>
<tr>
<td>12</td>
<td>Future Container Ships Require Increasingly Larger Cranes</td>
<td>41</td>
</tr>
<tr>
<td>13</td>
<td>Impact on Port Productivity of Unit Voyage Cost of Large Containerships</td>
<td>43</td>
</tr>
<tr>
<td>14</td>
<td>Ceres Paragon Terminal in Amsterdam, the Netherlands</td>
<td>44</td>
</tr>
<tr>
<td>15</td>
<td>Port User Information Network</td>
<td>45</td>
</tr>
<tr>
<td>16</td>
<td>Felixstowe Cargo Processing System (FCPS)</td>
<td>46</td>
</tr>
<tr>
<td>17</td>
<td>Physical Requirements to Accept Cruise Ships</td>
<td>47</td>
</tr>
<tr>
<td>18</td>
<td>Padded Electric Drive Impact on Requirements for Ship Assist in Port</td>
<td>47</td>
</tr>
<tr>
<td>19</td>
<td>Top 10 Container Carriers as of June 2006</td>
<td>48</td>
</tr>
<tr>
<td>20</td>
<td>Worldwide Container Traffic</td>
<td>49</td>
</tr>
<tr>
<td>21</td>
<td>Global Terminal Operators 2005 Throughput League Table</td>
<td>49</td>
</tr>
<tr>
<td>22</td>
<td>Key Milestones of Hutchison Port Holdings in the 1990s</td>
<td>50</td>
</tr>
<tr>
<td>23</td>
<td>Hub and Spoke Container Distribution</td>
<td>53</td>
</tr>
<tr>
<td>24</td>
<td>Hub Options on the Asia–Europe Route</td>
<td>55</td>
</tr>
<tr>
<td>25</td>
<td>Duisburg Inland Container Terminals</td>
<td>57</td>
</tr>
<tr>
<td>26</td>
<td>How a Major Transshipment Terminal and Pretty Bay Beach Coexist</td>
<td>58</td>
</tr>
<tr>
<td>27</td>
<td>The Green Award Initiative</td>
<td>59</td>
</tr>
<tr>
<td>28</td>
<td>Estimated Available Market in the Port Sector</td>
<td>61</td>
</tr>
<tr>
<td>29</td>
<td>The Port of Hong Kong—Why is it so Successful?</td>
<td>62</td>
</tr>
<tr>
<td>30</td>
<td>Ballast Water Treatment Plant in the Port of Portland</td>
<td>63</td>
</tr>
<tr>
<td>31</td>
<td>Middle East Navigation Aids Service</td>
<td>64</td>
</tr>
<tr>
<td>32</td>
<td>Checklist for Negotiating a Terminal Privatization</td>
<td>65</td>
</tr>
</tbody>
</table>

| Module 3 |
| Box 1 | “White Elephants” in Port Development | 71 |
| Box 2 | Institutional Formats of Greenfield Ports | 73 |
| Box 3 | Examples of Port Economic Multiplier Effects | 74 |
| Box 4 | Value-Added Development Efforts in the Port of Rotterdam | 75 |
| Box 5 | Strengths and Weaknesses of Port Management Models | 84 |
| Box 6 | Top 10 Carriers as of June 2006 | 86 |
| Box 7 | Basic Port Management Models | 85 |
| Box 8 | Global Terminal Operators 2005 Throughput League Table | 87 |
| Box 9 | Portfolio of the Largest Terminal Operators as of June 2005 | 88 |
| Box 10 | Elements Influencing Interport Competition | 90 |
| Box 11 | Overview of Value-Added Services in Ports | 91 |
| Box 12 | Potential for VAL and VAF | 92 |
| Box 13 | European Rules on Port Subsidies | 94 |
| Box 14 | Categories of Port Assets | 95 |
| Box 15 | Multiple Terminal Ownership in Sri Lanka | 96 |
| Box 16 | Reasons for Pursuing Port Reform | 99 |
| Box 17 | Creation of Commercialized Port Authorities in China | 104 |
| Box 18 | The Port of Aqaba: Corporatization and Privatization | 108 |
| Box 19 | The Experience of the Hanseatic Landlord Ports | 110 |
| Box 20 | Spectrum of Port Reform Tools | 111 |
| Box 21 | Comparison of Lease Systems | 113 |
| Box 22 | BOT Schemes and Port Development | 118 |
Module 4

Box 1: Singapore: Transforming a Service Port into Landlord Port

Box 2: Panama: Enabling Legislation for a Concession

Box 3: Eastern Europe: Decentralizing Port Management

Box 4: Latin America: Allowing Private Stevedoring Operations

Box 5: Object of Port of Rotterdam, Ltd.

Box 6: Caution: Single National Ports Authority can be Hazardous to Economic Health

Box 7: Functions of Corporatized Port Authorities

Box 8: Division of Shares in Corporatized Port Authority

Box 9: Violated Neutrality: A Port Director with Two Hats

Box 10: Maritime Domain: A Potential Impediment to Port Development

Box 11: Marine Management Tasks to be Separated from Corporatized or Privatized Port Tasks

Box 12: Harbormaster’s Powers and Functions

Box 13: Reference Clauses on General Regulations of the Authority

Box 14: Reference Clauses on Specific Regulations of the Authority

Box 15: Reference Clauses on Damages

Box 16: Reference Clauses on Liability

Box 17: Reference Clauses on Port Safety and Environmental Protection

Box 18: Reference Clauses on Reporting

Box 19: Reference Clauses on Loading and Discharging Dangerous Cargoes

Box 20: Reference Clauses on Waste Management

Box 21: The Buenos Aires Case

Box 22: Sample Port Competition Act

Box 23: Full Concession, Lease, and Rent Contracts—Landlord Port

Box 24: Main Schedules to a Concession or BOT Agreement

Box 25: Reference Clause on Term of Concession

Box 26: Reference Clause on Nomination of Operator of a Container Terminal

Box 27: Reference Clauses on General Rights and Obligations of the Operator

Box 28: Reference Clauses on General Rights and Obligations of the Port Authority

Box 29: Reference Clauses on Permitted Activities

Box 30: Reference Clauses on Newly Built Assets in the Concession Area (BOT arrangement)

Box 31: Reference Clauses on Transfer of Assets

Box 32: Reference Clause on Productivity Targets

Box 33: Reference Clauses on Selection and Transfer of Personnel

Box 34: Reference Clauses on Force Majeure

Box 35: Reference Clauses on Lease of Facilities

Box 36: Reference Clauses on Site Conditions

Box 37: Reference Clauses on Access to the Site

Box 38: Reference Clause on Governing Law

Box 39: Reference Clause on Price Discrimination

Box 40: Reference Clause on Taxes

Box 41: Reference Clauses on Concession Fee

Box 42: Reference Clauses on Insurance and Indemnity
OBJECTIVES

The process of institutional reform is complex. Moreover, most countries undertake the kinds of fundamental institutional reforms that shift boundaries between the public and private sectors less than once in each generation. Hence, the knowledge necessary to carry the reform process forward needs to be built up in most countries from a near-zero base. The Port Reform Toolkit is designed to flatten the learning curve for institutional renewal by providing background information, concrete examples, specific tools, and methods which policymakers and reformers require to proceed with the confidence that genuine knowledge affords.

The complex reform process through which the Toolkit navigates policymakers is a worthwhile journey. Although the reasons for engaging in port reform are many and varied, the benefits can be quantified as they accrue to operators, shippers, consignees and businesses. A successful reform program may free governments of unnecessary expenditures, releasing funds for more socially needed government programs, unplugging bottlenecks to trade and economic development and motivating the adoption of new regulations that protect the environment and improve workers’ and navigational safety.

Although the main audience for the Toolkit is public officials in developing countries who are responsible for port sector reform, the Toolkit will also be of interest to other government officials and to executives of port service companies, shipping companies, and port consultants, as well as companies dependent on port services.

The Port Reform Toolkit is aimed to provide policymakers and practitioners with effective decision support in undertaking sustainable and well-considered reforms of public institutions that provide, direct, and regulate port services in developing countries. In particular the purpose of the Toolkit is to provide public officials with support in:

- Understanding the needs, challenges, and risks for sector reform and institutional redesign that are emerging from the changing business environment surrounding port operations
- Choosing among options for private sector participation and analyzing their implications for redefining interdependent operational, regulatory, and legal relationships between public and private parties
- Preparing legislation, contracts, and institutional charters to govern private sector participation
- Managing the transition to increased private sector involvement

The Toolkit draws together practical institutional designs and transferable modalities for increasing private sector involvement without compromising the public interest. It presents “best international practices” in a manner that is relevant to decision makers. The Toolkit is designed to be easily understood by non-specialists. Thus it attempts to make general points with concrete examples. It is illustrated with experience drawn from recent port reform activities around the world.
ARCHITECTURE OF THE TOOLKIT

The Toolkit is made up of eight modules plus a financial model. The framework module sets the stage for all of the modules that follow. It provides a unifying “decision framework” that policymakers can use to guide them—step by step—through the processes of reforming and re-inventing port institutions. It also provides a common language and a set of concepts used throughout the Toolkit that represent the common language port reformers use in communicating with their various constituencies. Importantly, the framework module also includes a road map for the modules that follow. It explains the interrelationships of these modules with one another and their relevance to the framework presented in this keystone module.

The framework module therefore lays out an ordered set of decisions that are linked together logically as well as in their time order for consideration. For each decision, the Toolkit attempts to articulate the principal options and alternatives that are available to policy makers and to assess the expected consequences associated with each option based on recent international experience. The framework is presented in the form of a decision tree, which thus provides a background for understanding the sequence of all the Toolkit modules, which are displayed as follows:

Module 1: Framework for Port Reform
Readers of this module should be able to grasp the overall approach of port reform through an overview of all the various issues to be dealt with throughout the reform process, as detailed in the subsequent seven modules.

Module 2: The Evolution of Ports in a Competitive World
Readers of this module should be able to understand the roles and functions of ports and be able to place their ports in the context of current and historic port developments. They should also be able to understand the major trends shaping port dynamics in the 21st century.

Module 3: Alternate Port Management Structures and Ownership Models
Readers of this module should be able to reach a decision about the most effective, efficient, and feasible structure of their ports based on the identification of their ports’ strengths and weaknesses and given each country’s/region’s unique economic, political, and social environment.

Module 4: Legal Tools for Port Reform
Readers of this module should be able to understand and take steps to develop specific port reform measures based on the port’s/government’s economic, financial, political, and social goals and within institutional and legal frameworks. The module includes updated reference clauses and checklists for preparing concession agreements and other legal instruments.

Module 5: Financial Implications of Port Reform
Readers of this module should gain an appreciation for port finance and its relationship to reform as well as how the financial risks and rewards vary from one reform option to another. Some of the financial implications that need to be taken into account include risk allocation among port stakeholders, potential sources of funding for the reform process, and pricing port services to achieve revenue and public policy objectives. A comprehensive financial model is also included as an annex to Module 5.

Module 6: Port Regulation
Readers of this module should gain a solid understanding of oversight mechanisms and methods, the role of regulatory bodies, inspections, audits, the reporting requirements, and the interplay between competition and regulation.
Module 7: Labor Reform and Related Social Issues
Readers of this module should be able to plan for and implement rationalization of port labor in a manner that treats affected parties fairly while achieving essential efficiency and economic improvements.

Module 8: Implementing Port Reform
Readers of this module should receive practical advice on how to take the many elements of port reform and put them into a procedurally logical and politically feasible sequence of steps that maximize the chances for success.

A wider range of reform models and of public/private partnership formats exists for the delivery of port services than for any other infrastructure-intensive service sector. This is because the ensemble of services provided by ports is wider and requires more diverse and specialized skills and involves more categories of service-indivisible assets than other public/private institutions. Although the Toolkit does not elaborate on all models available to sector reformers, it does define the options on either end of the public/private spectrum as well as the most common risk-sharing arrangements, such as concessions and terminal operating leases. Importantly, it also provides tools for assessing hybrid options and for understanding their merits and risks.

In dealing with reform in the port sector, the World Bank has tried to pool knowledge from around the world. This knowledge is abundant. Over the past 15 years, more than 200 port projects involving private participation in developing countries and investments totaling over US$ 21 billion have been completed. The problem confronting public policy makers when they take up the challenge of port reform is not a lack of information, but rather a lack of useful knowledge that they can use to support their own process of reform.

The Toolkit makes use of a diversity of communication media to convey knowledge and insight to its users, including narrative text, mini case studies, graphics, models, and stylized representations of decision processes. The objective of the World Bank in developing and disseminating this information is to provide not only a comprehensive but also an easy-to-use Toolkit for port reform.