

Questionable loyalty and trading expertise for access. Shipowners'
interests and the EU

By

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Prologue*

The European maritime industry entered the new millennium in an uneasy fashion. Two accidents encircling the millennium were of major impact and a spiral of events went off. The European Union said that the way maritime business is conducted be renegotiated. This paper will try to describe; how groups having stakes in the particular industry tried to influence the policy-making in the particular policy field. Technical information is a currency for accessing the decision making institutions to influence their output. Bouwen has written on this issue. As the particular industry is of international nature and as the European Union is neither a state nor an international organisation in the classical sense we may try whether Hirschmann's model on exit, voice and loyalty can be applied. Furthermore, this in-limbo situation of the Union (neither a state nor an international organisation) as well as the various traditions member-states have on interest representation, permit the Union to have various styles of interest representation according to the policy area. Therefore, one

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cannot say that the Union sticks to a particular style of interest representation neither a policy area can be used for generalisation. Due to this it has been proposed that a fusion of multi-level government and network approach be used. On the other hand the Community echelons used these accidents as a pretext to narrow the gap of unrecognisability between them and the public. The trade press will be mainly used.

Contamination/Pollution

It was after the Second World War that people became aware of pollution, as the introduction of pollutants to the seas has gradually increased[†]. According to the United Nations Convention for the Law of the Seas marine pollution is

introduction of man, directly or indirectly, of substances or energy into the marine environment (including estuaries) resulting in such deleterious effects as harm to living resources, hazards to human health, hindrance to marine activities including fishing, impairment of quality for use of sea water, and reduction of amenities.

Marine Contamination is the presence in high concentrations of microorganisms or sentiments in the marine environment. Contamination does not equal pollution unless it is an aftermath of human activities with harmful effects to the marine environment[‡]

The accidents

Lloyd's List wrote in the issue of 12/13/1999

A 37,283 dwt Maltese-flag tanker has broken in two in heavy seas around 70 miles south of Brest, while en route from Dunkirk to Italy The French authorities are trying to decide what action to take to minimise the risk of pollution from the 24,000 cu m heavy fuel oil cargo of the Erika, part of which has already been released into the sea[§].

[†] Γ. Π Βλάχος and Α.Β Αλεξόπουλος, *Τεχνικο-Οικονομικές Απόψεις Της Θαλασσίας Διακίνησης Των Αγαθών Και Της Προστασίας Του Θαλασσίου Περιβάλλοντος* (Αθήνα-Πειραιάς: Σταμούλης, 1995) 17.

[‡] *Ibid.* 18.

[§] "Casualty: France Faces Pollution Threat from Broken Tanker," *Lloyd's List*, 13 December 1999.

The tanker was *Erika*. The period the accident happened, namely the Advent, worsened even further the impressions people have about the maritime industry and its concern about the environment. Undoubtedly, the accident had a negative impact on the local environment as well as in any concomitant activities. However, strictly speaking, although being an industry of high risks, accidents are not the default options for the industry. The accident was an insignificant statistical figure in an ocean of success, as most of the tankers operate in such ways as to minimise any risks. This was the result of conscious policy by the industry and had bore fruit. Furthermore, the *Erika* accident demanded no toll on human life as all of its crew had safely abandoned the vessel. However, disaster stricken communities, as well as the wider public informed by the media do not seem to be bothered by the statistics^{**}

The *Erika* disaster was not the only one to happen in the south-western European Atlantic coast. A few years later another tanker the *Prestige* shipwrecked causing ecological disaster to the coasts of Galicia in Spain as well as in south-western France. The *Prestige* accident cannot be disassociated from the *Erika* one. Not only because it happened in a short time-span from the latter. When the *Prestige* accident happened the maritime industry was in train of being remodelled towards more safety according to the *Erika* packages (named after the accident). Furthermore, the memories of the *Erika* made the authorities to deny a place to refuge for the damaged ship compelling it to sail towards the high seas, where the forces of nature would drive it to its limits. It is said, that had the authorities not been aware of public opinion, which demanded the vessel be carried away from the shore, the pollution would be smaller and its impacts easier to be reversed^{††}.

^{**} "Leading Article: With the Best of Intentions," *Lloyd's List*, 21 January 2000.

^{††} Brian Reyes, "Tankers: Prestige Slick Delivers Blow to Tanker Safety," *Lloyd's List*, 15 November 2002.

EU and Maritime Policy

These accidents prompted a chain of events which demanded the maritime policy of the Community be remodelled. Undoubtedly, the issue stands not only on the grounds of maritime policy, but of environmental policy as well. Maritime Policy is a subchapter of the Common Transport Policy. However, we have to take this into consideration; within the EEC's founding treaties, there was a negative reference regarding sea-transport; namely article 84 stipulated that sea and air transport, would be exempted from an eventual Common Transport Policy^{††}. Probably there was no need for a Common Maritime Policy as the early EEC depended mainly on continental modes of transportation such as the railways. A maritime policy was needed as sea-faring nations joined the Community, such as the UK and Denmark in 1973 and Greece in 1981. However, one had to wait till the mid eighties and a ruling of the European Court of Justice. One has to remember that the mid eighties were marked by Jacques Delors, who gave the Community a significant boost towards (economic) integration^{§§}

The Community's reaction to the accidents

The *Naftemporiki* newspaper quotes sources of the maritime industry and says that the *Erika* accident was a perfect occasion for the European Commission to boost the European shipbuilding industry. The newspaper doubts whether this could be possible, as shipowners were already in the process of renewing their fleets since 1996. However, they have not chosen the European shipyards, but those of the Far East as they offered more competitive prices than the European ones. The newspaper will be

^{††} Γ. Π Βλάχος, *Διεθνής Ναυτιλιακή Πολιτική* (Αθήνα: Σταμούλης, 2000) 391.

^{§§} Ευρωπαϊκή Επιτροπή, *Η Ευρωπαϊκή Πολιτική Μεταφορών Με Ορίζοντα Το Έτος 2010: Η Ωρα Των Επιλογών* [Internet] (2002 [cited 02/09 2004]); available from http://europa.eu.int/comm/energy_transport/library/lb_texte_complet_el.pdf.

ironic regarding comments of the Commissioner for Transport that European shipyards can cope with any increased demand. It would not be any surprise that the European Shipbuilders' and Ship repairer's Association asked measures equivalent to the American Oil Pollution Act (OPA90) to be drafted^{***}.

In the *Communication from the Commission to the European Parliament and the Council on the safety of the seaborne oil trade* the Commission seems to stand in unison with the claims presented by the European shipbuilding industry. One reads:

It is recognised between the major shipbuilding associations that for the foreseeable future there is sufficient excess shipbuilding capacity to cope with the increased demand for new double hull tankers that will emerge from this proposal^{†††}

The same document mentions positive impacts regarding employment but it uses softer tones recognising the reality that new orders are placed on the shipyards of the Far East^{†††}.

What was to be at stake, among other, was not the adoption or not of the double-hull tankers, but whether the implementing should come earlier than programmed in the international forum of the IMO. However it has been noted by shipowning circles that

^{***} "Europe: Regulation: Yards Urge 'European Opa 90'," *Lloyd's List*, 19 January 2000, "Εντονες Παρασκευαστικές Διεργασίες Στην Ε.Ε. Με Πρόσχημα Το "Erika"," *Η Ναυτεμπορική*, 20 Ιανουαρίου 2000, "Αδιάλλακτη Η Κομισιόν Για Την Απόσυρση Δεξαμενοπλοίων," *Η Ναυτεμπορική*, 23 Μαρτίου 2000.

^{†††} "Communication from the Commission to the European Parliament and the Council on the Safety of the Seaborne Oil Trade

Proposal for a

Directive of the European Parliament and of the Council

Amending Council Directive 95/21/Ec Concerning the Enforcement, in Respect of Shipping Using Community Ports and Sailing in the Waters under the Jurisdiction of the Member States, of International Standards for Ship Safety, Pollution Prevention and Shipboard Living and Working Conditions (Port State Control)

Proposal for a

Directive of the European Parliament and of the Council

Amending Council Directive 94/57/Ec on Common Rules and Standards for Ship Inspection and Survey Organisations

and for the Relevant Activities of Maritime Administrations

Proposal for a

Regulation of the European Parliament and of the Council

on the Accelerated Phasing-in of Double Hull or Equivalent Design Requirements for Single Hull Oil Tankers

(Presented by the Commission)," ed. Commission of the European Communities (2000), 27-28.

^{†††} *Ibid.*, 120.

double-hull tankers, are not necessarily the perfect solution as some seem to believe^{§§§}. Apart from the environmental cause, we may form a hypothesis why the Commission promoted a proposal regarding the issue of the double hulls promoting the interests of the shipbuilding industry, rather than those of the ship-owners. The work force of Europe would prefer to be employed in a land-based work-such as in a shipyard- near family etc, rather than on the seas. This is due to the anticipated higher standard of living.

The European Commission is, according to the Treaties, the sole initiator, of legislative proposals. However, one has to take into considerations the following; The Commission is understaffed, when compared to the national bureaucracies. Moreover, it has to propose legislation in every possible aspect, but it lacks the technical expertise. To the above, one has to take into consideration that the Commission's budget is rather limited. These properties are being exploited by interest associations to gain access to the Commission and promote their interests.

The reactions of the Union of Greek Shipowners to the Community reaction to the *Erika* disaster

The Union of Greek Shipowners opposed any proposals regarding the earlier phase-out of single-hull ships. They said that there was an adequate plan laid out by the IMO. They expressed their concerns regarding the attempted by-passing by the Community of the IMO and they characterised the measures proposed as unilateral. In a joint communication with the Greek Shipping Co-Operation Committee, the proposed Community measures were characterised as unilateral^{****}

^{§§§} "Leading Article: A Heavy Burden," *Lloyd's List*, 23 December 1999, "Regulation: Norway Critical of Brussels Proposals: Erika Disaster," *Lloyd's List*, 5 April 2000.

^{****} "Regulation: Greeks Attack Brussels," *Lloyd's List*, 29 March 2000.

The Union of Greek Shipowners said that any disruption to the planned phase-out of single-hull tankers would cause disturbances to the oil supplies of Europe^{††††}. In a circular published by the Union of Greek Shipowners' President, one can read that the argument about the disturbances regarding regular oil-supply made Spain and France to smoothen their proposals towards the International Maritime Organisation^{††††}.

If one reads the annual report of the Union of Greek Shipowners for the year 1999-2000 one may find the reasons for their opposition to the proposed Community measures. One reads:

If years in shipping were given names like those in the Chinese calendar, 1999 would have been called the Year of the Newbuild for Greek Shipowners.^{§§§§}

However, after a few lines one reads:

These developments should not overshadow the activity in which Greek shipowners traditionally excel i.e. buying in the secondhand market^{*****}

Therefore, if one makes the assumption that the new orders but especially the second-hand orders regarded single-hulls, then the reactions seem to be understandable. Shipowners would have to pay the cost for re-modelling their second-hand tankers from single to double-hull, if this option was at all available. Furthermore, their doubts regarding the contribution of double-hulls towards a safer conduct of the maritime industry, would contribute negatively to their expressed opposition. In the Union of Greek Shipowners' annual report for the year 2001-2002 one reads

The continuous upholding of safety standards is costly and their improvements invariably require additional expense exclusively borne by shipowners. However, the shipowner should not exclusively have to pay directly or indirectly for the existence, or in many cases non-existence, of

^{††††} "Κίνδυνος Ανατροπής Της Ομαλής Μεταφοράς Πετρελαιοειδών Στην Ευρώπη," *Η Ναυτεμπορική*, 9 Μαρτίου 2000.

^{††††} "Έεε: Εγκύκλιος Λύρα Για Την Απόσυρση Δ/Ξ Μονού Τοιχώματος," *Η Ναυτεμπορική*, 23 Ιανουαρίου 2001.

^{§§§§} "Ετήσια Έκθεση/Annual Report," (Πειραιάς/Piraeus: Ένωση Έλλήνων Εφοπλιστών/Union of Greek Shipowners, 1999-2000), 5.

^{*****} Ibid.

infrastructure and operational procedures which have a vital bearing on safety and quality but over which he has no effective control ^{††††}

The reactions of the Union of Greek Shipowners to the Community reaction to the *Prestige* disaster

The Union of Greek Shipowners will stigmatise the authorities actions to compel *Prestige* to sail to the high-seas instead of providing her a place of refuge and to penal prosecute the tanker's master Mr. Apostolos Mangouras as action that oppose the maritime ethos and traditions. They asked that the authorities remain calm and no to run berserk to add up new regulations driven not by technical data but by political and economic pressure. It will add that statistics are on the side of the maritime industry as vessels are the safest and eco-friendliest means of transportation. They will add that, unfortunately, while wished the unsinkable vessel is something utopic^{††††}

In the Union of Greek Shipowners' annual report for the year 2001-2002 one reads:

The Erika...incident(s) highlighted the urgent need to establish coastal state regimes, which would identify and provide areas of refuge or sheltered anchorages to distressed vessels. These incidents dramatically revealed the conflicting interests of those ashore and at sea... However, the very act of refusing permission to proceed to a place of refuge can aggravate the risk posed by a distressed vessel^{§§§§§}

The Union of Greek Shipowners in a bulletin will characterise any measures for the earlier phase-out of single-hulls as being unilateral and political^{*****}. The Union of Greek Shipowners not only will doubt on the pros of double-hull tankers, but will express its concern saying that there may be a negative bias against single-hull bulk-carriers. It will stress once more that the international Maritime Organisation is the

^{††††} "Ετήσια Έκθεση/Annual Report," (Πειραιάς/Piraeus: Ένωση Έλλήνων Εφοπλιστών/Union of Greek Shipowners, 2001-2002), 17.

^{††††} Μηνάς Τσαμόπουλος, "Δυναμική Παρέμβαση Των Ελλήνων Εφοπλιστών Στις Διεθνείς Εξελίξεις," *Η Ναυτεμπορική*, 6 Δεκεμβρίου 2002.

^{§§§§§} "Ετήσια Έκθεση/Annual Report," 27.

^{*****} "Έλληνες Εφοπλιστές: Πολιτική Η Απόφαση Για Τα Μονού Τοιχώματος," *Η Ναυτεμπορική*, 7 Αυγούστου 2003.

appropriate forum to discuss matters of maritime interests^{†††††} Mr. Nikos Efthimiou, President of the Union of Greek Shipowners will attack against the Greek Government for retreating regarding the issue of the earlier phase-out of single-hulls by being ill prepared. He said, he hoped the situation be ameliorated within the International Maritime Organisation and that Greek shipowners will ask for compensations^{†††††}

The reactions of the Greek Shipping Co-operation Committee to the Community reaction to the *Erika* disaster

Mr. Epaminondas Embiricos, President of the Greek Shipping Co-Operation Committee said that the Commission proposal for an earlier phase-out of double-hulls is not based on technical evidence but on the European Union's concern to quiet public opinion. He added that "quality shipping" falls within the interests of the industry and that public concerns can be fully understood. However, he added that these concerns cannot be quieted by unleashing an attack to the industry. He revealed the Greek Shipping Co-operation Committee's intention to send a delegation in Brussels in order to lobby the Commission for rethinking its proposals. He added that the Commission ought to not only regulate but to assist and protect the European maritime industry as well and he said that Mr. Neil Kinnock who served as a Commissioner for Transport was exemplary in his attempts to further the cause and interests of the European maritime industry^{§§§§§§}. He said that there is not any direct positive correlation between year of ship-build and vessel security and that any case should be individually be examined as generalisations cannot contribute positively to the discussion^{*****}

^{†††††} "Ετήσια Έκθεση/Annual Report," 29.

^{†††††} Μηνάς Τσαμόπουλος, "Νικ. Ευθυμίου: "Τους Βόλευε Η Πολιτική Αντιπαράθεση"," *Η Ναυτεμπορική*, 4 Ιουλίου 2003.

^{§§§§§} Leigh Smith, "Europe: A New Voice for London Greeks," *Lloyd's List*, 6 June 2000.

^{*****} Μηνάς Τσαμόπουλος, "Μέσω Του Ιμο Και Με Σύνεση Η Λήψη Των Αναγκαίων Μέτρων," *Η Ναυτεμπορική*, 16 Φεβρουαρίου 2000.

In the annual general assembly of the Greek Shipping Co-Operation Committee its president expressed his opinion regarding the proposals about the phasing-out of single-hulls. These proposals neither are based on hard technical data nor they care about environmental protection or safety. Their aim is to appease French public opinion. He added that they will exchange views and co-operate with the Union of Greek Shipowners and the P&I Clubs to ask for compensations in case the proposals are adopted⁺⁺⁺⁺⁺

In the annual memorial Cadwallader lecture, the President of the Greek Shipping Co-Operation Committee told that hastily phasing-out single-hulls will have a negative effect on smooth oil-supply to Europe. Furthermore, he told that he foresaw that world trade would be shifted towards the Far East. The Community's attempts to over-regulate as well as its insistence on adopting regional measures will have the negative effect of Europe not being anymore the leader in the world maritime industry⁺⁺⁺⁺⁺.

Mr. Epaminondas Embiricos said the IMO plan for phasing-out single-hulls are satisfactory and that ship-owners will have not any problem to comply. Regarding the issue of compensations he said that regarding small tankers the attempt to create a third level for compensations will be successful, if it has high thresholds of non-liability and is financed by the cargo interests. He does not seem to support the idea, laid out by the Oil Companies Marine Forum that the shipowners finance this fund⁺⁺⁺⁺⁺

⁺⁺⁺⁺⁺ "Θέμα Αποζημιώσεων Θέτει Το Committee Με Αφορμή Το "Erika"," *Η Ναυτεμπορική*, 16 Ιουνίου 2000.

⁺⁺⁺⁺⁺ Julian Bray, "Regulation: Showdown on Brussels Tanker Phase-out Plans," *Lloyd's List*, 16 September 2000.

⁺⁺⁺⁺⁺ Nigel Lowry and Christopher Mayer, "A Very Special Relationship," *Lloyd's List*, 22 November 2001.

The reactions of the Greek Shipping Co-operation Committee to the Community reaction to the *Prestige* disaster

Regarding *Prestige*, Epaminondas Embiricos, as in the case of the *Erika* said that the prompt replacement of phased-out single-hulls is not something easy. This could lead in problems in the conducting of world trade. He also said that after the *Erika* incident, there has already been a re-scheduling in the phasing-out of single-hulls and to re-schedule this schedule does not help the shipping industry to plan for the future. As all industries, it needs a certain degree of certainty too *****

The Greek Shipping Co-operation Committee published a bulletin holding the Spanish authorities liable for the *Prestige* disaster, as they did not provide her a place of refuge, but they forced her to sail to the high-seas. The bulletin will express its opposition about the early phase-out of single-hulls and to burden the shipowners with unlimited liability in case of accidents ††††††††.

Epaminondas Embiricos delivering a speech in the Posidonia International Shipping Exhibition, will criticise Commissioner de Palacio and will compare her with her predecessor Mr. Neill Kinnock. He said that contrary to him, Mrs. De Palacio does not take into consideration the input from the industry but is influenced by populist pressure. He said she gave too much attention in circumstantial therefore statistical insignificant events. However, he recognised that she could not ignore the disaster and its impact ††††††††.

Common positions of the Union of Greek Shipowners and the Greek Shipping Co-Operation Committee to the Community reaction to the *Erika* disaster

***** "Tankers: Early Phasing out of Single-Hull Tankers Is Totally Unworkable (Ege Embiricos)," *Lloyd's List*, 19 December 2002.

†††††††† Nigel Lowry, "Greek Owners Rage at Eu's *Prestige* Reaction," *Lloyd's List*, 18 December 2002.

†††††††† "Maritime Europe Expects," *Lloyd's List*, 10 June 2004.

The impacts of the *Erika* disaster were discussed in a common meeting between the Greek Shipping Co-operation Committee and the Union of Greek Shipowners. According to the President of Greek Shipping Co-operation Committee, Mr. Epaminondas Embiricos, there is a need for a thorough investigation and not to start regulating in rush. He added that any measures adopted should really serve maritime security and should not be used as pretext for alien causes. Mr. John Lyras, President of the Union of Greek Shipowners expressed his concerns about measures that would press further down the working span of vessels. He said that a side effect could be the building of ships of sub-standard quality. Both Unions stressed that the existing framework regarding safety and environmental protection is adequate enough. Instead of re-regulating and over-regulating one should keep a keen eye that existing regulations are properly followed, something that not happened in the case of *Erika*§§§§§§§§.

In another common meeting the two shipowners' unions said that the maritime industry, being a global one needs global and not regional or unilateral regulations. Therefore, they expressed their support towards the International Maritime Organisation ***** . Regarding the proposals for an earlier phase-out of single-hulls, both unions will call these proposals as being unilateral††††††††

The European Community Shipowners' Association and its reaction to the accidents

§§§§§§§§ Μηνάς Τσαμόπουλος, "Αναγκαία Η Υιοθέτηση Των Μέτρων Που Έλαβαν Για Την Ναυτιλία Οι Χώρες Της Εε," *Η Ναυτεμπορική*, 28 Μαρτίου 2000.

***** "Κλίμα Αισιοδοξίας Στην Κοινή Συνεδρίαση Ε.Ε.Ε. Και Committee," *Η Ναυτεμπορική*, 4 Μαρτίου 2002.

†††††††† "Regulation: Greeks Attack Brussels."

The maritime industry early enough tried to establish structures that would help it to influence the policies that are of direct concern to it⁺⁺⁺⁺⁺. Their role in the formulation of European maritime policies is of great significance. This happens mainly for two reasons. On the one hand they possess expert knowledge on the field. On the other hand as maritime policies are considered low-politics, interest associations enjoy more room for action. One of the most important pressure leverages the maritime interest has is its flexibility in capital mobility by the means of shifting registers of shipping (i.e. the ability to change and fly different flags on their vessels)^{§§§§§§§§} We think this is a means of the *exit* option, as the term has been laid out by Hirschman. When there really is this option, not just an empty threat, then the system could suffer shocks or collapse if the option was really adopted. Taking into consideration that systems are consisting of subsystems and are being related to other systems, then the *exit* option may have multiple repercussions. Comparing the impact of other interest associations may give us the relative strength among them^{*****}. Furthermore, if communication skills can add up to the influence an interest association may exert on the authorities, shipowners' interest associations are privileged. They have adequate capitals to support their lobbying et al. campaigns. They also have a piled up tradition and experience of their international orientation. Therefore, one may say that interest associations representing the shipowners, by having adequate capitals to finance their lobbying campaigns and through accumulated experience in the international fora, they were well prepared to act within the European Community/Union. We may allege that shipowners' associations acted as soon as possible proactively, compared to other interest associations that

⁺⁺⁺⁺⁺ Σωτήρης Θεοδωρόπουλος, Μαρία Β. Λεκάκου, and Αθανάσιος Α. Πάλλης, *Ευρωπαϊκές Πολιτικές Για Τη Ναυτιλία* (Αθήνα: Τυπωθήτω-Γιώργος Δάρδανος, 2006) 70.

^{§§§§§§§§} Ibid. 72.

^{*****} Ibid.

acted, initially reactively, as they had less capital and internal (national) orientation and non-existent international experience. Empirical evidence shows the majority of interest associations to have representation in Brussels, or in reasonable distance from them. Regarding this parameter, shipowners' interest associations were adequately prepared. London, a world maritime centre and seat of the IMO lies in a reasonable distance from Brussels. Half of the shipowner's interest associations are still in London, while the other half have moved to Brussels^{††††††††††}. Being in an international city, these interest associations knew already about how to behave in an international environment, when compared with interest associations that had only national experience. The latter had to pay more to learn to act in an international environment. Therefore, if *voice* equals interest representation, then shipowners' interest associations are more capable than others. Moreover, taking into consideration that they possess expert technical knowledge on the subject, then their input is of paramount importance to the Community institutions, which not only lack this expert knowledge, but are understaffed as well. The European Community Shipowner's Association was established in 1965 representing shipowners' interests. It consists of the member-states' shipowners' associations. Apart from them the shipowner's associations of Norway and Iceland are members of the European Community Shipowners' Association. Therefore, it is a federation of national associations, representing the interests of the maritime industry concerning the shipowners^{‡‡‡‡‡‡‡‡‡‡}. However, some national shipowner's associations not only participate in the European Community Shipowner's Association but they have direct representations in Brussels too^{§§§§§§§§§§}.

†††††††††† Ibid. 77-78.

‡‡‡‡‡‡‡‡‡‡ Ibid. 76.

§§§§§§§§§§ Ibid. 83.

ECSA, like the aforementioned Greek-centred shipowning interest associations, expressed its opinion in its annual report, that due to the nature of maritime enterprises the best way safety and environmental issues can be addressed is by international and not by regional means. Therefore IMO is the appropriate regulating body*****.

Moreover, like the other associations ECSA will say that there is too much politics in the drafted measures, while Community echelons tend to overlook the facts. However, it will add that the dialogue and co operation with the Community institutions is always appreciated. It will especially mention a European Parliament report concerning the *Prestige* accident ††††††††††. ECSA thinks that the Press had an influence regarding the *Prestige* accident. It contributed to the politicisation of the issue; it forced the revision of regulation 417/2002. Last but not least, it upset the deliberation procedures between the industry and the Community institutions ††††††††††. Contrary to the Greek shipowning associations, the ECSA seems to have a smoother tone when representing its views and interests in front of the Commission. Regarding the annual reports, most of the times one sees the final results rather than any negotiations. Moreover, the tones towards the Commission are rather soft and full of gallantry. The reasons are rather obvious; being a recognised interest association, it would be rather rude to use aggressive tones towards the Commission.

By accessing (or trying to) policy promulgating institutions, interest groups seek to influence policy outputs towards their own interests by minimising potential costs and maximising potential gains respectively. Had the political institutions been of not the

***** "Annual Report," (Brussels: European Community Shipowners' Association (ECSA), 2000-2001), 4.

†††††††††† "Annual Report," (Brussels: European Community Shipowners' Association (ECSA), 2002-2003), 4.

†††††††††† Ibid., 12.

anticipated expectations, what could a particular interest group do? *Exit* could be a possible behaviour. In economic systems, *exit* is a widely accepted option, regulating any imbalances. In a way it is a representation of the “invisible hand”^{§§§§§§§§§§}. However, the *exit* option is not there always. If the good has a low degree of substitutability or if it is completely inelastic, *exit* cannot be counted as an option.^{*****} Shifting from economics to politics, *exit* becomes a difficult option. A political system, especially a state can be considered *inelastic*, as it considers itself in a way or another unique. *Exit* is not only something unthinkable, but it can be conceived as something treacherous^{††††††††††}. Seeing it from another perspective, let’s say that *exit* is indeed possible from a political system. However, one cannot escape and *exit* the global political system. Therefore interest associations have to remain either inside a particular system or, if they manage to *exit*, they still remain within the global one. The remaining options therefore are those of *loyalty* and *voice*. While *loyalty* supports the system *voice* could lead to possible destabilisation. This is due to informational overload, as there is no way for members of the political system, such as interest associations, to express elsewhere their demands. Therefore, if a political system wants to cope with, it has to have a mechanism of *gatekeepers*. Inert units help by not expressing demands. However, if all the units are inert and demands are not expressed, the system may collapse by not accepting inputs, which are transformed into outputs. Interest articulation is a means of input. The way interest associations are permitted to be formed and operate can function as a *gatekeeper*.

§§§§§§§§§§ O. Hirschman A., *Exit, Voice, and Loyalty. Responses to Decline in Firms, Organizations, and States* (Cambridge Mass.: Harvard University Press, 1970) 15-16.

***** Ibid. 22-24.

†††††††††† Ibid. 17.

The creation of the European Union means the creation of a distinguishable political system^{††††††††††}. Therefore, interest associations from the member states can express their interests not only within their respective national arenas but on the European Union arena as well. The European Union created a framework, where members' states' interest associations can *exit* the national arena and *enter* another political arena. In other words national interests have the ability to (try) to *exit* the national arena and *enter* into the European one to promote their interests. In a sense this possibility of (partial) *exit* rescued the nation state, in a Milwardian sense, by diverting voices, de-shouldering overload and condensing loyalties.

However, even the political system of the Union may be overloaded. Therefore, there should be adequate *gate-keeping* mechanisms, to prevent any overload that may disturb the Union. The Treaties can be considered to be of the most important *gate-keeping* mechanisms. Furthermore, the national political systems by aggregating national interest may act as a *gate-keeping* as well.

The interest associations that manage to get through the *gate-keeping* and filtering mechanisms, may approach the political institutions. However, even then access to institutions is not automatically granted. Information sharing may act as an access ticket. European institutions need different kind of information, due to their different competencies. The Commission, being the institution that initiates Community legislation needs technical expertise and knowledge^{§§§§§§§§§§}. We have to take into consideration that the Commission is considered to be understaffed and underfunded. Therefore, input from interest associations is necessary for the Commission to draft its

^{††††††††††} Simon Hix, *The Political System of the European Union, European Union Series* (New York: St. Martin's Press, 1999) 1-4.

^{§§§§§§§§§§} Pieter Bouwen, "Corporate Lobbying in the European Union: The Logic of Access," *Journal of European Public Policy* 9, no. 3 (2002): 380.

proposals. From their side, interests have the ability to influence and channel the drafting, if it is able to do so, from an initial stage*****

It would be natural for the shipowning interests to access the Commission. However, the interaction between them was a hard one. Pollution affects not only the industry, but the wider population as well. It can be considered a negative externality. Furthermore, people are nowadays increasingly aware and sensitive on environmental matters. Therefore, the Commission had to take into consideration the wider public rather than a specific sector of it. After all, by doing this, the Commission would be more visible to the public. After all, the previous Commission has been forced to resign, therefore dynamic politics would omit any omissions and commissions of the previous Commission.

However, the maritime sector did not feel at unease for being second preferred to the wider public. Neither that the Commission proposals for an earlier phase out of the single hulls, undermining the industry's planning. What raged the industry was that the Commission's proposal's tried to curb the IMO and set regional rules in an international industry. The majority of ship-owning and shipping industry related associations would not support any moves of that kind by the Commission. They would not either support the replacement of EU's member-states' membership to the IMO by the Commission. Apparently, the Commission thought these accidents with their impact on the public, would help it further its attempts to take a seat on the IMO on the first place, more importantly to shift the balance of power vis-à-vis the member states in favour of it in a longer perspective. The shipowning associations reacted to these motions not in order to express *loyalty* to their respective member states or the IMO, but for their own interests. However, the ECSA supported a co-ordination

***** Christine Mahoney, "The Power of Institutions: State and Interest Group Activity in the European Union," *European Union Politics* 5, no. 4 (2004): 448.

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GREEK MARITIME POLICY-MAKING: EXPLORING THE EFFECTS OF THE EUROPEANISATION?

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ABSTRACT

The paper depicts the situation on maritime affairs on the European level and explores the effects of Europeanization on the Greek maritime policy-making. In doing so it discusses how the process of European integration and the activities of interest groups at a European level have affected Greek maritime interests and policy-makers, the ways that these policy makers act, and the future forms of their activities.

The focus is mainly on the examination of maritime interests' representation. The increased presence of interest groups in the European integration process through the last years has changed the way that the economic and business interests' organizations interact with the EU institutions and national governments. Maritime policy making was not an exception of this evolution and has followed this climate of *Europeanization*. Maritime interest groups have demonstrated in several cases their will to participate in the policy process and shape decisions concerning the maritime industries. Two most recent examples are, firstly, the mobilization of the maritime interest groups against two successive European Commission proposals for a port services directive (that have been both rejected), and, secondly the interest that they have demonstrated to contribute in the consultation process for a future EU Maritime Policy, initiated by the Green Book, that was published in June 2006.

In the context of these latest developments, Greece, a country where the maritime industry is of greatest importance for the national economy, surely needs a new approach of representation in the European level. The Greek administration readdresses the national-centered aspects of policy developments and integrates them in wider supranational policy perspective, while the Greek maritime interest groups need to find a broader representation formation in order to promote their interests. The paper addresses both these issues, emphasizing, among others, the validity of further research in this area.

1. Introduction

The paper depicts the situation on maritime affairs on the European level and explores the effects of Europeanization on the Greek Maritime Policy-making. In doing so it discusses how the process of European integration and the activities of interest groups at a European level have affected Greek maritime interests and policy-makers, the ways that these policy makers act, and the future forms of their activities.

The focus is mainly on the examination of maritime interests' representation. The increased presence of the interest groups in the European integration process through the last years has changed the way that the economic and business interests' organizations interact with the EU institutions and national governments. Maritime policy making was not an exception of this evolution and has followed this climate of Europeanization. Maritime interest groups have demonstrated through several cases their will to participate in the policy process about issues concerning the maritime industries. Two most recent examples are; firstly, the mobilization of the maritime interest groups against the two port services directive (that have been both rejected) and secondly the interest that have shown to contribute in the consultation process for a future EU Maritime Policy, initiated by the Green Book, published in June 2006.

Under these latest developments, Greece, a country where the maritime industry is of greatest importance for the national economy, surely needs a new approach towards the modes of representation in the European level. The Greek administration needs to readdress the national-centered aspects of policy developments and integrate them in wider policy perspective, while the Greek maritime interest groups to find a broader representation formation in order to promote their interests. The paper will address both these issues.

The structure of this paper is the following: Section 1 presents the contemporary characteristics of the relationship between interest groups and the EU institutions. This Section examines the interaction between these two groups of actors in two distinct directions. Firstly, it examines the 'traditional' relationship between interest groups and the Commission and, secondly, a new, evolving, relationship between interest Groups and the European Parliament. Section 2, focuses on the Europeanization of many aspects of public policy, and more explicitly on the widening scope of the EU policies. The case-study under examination is the European

Maritime Policy. Section 3, addresses the question of a new Greek approach towards the modes of representation in the European level. In the concluding section, the paper, also put forwards questions concerning the nature of the relationship between interest groups and EU institutions, indicating paths for further research.

2. The relationship between EU Institutions and Interest Groups

Since the early '90s, an evolution is taken place in the sphere of European public policies. This evolution has given an impulse to the development of a relationship between EU institutions and the formatted at European-level interest groups. This aim of this relationship seems to be the promotion of the European integration, through the mutual understanding of the goals of each one of the aforementioned groups of policy-actors (EU institutions & Interest Groups). A mutual understanding is expected to lead to an enhanced cooperation and coordination of actions, in order to promote European Integration. However, the reality is more complicated. Both EU institutions and Interest groups are rational political actors that seek to push forward their own goals, their own agenda. In this environment, Interest groups searching for the European Institution that will provide them with the so much needed access to the political process and also will have a certain amount of institutional power, so that they can either produce or block policy. On the other hand, EU institutions, desire the cooperation with Interest groups for a number of reasons. This 'competition' between the EU institutions, creates institutional tensions. At the moment, European Parliament and Commission are the two main 'rivals' that participate in this institutional game. The Council as a legislative body, which is composed from national delegations, it is expected that it will not be a destination for interests that operate and seek to achieve their targets in the European level.

2.1 The Commission and Interest Groups

The European Commission had always been the main target and favoured lobbying point for those aiming to influence the EU decision-making process (at least as far as 'low' policy-issues are concerned). This preference of interest groups can be attributed to the two very important characteristics of the Commission (Burns, 2004): firstly, European Commission is the watchdog of the Treaties and secondly is the

agenda setter of the European Union, i.e., the institution that puts the matters that will be discussed from the other EU institutions, the Council of Ministers and the European Parliament. Furthermore, the Commission itself has demonstrated an interest to promote the cooperation with the interest groups, via the organization of open (and, also via not 'so open' - ?????????) discussions and structured processes in order to receive the opinion and the consultation of the experts of each sector. Illustrative examples in the case of maritime policy are the creation of the Maritime Industries Forum (MIF) in 1992, and more recently (2005) the organisation of public hearing - jointly with the European Parliament - for discussing the potential of market access to port services with the participation of the most important maritime interest groups (such as ESPO, FEPORT, ECSA, ESC, EMPA etc).

The European Commission is a destination for all the interest groups and lobbyists in Brussels, mainly because for its attribute as the agenda setter of the EU. This institution is characterized by a spirit of bureaucracy that prevails within its organization, due to its structure, which is divided into sectors, virtually one for each policy. Another related issue of the Commission's function is the lack of resources, that hinders the flow of information and the acquisition of the so much needed expertise knowledge. For this reason the Commission develops relationships with interest groups in order to fill in this gap on the information required and acquire the expertise knowledge that is needed in order to produce realistic policies proposals. Interest groups have demonstrated the capacity to take advantage of these needs, gain an access point, and influence the political process (Mazey and Richardson, 2003). It is questionable the degree of influence that interest groups gain with the provision of expert knowledge, as influence cannot be measured, but it is certain that this 'access good' (Bouwen, 2003) gives them the opportunity to approach the political process more closely than else.

However, the acquisition of information is not the only reason that the Commission interacts with interest groups. The broader goal is the involvement of interest groups into the process of European integration, so that this process will gain a greater degree of participation. That is why the European Commission encourages the development of interest groups in the European level, the latter are also known as Euro-associations.

From their point of view, interest groups prefer to deal with the bureaucracy of the European Commission for three reasons (Richardson, 2001):

1. The involvement of the public opinion on the elaboration of the issues and the final decisions is deterred.
2. Bureaucrats are dealing with the details of the issues, an aspect of the process that matters a lot for the interest groups
3. The bureaucratic arena is reliable source for information for the future policies.

Thus, one could reach to the conclusion, that the European Commission is a favourite destination for interest groups, perhaps the most favourite one. Taking into consideration the frequency of contacts between EU institutions and interest groups (maritime), as seen in Table 1, the Commission is the most contacted EU decision-making institution indeed.

Table 1: Frequency of Contacts with EU institutions (%)

	Daily	twice per week	weekly	monthly	annually/ rarely	never	n.a.
Commission	21	5	21	37	11		5
European Parliament	5	16	37	32	5		5
Council Secretariat		5	5		53	32	5
Coreper				16	47	26	11
Ministers				16	58	21	5
Other EU institutions			16	21	32	21	11

Source: Pallis A.A. (2005).

However, it seems that in recent times the Commission is not the sole point attention.

This may occurred for at least two main reasons:

1. The Commission has often the tendency to ‘betray’ the interest groups, especially when this practice promotes further European integration and enhances the competences, institutional power, and status of this institution (Grossman, 2004)
2. The Commission has lost certain competences and legislative power after the changes that brought the Amsterdam Treaty (1997) in the co decision procedure (Burns, 2004).

At the same time, taking advantage of the aforementioned changes in the co decision procedure, the European Parliament, enhances its dynamic and come to participate

more actively than in the past in the game of interaction with interest groups (Pallis and Tsitsis 2006a).

2.2 The European Parliament and Interest Groups

Since 1979, when the first elections for the European Parliament took place, the role of this particular institution in the EU (then the European Economic Community) has been gradually upgraded. Yet, until the early 1990s, the most powerful institution in the EU, as far as low or sectoral politics are concerned, remained undisputedly the European Commission. Although the European Parliament was the directly elected body of the EU, it did not have important competencies and was mostly playing a consultative role. However, the voices for the democratic deficits of the European Union and the urgent need to cope with this problem, lead to the empowering of the European Parliament with more competencies. The first step was the Maastricht Convention in 1993, which gave more powers to the European Parliament through the co-decision procedure (Burns, 2004). The empowering of the European Parliament completed after the Amsterdam Convention in 1997, in which some alterations of the co-decision procedure (named from then co-decision II) made the Parliament even more powerful. This particular development may shift scholars interest from the relationship between the Commission and the Council of Ministers, to the new bipolar Council – European Parliament (Nugent, 2000).

While it can be said that the Commission's legislative role as well as institutional power is in a slight decline, on the other hand, it is clear that the power of the European Parliament follows an increasing rhythm. The co-decision gave more competencies to the European Parliament, which came even more powerful after the Amsterdam Treaty and the introduction of the co-decision II.

It seems that progressively the European Parliament is looking to expand its powers through either formal channels and treaty revisions or development of informal relationships with other organizations. This has been mainly achieved via an incrementalist and opportunist approach that is based on using whatever opportunities present them to increase its powers through small steps (Nugent and Buonanno, 2002). On the formal field, the chances that the European Parliament took advantage to promote its interests were detailed described above. In the informal field the

European Parliament is trying to expand its competencies with the development of special relationship with interest groups, especially of social and ecological character (Kohler-Koch, 1997). This special relationship was an initiative of the Commission (Mahoney, 2004), which the European Parliament endorsed at a later stage.

The European Parliament has transformed to a genuine co-legislature (Neuhold, 2001) as is already considered as an equal co-legislator with the Council (Garrett and Tsebelis, 1999). Under co-decision II, the European Parliament can veto unconditionally the proposals of the Council, without the need of support of either the Commission or one member of the Council (Garrett and Tsebelis, 1999).

Interest groups have noticed this change regarding the legislative powers of the European Parliament and has adjusted their interests advocacy in order to exploit the tendency of the European Parliament to develop a closer relationship with them, either for collecting the so much needed information or as an effort to broaden its base as well as the sensation over the European people. The structure of the European Parliament provokes deficiencies in the information flow. The European Parliament is particularly interested in the public opinion's point of view in matters and the action of the institution in pan European as well as national, local level. Interest groups are once again, as with the Commission, ready to provide their two types of access goods (Bouwen, 2003): the information about the European encompassing interest, and the information about the domestic encompassing interest respectively.

At the same time, as the European Parliament is not an institution that acts through bureaucratic channels as the Commission, instead pays great attention on the public opinion, interest groups are starting to alter their strategies. They are not using pure access strategies but instead are showing a turn to strategies with more public character, also known as voice strategies (Beyers, 2004). The European Parliament not only participates active alongside with the Commission in the policy-making process as a lobbying-point but it also changes the way that interests representation is taking place and the method of approach from the interest groups. The Parliament has always shown a favour in those interest groups with public or environmental character and not particular in business interests groups, which is the majority of interest groups (Greenwood, 2003). In an attempt to alter this tendency of this institution, business interest groups are now following more public appealing strategies, alongside with their 'traditional' ones of access.

The EU maritime policy developments provide some illustrative examples. The most recent examples of the new ways of interest groups mobilisation has been observed in the discussions of two successive proposals for a Port Services Directive, especially the second one. Maritime interest groups publicized their opinion on the proposal and explain detailed their positions on each aspect of the proposal for a Directive. The European Parliament took advantage of this mobilization, in order to strengthen the relationships between itself and maritime interest groups, developing a relationship that was ultimately took the form of a Public Hearing jointly organised with the Commission, on June 2005. Maritime interest groups were against the adoption and implementation of a Port Service Directive, despite their different positions on certain provisions of the proposal (see Table 2). They expressed publicly that disagreement and in some cases (public demonstrations of dockworkers) very drastically. The result was the rejection of the proposal twice by the European Parliament. The very interesting element of these two rejections was that the enhanced public reaction of interest groups (including dockworkers) led to an enhanced majority of MEPs against the second Port Services Directive, compared to the first one.

Table 2:
Summary of Maritime Interest Groups stance in the policy-making process

	ESPO	FEPOR	ECSA	ESC	ETF	EMPA	CLECAT	ETA	EBA
Mandatory nature of authorizations for port services provision	-	-	+	-	+	n.e	-	-	n.e
Limitation of service providers	+	+	CC	-	n.a.	n.e.	n.e	-	n.e
Maximum Durations of authorisations	--	--	+	+	-	n.e.	+	-	n.e
Selection procedure	-	-	+	-	n.a.	n.o.e	n.e	-	n.e
Self-handling	--	--	+	+	--	--	++	-	--
Compensation of existing providers	-	--	CC	-	n.e	n.e	+	-	n.e
Transitional periods	-	--	CC	-	-	n.e	-	-	n.e
Liberalisation of Pilotage services	--	--	++	+	+	--	-	-	--

+ +: strongly positive; +: positive; - : negative; --: strongly negative; CC: support of the Conciliation Committee text; n.e.: No opinion Expressed; n.a.: non available

Source: Pallis and Tsiotsis (2006a)

It is quite intriguing to question if interest groups may - and for what reasons - prefer lobbying the European Parliament rather than the Commission. It could be argued that the proved blocking ability of the European Parliament and the time of intervention in the latter stages of the policy-making process gives Euro-level interest groups time to react properly (especially as their membership expands and internal governability is more difficult than before), stands as a good reason. Others could argue that apart from the European Parliament as an EU institution, interest groups can also approach the MEPs who as rational political actors (Faas, 2002) want to be re-elected and so they need information about their constituency; this the domestic encompassing interest (Bouwen, 2003). So interest groups have two targets: the European Parliament as an institution, and the MEPs as individuals. All these questions are matters in the sphere of European Political Science, worthy of further research.

3. Widening the scope of European Policies – The case of the EU Maritime Policy

The history of the Maritime Policy in the EU can be divided into five chronological periods (cf. Pallis, 2002). Each one of these periods has each own characteristics and through them it is clearly depicted the spectrum of different approaches of the EU towards the matter, from the exception of maritime transport from the Common Transport Policy during the first period to the holistic approach that the recent (2006) Green Paper promotes.

The first period initiated simultaneously with the attempt for a European Economic Community in 1957 and lasted until 1973. As mentioned above, during that period maritime transport has been excluded from the Common Transport Policy basis, so virtually no development take place for the Maritime Policy.

The second period covers a decade from 1974 to 1985. These ten years were in fact the preamble for a more active and drastic approach towards the issues that preoccupied the European shipping industry. It is in fact the first period that Shipping Policy is a part of the Common Transport Policy. Even though not major policy developments took place, the inclusion of maritime transport in the Common Transport Policy was by itself a great development.

The third period lasted only four years from 1986 to 1990. This short time span was full of action and legislative attempts by the EU, in an effort to regulate the shipping

industry. In 1986, the Commission put forward a proposal of four regulations regarding shipping. The four regulations were related with matters of cabotage, competition, antidumping tax and market access to third countries. This first package has not lived up to the expectations and did not fulfil the goals that the Commission had set (i.e. to halt the flagging-out of shipping). In this climate the Commission attempted, in 1989, to introduce a second package of measures regarding maritime transport, this time even more detailed. The measure that this second packaged proposed was:

1. A Common European Registry (Euros)
2. Port State Control and Maritime Environmental Policy
3. Common definition of the European ship owner
4. Cabotage
5. State aid

From the aforementioned measures, three were those that face the most difficulties. Cabotage was lifted several years after and with every state being a separate case. Greece was the last member state that has lifted the restrictions of cabotage, preserving its own protective regime for almost 15 years. The front of shipowners on the issue of cabotage was divided, between the protective South EU member-states and the liberal North.

On the matter of state aid, there was a united front of shipowners and employees. This united front gained the support of the national ministries (of transport and in the case of Greece of the Ministry of Mercantile Marine) and demanded even more state aid either as subsidies or as tax reductions. On the other hand, the ministries of economy which had to deal with fiscal problems and were focused on the restriction of public spending in an effort to reduce the deficits and the debts and fulfil the criteria of the EMU, were against any form of state aid.

The most important issue of this package of measures was the proposal for a European Registry of Shipping, also known as Euros. The criteria regarding the number of seafarers on each ship that would register under Euros divided shipowners and seafarers. This particular measure had as a target the reduction of unemployment among European seafarers. Shipowners were against this measure, stating that it would hamper the competitiveness of the ships flying European flags, while seafarers favoured the proposal. The second package of measures regarding the European

shipping industry can be characterized as a partial success or as partial failure, depending on the importance that one might attribute to a certain measure. Major factor that caused difficulties to both packages and the overall attempt of regulation of the shipping industry was the capital mobility that characterizes the shipping industry, (Aspinwall, 1995).

The fourth period started in 1990 and ended in 1996. During these six years the matters and the scope of the EU maritime policy expanded. Perhaps the most interesting developments of this period took place in 1996. In this year, two formal texts of the European Commission attempted the reassessment of Common policies regarding shipping (Theodoropoulos, Lekakou, Pallis, 2006). The strategic priorities of the European Union, for the development of policies regarding maritime transport policies, were based on three axes:

1. Ensuring legitimate competition under the international rules and regulations
2. Ensuring high levels of maritime safety
3. Enhancing the competitiveness of the European shipping industry.

Taking into consideration these three axes, in the fifth and most recent period the EU has worked towards a more integrated European Maritime Policy approach. In March 2004, the European Commission initiated a dialogue for the formation of a Green Paper for the EU Future Maritime Policy. Through this initiative the Commission aimed to a holistic approach of the European policies for shipping and the mean to achieve that was the use of the public consultation.

3.1 The 2006 Green Paper

A wide public consultation has started in June 2006 to end a year after. The spirit of this Green Paper is the transition of the sectoral approach of issues regarding shipping and those regarding the environment into a holistic approach. Among the most important aspect that the Green Paper incorporates into the EU Future Maritime Policy is the changes in maritime governance. The section in the Green Paper's text that is dedicated to maritime governance is dealing with some very important issues for the member- states, especially the maritime ones. The issues that have caused more reactions from the maritime member-states and the maritime interest groups include:

- the integrated and holistic approach of the all the policies of the European Union concerning maritime transport, the reintroduction of the idea of a European registry,
- the Common European Space, an issue closely related with the matter of a European Coastguard,
- the direct participation of the EU in the IMO and the ratification of national conventions.

The Green Paper proposals on maritime governance deal with several other matters but the reference of these matters is closely linked with the spirit of an holistic EU maritime approach. The striking effect of these proposals is that, despite the maritime member states and interest groups statements in favour of the idea of an integrated European maritime policy, several of them have already opposed to ideas and thoughts that the Commission's publication has put forward towards that direction.

For instance, a rather 'united maritime front', which includes maritime member-states as well as several maritime interest groups, is against the idea of Common European Space and a European registry, and, foremost (?) the participation of European Union in the International Maritime Organization (IMO). The Common European Space has faced the scepticism of several maritime industries as well some member states. Concerns have been expressed about the restrictions that could implement on the unrestrictive flow of the maritime transport. In the same spirit, the participation of the EU in the IMO, is thought to be a measure that would hinder the proper function of the IMO, while member states may loose the benefits of their individual participation.

Yet, despite the reactions and the objections on certain aspects of the Green Paper, the majority of the involved parties is in favour of the spirit of the proposed holistic approach, in the sense that this approach would enhance the effectiveness of the way that the European policies regarding maritime industries take place, and would also boost the competitiveness of the European shipping industry, with what this entails for the revenues of shipowners, the employment of the European seafarers and the national economies, especially in the case of the maritime member states.

The European Maritime Policy has come a long way from the exclusion of the first period to the holistic approach of the present period where the degree of involvement of the European Union has changed dramatically. This shift of interest and the

different stance of the EU institutions regarding Maritime Policy has already caused an alteration of national policies and approaches especially by the EU maritime member states, among the prominent of them is Greece. The era of exclusion or partial and fragmentary involvement on the sphere of European Maritime Policy has passed and all those member states that have used to deal with the problems on European level with the use of national channels of influence reassess their strategies. Alongside, the powerful national maritime interest groups have mobilized on European level as a mean to promote and protect their interests. The changes that this process has initiated in the Greek case, or will initiate in the future, and the challenges that Europeanization is posing in the Greek maritime policy-making will be discussed in the rest of this paper.

4. The new challenges for Greek Maritime Policy

Through time the reactions of successive Greek governments, as well as those of the Greek interest groups related with shipping industry, were either negative (the case of the two policy proposals packages during 1986-1989), or simply passive (the two cases of the two successive Port Services Directives in 2001 and 2006 respectively). It is noteworthy that although the Greek Government was in favour of the proposed changes in the European port system (market opening), arguing that they would boost the development of Greek ports, the Ministries of Transport as well as of Mercantile Marine, didn't mobilize to openly support the Commission's initiative which at that point was receiving severe criticism from other member states and several maritime interest groups.

Greek shipowners contribution to the process of the integration of European shipping and maritime transport policy has been rather limited, taking into consideration that they own almost half of the European merchant fleet (43%). In the past, the attempts of the EU were rather limited and restricted only to issues related with market regulation or employment and safety. Within this restrictive spirit of dealing with maritime transport issues, the power of the Greek and in general of the European shipowners, sourced from their unlimited capital mobility potential (Aspinwall, 1995), seemed enough to prevent any developments that were conceived as 'negative' by one the most important sectors of the Greek economy. Furthermore, on practical matters such as the regulation of the market, or the effectiveness of a potential European registry, the experience of shipowners on the behavioural characteristics of the

shipping market, provided the necessary arguments against any measures that would hamper the profitable status quo.

However, there are signs of change of the stance of the Greek maritime interest groups towards the prospect of the Europeanization of the maritime policy making. Since the establishment of IMO, the Greek shipowners due to the fleet size had a seat in the Council of this rule making organization as one of its members. Apart this global character of Greek shipping industry, recently it seems, that Greek shipowners are more prone to show a more active stance in the European front as well as in the international one (cf. Pallis, 2007). The year of 2007 Greeks are in the head positions of the four top industry associations, namely BIMCO, INTERTANKO, INTERCARGO, ICS AND ISF. Before that, in the 1990s they had assumed the presidency of ECSA, and have been active in its special Committees. As regards the European level, the publication of the Green Paper on the EU Future Maritime Policy, has been a very crucial development for the future of the sector and an opportunity for the Greek Shipping industry, to achieve a twofold target: protect the primacy of Greece as maritime leading nation, and guide the industry worldwide and in the European level, to solutions that will ensure effectiveness and enhance the competitiveness of the maritime transport.

The desire of the EU to promote further integration in all sectors of the European public policies and the holistic approach of the 2006 Green Paper for EU Future Maritime Policy implies the need for a new 'Greek' approach as well. The reaction and the first position paper that the Greek Government has produced for the Green Paper (Ministry of Mercantile Marine, 2006) was in fact rather sceptical. In several points the contribution of the Greek Ministry of Mercantile Marine, made the same remarks with the position papers of ship owner's interest groups such as ECSA and ICS-ISF. Additionally, the UGS (Union of Greek Shipowners) in the preamble of its position paper (UGS, 2006) states clearly that: "*Being an active member of ECSA and ICS the UGS wishes in the first place to associate itself with the initial comments on this issue already submitted to the Commission by the two organizations*". After that statement the rather brief contribution (3 pages only) of the UGS should not come as a surprise. One very logical argument here will be that as a member of ECSA and ICS, the UGS is showing a more Europeanized approach of interests advocacy. In fact UGS is one of the most powerful members of ECSA. It has an input on the positions

of this maritime interest group, it actually shapes them in a great degree. This is development related to the increased mobilization of the total of Greek maritime interest groups in every action and initiative of the EU regarding maritime transport. should be high and their positions bear more weight against other member states, that don't have the same degree of involvement in the maritime transport, because the maritime sector doesn't bear the same importance for other nations of EU., However, only one Greek maritime interest group contributes on the debate. Of course the participation in the Euro-associations is very useful for the Greek stakeholders. Yet there is the the problem that in many European level maritime interest groups, such as ECSA, certain stakeholders of the industry (owners of passenger or small cargo vessels) are not included (Corres, 2007). In that way, various problems that may occupy these stakeholders, like the problem of coastal transport in Greece, may remain outside of the matters under discussion.

Finally, as regards the Greek Ministry of Mercantile Marine's position paper, the importance that was given to passenger transport in islands was rather limited. Coastal transport and connection between continental Greece and its island is a very 'hot' matter that bothers the societies of the islanders and has a high priority in their list of problems. On the preamble of the position paper it is stated that Greece is a coastal state with almost 10.000 habited and inhabited islands. The connection between the continental part of the country and the Greek islands is a lasting problem, that affects not only the Greek society as a whole and the country's islands' societies in particular, but it is also a serious barrier on the proper function of the Greek tourist industry, a main source of income for Greek islands. The Greek Ministry of Mercantile Marine although is a conversant of the subject has chose to deal rather epidermic with the matter and dedicated only half a page intervention on it.

Greece is showing, only 'indications' of Europeanization, not 'hard proof', but at least it seems that the stance that it is shaping the recently years is in the right direction. The actors that participate in that process are of two main categories. Firstly, the Greek national administration, which is participating through its Ministries, of Mercantile Marine and that of Foreign Affairs. The Greek administration's main goal is to protect the national maritime sector from developments that may hamper its function and economic effectiveness. That may partially explain why the positions of the Ministry of Mercantile Marine are almost identical to those of maritime interest

groups such as ECSA, ICS and ISF, in which the active Greek participation is evident. Additionally, the Greek Ministry of Foreign Affairs prepared its own contribution and also proceeded to the creation of a website where stakeholders can express their point of view regarding the Green Paper for a Future EU Maritime Policy. Though the Greek Administration despite its slow reflexes and the close relationship with Greek maritime interests, and what problems that may cause, is demonstrating signs that it is willing to participate in the consultation process of the Green Paper.

The second category that is actively shaping a more Europeanized direction in its interests representation is the Greek maritime interest groups. With Greek national in top positions of European interest groups, Greek ship owners have the opportunity to make a decisive input in the most important initiative of the EU regarding maritime transport, the Green Paper. This decisive input it is apparent, when comparing the position papers of European maritime interest groups with the contribution of the MMM. However, Greek ship owners have also to deal with their own internal problems (i.e., limited participation of the owners of passenger or small cargo vessels, see above). The participation of the whole of Greek maritime sector would ensure a better representation and that all problems and issues would be addressed.

The aforementioned remarks create certain questions regarding the observed process of Europeanization. These are firstly, questions regarding the exact nature of this 'special' relationship between Greek maritime interests and how this may affect the industry both at national and at European level (taking into consideration that Greece is the leading maritime nation in EU). Then there are questions regarding the degree that Greek shipowners can shape the positions of European maritime interest groups (taking into consideration the top positions that they hold) and what responsibilities, and rights, does that situations results in. Greek interests, given the position of the country as the leading maritime nation in EU, will certainly attempt to exploit their position in order to protect the value of the national maritime sector. At the same time they might assume the leading role, promoting the interests of the European maritime sector, towards policies that would enhance its effectiveness and ensure its competitiveness.

5. Conclusions

The process of European integration has brought the evolution of the EU institutions into actors that not only shaping the policies of several sectors across the EU but also seeking the participation of the stakeholders of each sector in order the adopted policy produce the best results. In this favourable climate for interests' representation in European level, interest groups have evolved. Their main goal was of course to protect and promote their interests in an environment of constant interference of the EU in areas that once were part of the national sphere. To achieve in their mission, interest groups developed relationships with EU institutions.

The European Parliament and the European Commission are the most 'favoured destinations' of the interest groups. Interest groups interact with these two EU institutions, so that they can gain access to the political process, by providing them their access goods (Bouwen, 2003). From their side, both the European Parliament and Commission interact with interest groups not only for the aforementioned access goods but also to promote further the concept of the European integration. At this point a lot of questions can be put regarding the relationship between EU institutions and interest groups, but two seem to be the most intriguing: firstly, which is the most favorite destination of the interest groups and secondly, EU institutions only concern when interacting with interest groups is the European Integration, or their own institutional enhancement, even through informal channels? All these questions are matters in the sphere of European studies and political science, worthy of further research.

Regarding Maritime industries, without doubt the ad hoc earlier EU interventions have expanded into an all-embracing Maritime Policy. Under the spectrum of these changes the mobilisation of the maritime interest groups was rather high. Maritime interest groups are actively participating in the consultation that has been launched by the Green Paper on EU Future Maritime Policy on June 2006.

Greece the maritime leading nation of the EU (and of the world) has not participated very active in the whole process. Furthermore, Greek maritime interest groups contribution has been very limited and has been identical with the positions of the large European or international interest groups (ECSA, ICS-ISF). Greece, as an administration, as well as a sector, slowly started to change its attitude towards the

European political processes and understand that the participation in them it is for its own benefit as a maritime country. By doing so the benefits would be twofold: firstly, the interests of the Greek shipping industry will be better advocated and secondly, Greece as a maritime and coastal state with many islands, could inform the EU institutions, on the actual problems sourced from its idiosyncrasy and demand supranational policies that would contribute to their solution. Finally, apart from the aforementioned goals, Greece as the leading maritime nation of world has not only rights but also the obligation to lead the maritime sector in a very critical period through safe paths that would avoid the dramatic crises of the past.

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Greek Ports: Structural Challenges and Forms of Adjustment

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ABSTRACT

The Greek port industry is characterized by the dominance of the public sector in port activities. The ownership of port assets, corporate port governance and services provision develop under strict, direct or indirect state (ministerial) control. As a result Greece stands among the few countries in which the port industry is fully controlled by the public sector.

Yet, the context, in which contemporary ports operate impels for greater flexibility in port operations. Several countries worldwide have responded implementing port devolution programs. The latter have been accompanied by an increasing participation of the private sector in port operations. In several EU countries several port reforms devolved the port industry, allowing for the participation of private companies.

In Greece the port reform process which is underway since 1999 (corporatization of public ports – has been incomplete, and the terms of potential private sector participation remain under discussion. Despite the fact that the vast majority of ports worldwide have introduced ownership and managerial models which allows the participation of private entities as a mean to develop intra-port competition, in Greece this issue remains under examination. Based on the highly competitive context of the contemporary port industry the activation of the private sector in Greek ports seems to be essential. Recent empirical research (published by Pallis & Vaggelas in *Maritime Economics and Logistics* in 2005a) concluded that this view is endorsed by port authorities but the ways of adjustment are still to be determined.

As private involvement in the port industry stands now as a ‘global’ rule the examination of the optimum public private relations in Greek ports is an emerging challenge – frequently the theme of the relevant policy agenda. Yet, issues like the liability undertaking and the distribution of port services production costs between the two sectors, have not yet been resolved in a concerted way. Identifying this optimum is a major challenge not only for the Greek public port authorities but for the Greek government as well, as successive administrations have expressed the will to proceed to reforms allowing the participation of private companies in the port industry. A framework that will encounter these issues in a fair and dynamic base is essential.

Aiming to contribute to this debate and the essential adjustments, this paper presents a conceptual framework that when implemented can be a valuable tool in the process of defining the interface of the two sectors. Being part of a research in progress that is implemented in the case of the passenger port of Piraeus, this framework is based on the benefits that are obtained by each sector from port services production. It also analyses a methodological framework for its implementation.

Keywords: Greece, Port adjustment, Public/Private interface in port services

1. INTRODUCTION

The port industry is under an ongoing reform. Radical transformation of the world economy, through globalization, in conjunction with changes in the port industry environment, such as containerization and technological progress had substantial effects in ports, worldwide. As a result ports moved towards the post fordist model (Notteboom and Winkelmanns, 2001) and new ‘world of production’ (Chlomoudis et al, 2003). Moreover they transformed from a labour intensive to a capital intensive industry (Trujillo and Nombela, 1999).

These changes resulted in a new port environment, which is characterised by competition which in turn impels ports towards effectiveness. To increase their effectiveness ports are investing huge capitals for the modernization of their infrastructures and superstructures. But due to restrictions in public financing, ports are turned to the private capital in order to finance their investments (ESPO, 2004a). As a result public ports are in a difficult position in this competitive environment (Slack, 1993).

This new environment has created the appropriate conditions for the participation of private companies in the port services provision market. The capital adequacy and some other advantages of the private sector (i.e. effective operation, know-how etc)¹ made their participation in the port industry more attractive. The shipping companies, especially the liner ones, exploit the opportunity and they are participating in the port services provision market in order to accomplish the vertical integration of their production process. Thus in many cases, the port users are also port services providers (ESPO, 2004b). On the other hand there are multinational port services providers (i.e. PSA, HPH etc.), who are trying to achieve the horizontal integration of their production process. Thus they operate multiple terminals in many major ports worldwide.

As Juhel (1998; §7, pp.4) noted “*The most considerable characteristic of the port reform is the increasing participation of private companies in the provision and management of the port services*”. The increasing private participation in the port industry is in line with the reform processes in many public sectors. The main characteristic of these reforms is that the public sector is trying to adopt management techniques, implemented by the private sector. This process is known as *New Public Management* (Pollitt and Bouckaert, 2000) and its implementation aims to increase efficiency, effectiveness, and relevant economic results.

As a result there is an international trend for a decreasing participation of the public sector in ports (UNCTAD, 1996) and the increasing participation of the private sector. Despite its declining participation, the public sector is involved in the port services management and operation in order to protect the production of public goods in ports (see Langen and Nijdam, 2006) and to avoid market distortions such as monopolistic situations (Goss, 1990) although this might not be the case (see Brooks and Cullinane, 2007; pp. 434).

So what a port represents? Is it a public infrastructure or it is a commercial entity? The worldwide trend is to consider a port as a commercial entity, which must cover its expenses from the port users who benefited from its existence. Moreover, based on the above analysis a conclusion is that in the majority of the ports there is a coexistence of the public and private sector and that the contemporary port product is a mixture of public and private goods.

¹ See: UNCTAD, (1998; pp.3), Baird, (1999) and Baird, (2002)

In an effort to reflect the various organizational and ownership structures of the contemporary ports, several organizational/ownership/governance models have been developed [see World Bank (1999); Stevens, (1999); Bowden and De Jong, (2006); Brooks and Cullinane (2007)]. From the examination of these models major conclusions can be extracted:

1. The modern models are recognizing the coexistence of the public and private sector in every port, even in those ports which are fully private (i.e. Felixstowe).
2. The existence of so many models shows that there is an absence of a concerted framework for categorizing ports. Thus these models can't define a final boundary between the two sectors in the port industry (Bichou and Gray, 2005).

Despite their weaknesses, these models (especially the World Bank model) have been widely used, in an effort to categorize every port according to the extent of the private sector participation.

Given that the coexistence of the two sectors in the port industry is the rule, rather than the exception, the paper (Section 2) analyses the ownership and organisational structure of the European port industry. Based on these findings the paper examines (Section 3) the reform of the Greek port sector, which exhibits different ownership structures, compared with the rest of EU countries. The port market analysis certifies the necessity for a further reform towards the participation of the private sector, which is the intention of the Greek government. The farther participation of the private sector raises the question of the optimum interface and the fair distribution of the port services production cost between the two sectors. A methodological framework based on the benefits obtained from each sector is presented (section 4) as a potential answer to these questions. Finally, section 5 concludes and it post proposals for further research.

2. THE EUROPEAN PORT INDUSTRY

Ports are vital for the EU economy. Almost 90% of its external and the 40% of its internal trade is seaborne trade. A total throughput of 3.5 billion tones and 350 million passengers are passing through EU ports every year, creating an added value of 20€ billion. European ports must be efficient and competitive in order to facilitate the EU trade.

In many European countries, ports are exploiting the advantages of the private sector participation in services provision, infrastructure-superstructure investments, and management of the Port Authority. Table 1 presents the extent of private participation in port operation in the countries which are members and observers of the European Sea Ports Organization (ESPO). The categorisation of the countries is based on the features of their major (international) ports, because in the small ports (of national or topical interest), the public sector is almost exclusively responsible for their financing and operation. This is mainly because the small ports have small cargo throughput and accordingly small revenues, thus there aren't attractive to the private initiative.

Table 1.

Extent of private sector participation in the member-observer countries of ESPO

Extent of participation	Port Services provision	Investments in superstructure and port services provision	Fully private ports	Absence of private sector involvement
Countries	<ul style="list-style-type: none"> • Croatia • Bulgaria • Cyprus • Finland • France • Ireland • Italy • Malta 	<ul style="list-style-type: none"> • Belgium • Estonia • Germany • Latvia • Lithuania • The Netherlands • Norway • Poland • Spain 	<ul style="list-style-type: none"> • U.K. 	<ul style="list-style-type: none"> • Denmark • Greece • Iceland • Portugal • Sweden

Source: Author (based on data process from ESPO (2004b) and ESPO (2006)).

The conclusion from Table 1 is that the private sector has a direct involvement in the European port industry. In nine countries the private sector is financing the superstructures and it provides the port services. This is the well known (i.e. the World Bank models), landlord port, where the Port Authority owns the land, rents it through concessions to private companies) and supervise the port operations. In 8 countries the private sector participates in the provision of port services, while in one country (U.K.) the private sector is responsible for almost the entire port operations (cf. Baird and Valentine, 2007). The final category is the absence of private sector participation in which there are 5 countries, one being Greece.

The landlord model is the prevailing one among the ESPO members and this outcome is in line with the ESPO (2004b) conclusion that there is a worldwide trend for ports to operate as landlords. This trend is mainly due to the characteristics of this port organizational model, as it combines the benefits from the private management and the safeguarding of public goods (Saundry and Turnbull, 1997).

Evidently, there is a coexistence of public and private sector in the port industry of many European countries. The private participation will inevitably increase in the near future, taking into account the decision of the EU to minimize the financial support of the member states governments to the public transport systems. This decision aims at eliminating market distortion from the public subsidies. Thus, port authorities are turning to the private capital in order to finance their investments. The EU realised that the private sector is an important player in the port industry in the early 1990s. Having in mind the elimination of market distortions decided (CEU, 1997) the European Commission put forward the

proposal that every user should pay for the use of maritime and port infrastructures, excluding only those which are perceived to be as public goods.

The contemporary EU port industry is characterised by fierce competition, the inability of the public sector to finance the necessary investments (due to budget restrictions or due to EU legislative framework) and the increasing participation of private companies in the port services provision market. This environment requires appropriate measures as a response to the new challenges, aiming at the survival of their port industry. Many European countries (i.e. Italy, Spain) have already moved towards the reform of their port systems in order to allow the participation of the private sector. The North European countries had already endorsed similar models, by allowing private participation in the port industry for many years. The adaptation to the new environment is more difficult for those countries where the port industry is under the exclusive control of the public sector. This was the case for Spain and Italy which nevertheless, have managed to successively reform their port industry.

From the five countries in the table 1, Iceland doesn't have a sufficient hinterland in order to preserve high trade volumes. Portugal is facing the competition from the French (i.e. Le Havre), Spanish (i.e. Barcelona) and U.K. (i.e. Felixstowe) ports which are the pioneer ports in this area. Sweden and Denmark are also facing competition from German (i.e. Hambourg) and the Netherlands (i.e. Rotterdam) ports and the geographical location of their ports does not enable them to become major transshipment ports. For these reasons these four countries might not want to apply a port reform program in order to increase their competitiveness and effectiveness. What about the Greek port industry and its potential in the new port environment?

3. THE GREEK PORT INDUSTRY

The Greek port sector has been characterised by the direct intervention of the state in their development, management and operation. This seems to be the result of the national ideology which represented that the industries which produce some kind of public goods (i.e. telecommunications, transport and electricity market) must be under the direct control of the public sector. This scene changed at the middle of 90's when several public corporations was privatized or went public. The same was the scene for the port industry.

A first attempt for the reform of the Greek port industry occurred in 1999, with Law 2688/1999. According to this law, the two major Greek ports, Piraeus and Thessaloniki, transformed in limited companies and went public and currently are listed in the Athens Stock Exchange. A second step towards port reform was the law 2932 of 2001. This law transformed 10 ports of national interest² in limited companies. Moreover a special secretariat was created in order to coordinate the entire national port system.

What was the result of these initial attempts for the reform of the Greek port system? The two ports of international interest went public but the public sector still maintains the 75% of their shares and exercises the management of these ports. The 10 ports of national interest transformed to limited companies with 1 share owned by the state and of course it has their management. This is a type of port reform known as corporatization (see World Bank, 1999), when the public sector maintains the ownership of the port and moreover it

² These ports are: Lavrio, Elefsina, Corfu, Kavala, Alexandroupolis, Heraklion, Igoumenitsa, Patra, Rafina and Volos.

introduces professional management structures (based on the structures of private companies), through the creation of autonomous entities.

The current operational framework of Greek ports is characterised by the dominant role of the public sector. State authorities are responsible for the enforcement of the port regulatory framework, the development of port infrastructures and superstructures and finally for the provision of port services. The private sector is involved in the provision of port services only in cases when the public port authorities can't provide them due to lack of the appropriate equipment.

Has this operational framework being successful for the Greek ports or there is a need for a further reform? A first answer to this question is coming from the data of table 2, which shows the TEU traffic at the major Mediterranean ports for the years 2000-2005. The container traffic is illustrative, as it is the most profitable cargo for ports and is by far the most developing cargo sector of the world trade.

Table 2.

Throughput of Mediterranean ports (in TEU) for the years 2000-2005

Port	Country	2004	2003	2002	2001	2000	Growth
		TEU	TEU	TEU	TEU	TEU	since 2000
Gioia Tauro	Italy	3.261	3.149	2.955	2.488	2.653	22,92
Algeciras	Spain	2.937	2.516	2.229	2.152	2.009	46,19
Valencia	Spain	1.949	1.992	1.821	1.507	1.308	49,01
Barcelona	Spain	1.890	1.652	1.461	1.411	1.370	37,96
Genoa	Italy	1.686	1.605	1.531	1.527	1.501	12,33
Piraeus	Greece	1.500	1.595	1.405	1.168	1.173	27,88
Malta Freeport	Malta	1.461	1.305	1.244	1.155	1.033	41,43
Damietta	Egypt	1.263	955	750	639	617	104,70
Haifa	Israel	1.043	1.068	906	901	871	19,75
La Spezia	Italy	1.040	1.007	975	975	910	14,29
Marseilles	France	916	833	813	742	725	26,34
Taranto	Italy	770	659	472	186	5	15300,00
Istanbul/Ambarti	Turkey	770	815	574	386	395	94,94
Port Said	Egypt	700	640	587	589	504	38,89
Leghorn	Italy	653	593	547	553	501	30,34
Ashdod	Israel	560	514	536	512	480	16,67
Cagliari	Italy	496	303	46	29	25	1884,00
Salerno	Italy	400	417	375	321	277	44,40
Constanta	Rumania	386	206	135	119	106	264,15
Naples	Italy	348	433	446	430	397	-12,34
Thessaloniki	Greece	336	270	240	234	230	46,09
Trieste	Italy/Adriatic	190	117	185	196	206	-7,77
Malaga	Spain	97	2	0	0	0	n.a
Tangier	Marocco	30	23	21	19	17	76,47
Derince	Turkey	2	2	1	1	1	100,00
Total		24.684	22.671	20.255	18.240	17.314	42,57

n.a. = not available

Source: European Community Commission: Transport in Figures, various issues

According to these data the reform of the Greek port industry cannot be characterised as a successful one. For the port of Thessaloniki there was a positive outcome as the container traffic increased about 4% more than the average increase in the Mediterranean area. Piraeus achieved an increase rate of about 28%, far below the average rate of increase. In the case of the Port of Piraeus developments have been worse as in 2005 he had a throughput of 1,394 million TEU's which is a decrease of 7,07% in container traffic compared with the year 2004. Moreover Piraeus dropped from the 41st position in 1998 to the 60th position in 2005 in the list of the top container ports in the world (Psaraftis, 2007).

These data might not mean anything for the potentiality of a port. Yet they are signs for the future. First of all, the container traffic in Mediterranean increased by 7,35 million TEUs in a period of 4 years. From this volume, the two major Greek ports earned just 0.46 million TEU. The number seems to be significant but other ports in the region, like Algeciras, Valencia, Barcelona, Malta and Gioia Tauro, enjoyed considerable higher growth level in their container traffic. This means that these ports offers port services in such a way that are attract port users, i.e. the shipping companies.

The Greek ports, despite that they have a strategic geographical location in the crossroads of Far East-West Europe and West Europe-Black Sea routes, did not manage to take the advantage of traffic increase in the Mediterranean. This was caused mainly by the way in which Greek ports are operating, under the strict control of the public sector. As earlier noted, there is a fierce competition between ports in the Mediterranean region. Other countries (i.e. Italy), moved on a more liberalized port industry which included the development of specialized terminals (i.e. Voltri container terminal, Gioia Tauro). The first stage of port reform despite some positive regulations, didn't offered a dynamic change of the port industry as the public sector still has the fully control and ownership.

Should Greece proceed to a new reform of the port industry? Based on the above conclusions the answer is, rather positive. Pallis and Syriopoulos (2007), evaluated the Greek port reform, by analyzing the financial condition of the 12 ports which are limited companies. They concluded that despite some positive sign, there is an imminent need for further reforms. Psaraftis (2007) also agreed with this conclusion as he pointed out that the benefits from the port reform for the Greek ports are insignificant.

Thus, the Greek port industry needs to move towards a new reform. But before proceeding to the development of a new framework it must be decided which is the appropriate structure for the Greek port industry, that it will contribute in enhancing the role of the Greek ports in the Mediterranean. Based on a research in the 12 biggest Greek ports regarding the potential effects of the rejected EU directive on market access to port services, Pallis and Vaggelas (2005a) concluded that the vast majority of the ports CEO, was in favor of directive's proposals and they was seeking for private companies participation in the provision of port services. They maintained that the participation of private companies could increase the quality of the port services and at the same time could decrease the tariffs.

So in a future port reform, the government must take into account the potential of private participation in the port industry and it seems that is in favour of this proposal. Few months ago the government announced its intention to proceed to a public tender in order to grant the container terminals of Thessaloniki and Piraeus through concession contracts. Interest has been expressed by many private shipping companies (i.e. COSCO, ZIM, MSC) and by private port operators (i.e. Hutchinson Port Holdings, Dubai Ports). Port labor employees opposed to this decision and went in a two months strike (December 2006-January 2007). The loss for the two port authorities and especially for Piraeus was huge and the

government decided to withdraw its intention at the moment in order to discuss the whole project with the port labours.

This first attempt (the participation of private companies) it's in the right direction but several issues have to be re-examined. The government aimed at granting each terminal into only one private port services provider. The result will be the transformation of the public monopoly into a private one and the consequences might be worst comparing with the present situation. Nevertheless the new attempt for reforming the Greek port industry should move on as the port market in the Mediterranean is rapidly changing. Few months ago the reform of the Turkish port industry was completed (i.e. including the concessioning of the port of Izmir). Many terminals are now operated by private companies through concessions and the new players in the region include the Port of Singapore Authority (PSA), a worldwide known and efficient port operator. Greece needs to follow these trends and open the port market to private sector involvement– not least because entry barriers restrict the desired development of intra-port competition (De Langen and Pallis, 2006). Based on the recent developments, the concession process will start sooner or latter; hence the optimum public/private interface need to be identified.

3.1 What about the port services production costs?

Is the beginning of a concession process enough? The participation of the private sector helps in solving some problems of contemporary ports (i.e. efficiency, increasing quality etc.). At the same time concessioning might create other problems. These are the outcome of the coexistence of public and private entities in a port and are questions mainly regardign the fair distribution of the costs of port services production. The European Commission (CEU, 1997) has noticed the new trend of the increasing participation of private entities in transport systems and decided to introduce the “user pays principle” as the best mean to distribute the cost of infrastructure use among the various stakeholders.

This intention was the beginning of a long discussion regarding the appropriate application of this principle. Haralambides (2002) proposed the long-run marginal cost as an efficient tool in order for a port authority to cover the full cost of the port services production. Apart from some other deficiencies (see: Walters, 1974; Talley, 1994) this proposal, cannot be a solution to the cost distribution problem. This is because it focuses to the *ex post* cost distribution without taking into account the *ex ante* cost distribution (for example when there is a construction of a new port complex).

Moreover, the user pays principle has another major deficiency. Which is the variable according to which someone will estimate the distribution of the cost? It might be the time or the amount of infrastructure usage. However this variable can be problematic, because different inputs (amount or time of infrastructure usage) can lead to different outputs for every user. This is either due to differences in technological equipment, or because of the achievement of economies of scale. Thus, the appropriate variable can be the output of the production process which is the benefits that each user obtains from the use of port infrastructure. A common characteristic of the majority of economic systems is that the interaction between the factors of production, transaction or both creates some benefits between the participants (Castrillo and Wettstein, 2006). According to these the appropriate principle for the fair distribution of the port services production costs should be the “beneficiary pays”. Of course the benefits obtained by a port user are not only the revenues.

There are also some other “hidden” benefits (including economic externalities) which are not perceivable from the participants in the port industry.

A first conclusion is that a fair distribution of port costs should be based on the benefits that each participant obtains. The second one is that the benefits must take into account the whole benefits that can be produced from the port services production process and not only the revenues. Thus the cost distribution should be based on the distribution of benefits. A methodological framework for the distribution of the benefits coming from the port services provision, between the public and the private sector is essential.

4. A METHODOLOGICAL FRAMEWORK FOR THE DISTRIBUTION OF BENEFITS FROM PORT SERVICES PRODUCTION

To develop the aforementioned methodological framework, this research focuses on passenger ports. This part of the port industry has been neglected in the international literature (Pallis *et al*, 2007), as it is not as profitable as the container ports, but is important for the well-being of a society and especially for countries like Greece. The large number of islands in the Greek territory requires the provision of reliable and effective coastal shipping services as well as passenger port services in order to maintain the social cohesion.

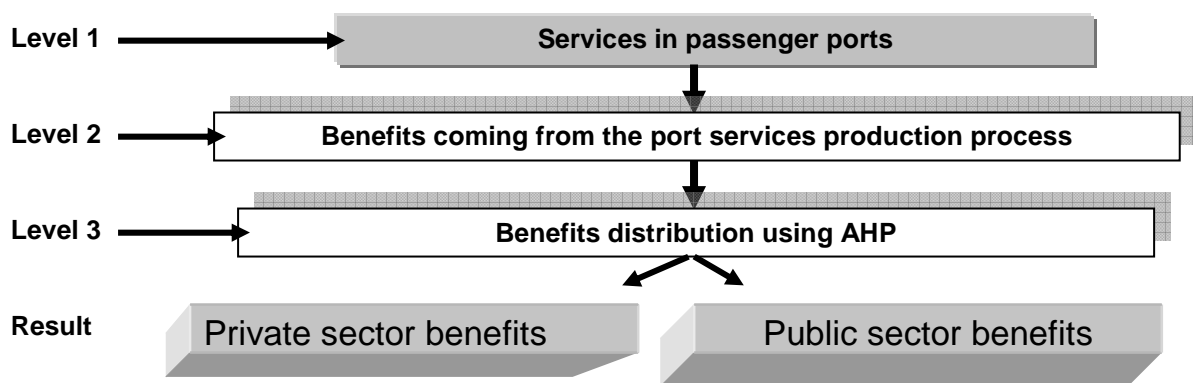
As previous said the ultimate goal of the methodological framework is the fair distribution of the port services production costs according to the distribution of the benefits produced. A first step is to define where these costs and benefits are coming from. The first stage of the research focuses on the identification of the services provided in the port. This task has some difficulties as every port is unique regarding the socio-economic environment in which it operates, the services that produce, its target-market etc.

The second stage is to locate the potential benefits that are produced by the production of port services. Cities are historically benefited from the existence of a port complex in their territory (Helling and Poister, 2000). A port can produce several benefits like employment, economic development, trade facilitation, etc. In the international literature there are several researches regarding the economic impact of a port in its surrounding region, but they take into account only some benefits (mostly employment, revenues, and taxes). Thus it is necessary to identify the whole benefits that can be produced by a port (in the case of this research, a passenger port).

The final stage is the selection of an appropriate method for the quantification and the distribution of the benefits between the public and the private sector. Pallis and Vaggelas (2005b) examined three potential methods, namely Economic Impact Studies (EIS), Stakeholder Theory (ST) and Cost Benefit Analysis (CBA). These methods might be appropriate (especially the EIS) for the quantification of the benefits but they can be used for the benefits distribution. A follow up research (Vaggelas, 2006) examined two more methods, the Analytic Hierarchy Process (AHP) and the Game Theory with the Shapley Value solution. This study concluded that the AHP is an appropriate method for the quantification and the distribution of the benefits coming from the port services provision.

Thus the third stage of the proposed methodological framework is based on AHP. The prospective outcome of the application of the proposed framework in a forthcoming research will be the percentile participation of the private and the public sector in the total benefits. As a result, the two sectors might participate in the total port costs by the same percentage. The proposed framework is shown on figure 1.

Figure 1. The proposed methodological framework for the benefits distribution



4.1. Port Services produced in a passenger port

As passenger ports are neglected in the international literature there is not any scientific study regarding the services that *might be*, or *are* produced in a passenger port. An exception is a study from Chlomoudis *et al* (2004) in which the authors provide a limited number of port services. Based on Pallis and Vaggelas (2006a) who conducted a field research in 20 of the bigger passenger European ports, a list of potential services in passenger port can be extracted. According to these studies, which are based on the theory of intermediate and final port product³, there are 53 different port services that might be produced in a passenger port.

From these services, 17 are characterised as *core* services because they produced in every passenger port of the sample either because are necessary for the port existence or because they are mandatory under EU legislation. The core services are divided in 6 categories according to the scope of each service (i.e. services to ship, services to passengers, services to vehicles, safety and security services, navigation services and environmental management services). The framework to be proposed is based only in the core services for two major reasons: a) these services are vital for the existence of a passenger port and (b) they are the most costly services as they related to the infrastructures of a passenger port. Table 3, presents these 17 core services.

Table 3. Core services in a passenger port

Category	Core services
Services to vessels	Anchorage, Mooring-Unmooring, Pier
Environmental management services	Ship waste management, Anti-pollution equipment
Services to vehicles	Connection with road network, Port road network, Port area infrastructures for vehicles
Security and Safety services	Security, Safety
Services to passengers	Embarkation-Disembarkation, Connection infrastructures with transport network, Passenger terminal station
Navigation services	Breakwaters, Navigation Channel, Port basin, Port signalling

Source: Vaggelas, (2006)

³ According to this theory the intermediate port product are the port services that are used as inputs for the production of the final port product (for a thorough review see Chlomoudis *et al*, 2004)

4.2 Benefits resulting from the port services production process

The second stage of the proposed framework is to trace the benefits that can be produced from the provision of port services in a passenger port. Baird (2004) agrees that the existence of a port is of vital importance for the transportation of passengers and cargoes helping in trade facilitation and thus contributing in a country's economic development.

Pallis and Vaggelas (2006b) through an analytic examination of the benefits that can be produced by a passenger port, conclude in a list of 19 unique benefits. These benefits are categorised either as direct or as indirect. The former group refers to the benefits enjoyed by those directly involved in port operations (i.e. shipping companies, passengers, employees etc), while the latter group refers to the induced benefits that are enjoyed by the external port environment (i.e. society). Table 4 presents the 19 direct and indirect benefits.

Table 4. Direct and indirect benefits coming from port services production process

Direct Benefits	Indirect Benefits
<ol style="list-style-type: none"> 1. Employment 2. Direct taxes 3. Contribution to GDP 4. Trade Facilitation 5. Access to markets and products 6. Income generation 7. Investments augmentation 8. Urban Planning 9. Local & Regional Development 10. Value Added 11. Lower transport costs 12. Potential development 13. Access to a wide range of port- related services 14. Free Trade Zones 	<ol style="list-style-type: none"> 1. Employment (induced) 2. National Security 3. Indirect taxes 4. Land value increase 5. Feeling of safety for citizens

Source: Pallis and Vaggelas (2006b)

Having identified the port services and the benefits coming from their production the final step toward the definition of a relevant framework is the application of the AHP for distributing the benefits between the public and private sector.

4.3. The application of AHP for benefits distribution

AHP is mainly a multi-criteria method for decision process. It requires the development of a hierarchical model which contains several criteria. Based on such a model, a number of pair comparisons are extracted in order to form a questionnaire. This is distributed to experts on port industry issues who make estimations in every pair comparison. The estimations are then processed and the result is the percentile participation of the public and the private sector in the total benefits produced from a passenger port.

The main advantage of AHP is that can be applied in order to estimate the specific gravity of qualitative and quantitative criteria (Badri, 1999). This advantage is very important in the current research as some benefits resulting from port services provision are quantitative while others are qualitative. Moreover, according to Bodin

and Gas (2003) AHP is in position to estimate with great accuracy the specific gravity of every criterion, as the experts will estimate the unknown to them specific gravity, when they compares it with the other criteria.

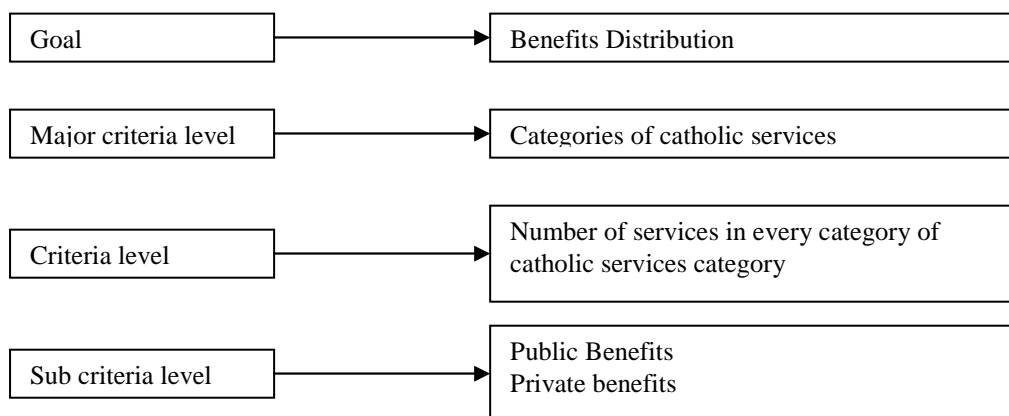
Regarding the disadvantages of the AHP, a major one is the use of experts. Despite the fact that the use of expert’s opinion is a well recognized research method, it doesn’t mean that these opinions are expressing the actual situation. This is because the expert’s opinions represent mostly estimations and moreover there is the issue of subjectiveness in their estimations. Thus at this point it must be clarified that the results from the application of the proposed framework will be an estimation of the actual situation.

The application if AHP requires the completion of three steps (Wedley et al, 2001):

- A) The development of the hierarchy model
- B) The pair comparisons
- C) Data process and extraction of the specific gravity of every criterion.

The development of the hierarchy model will base on the catholic services and their categories only. Except from the reasons mentioned in section 4.1 the use of the total number of port services (53) will cause problems regarding the capability of applying the AHP. Millet and Harker (1990) concluded that if the number of the criteria (in the case of this research the number of port services) increase, then the number of pair comparisons will also increase. This can easily result in experts constraints which might decrease the model efficiency. Moreover, according to Saaty (1994), every criterion must have the same importance with the other criteria in a given level of the hierarchy model. Thus by using only the core services in the proposed model this study enhances its reliability; these services are of equal importance because they provided in every passenger port. Figure 2 provides a brief description of the constructed hierarchy model.

Figure 2. The levels of the hierarchy model



Based on the hierarchical model the research can extract the number of the pair comparisons. In the major criteria level there are 6 elements (the categories of the catholic services) so the pair comparisons will be $5+4+3+2+1 = 15$. At the criteria level there are 17 pair comparisons. The same is true in the sub-criteria level. Thus the total number of the pair comparisons is 49.

The next step in the research is the development of a questionnaire that contains the 49 pair comparisons. Moreover to the research might progress by designating a case study, i.e. the passenger port that (a) will contribute in the selection of the appropriate experts who will participate in the research and (b) will contribute in the testing of the methodological framework.

Based on Sirikrai and Tang (2006) the sample of experts shall represent a holistic approach of the port industry, thus the research will choose experts from different sectors (i.e. shipping industry, port industry, regulatory authorities and academics). Of course, all of them must have a confirmed knowledge and experience on port industry issues. The experts will be asked to make judgments in the pair comparisons on a nine point scale based on which element produces more benefits and how many times more comparing with the other.

The final stage of the research will be the data process with relevant PC software. *The results will be in the form of a percentile representing the share of the total benefits produced from the port services production process in a specific passenger port that are enjoyed by the public and by the private sector respectively.* It needs to be stressed that the final results are the synthesis of the experts' estimations in the pair comparisons, rather than the actual conditions. Taking into account that until now there is not any method that can determine the interface between the two sectors in the port industry and not least to distribute the benefits or the cost between these sectors, the proposed framework is a first step towards this direction. Besides, the final results can provide the base for further developments or cooperation between the two sectors, for example in a case of a Public Private Partnership.

5. CONCLUSIONS

The port industry has rapidly changed the last two decades. The formation of global players and the new world of productions had significant effects. Nowadays ports are operates in a highly competitive environment, trying to be effective in order to survive.

Many European countries moved towards the liberalization of their port industry in order to attract private companies hopping that with their capitals and know-how will help in increasing the competitiveness and effectiveness of their ports. A brief examination of the European port industry reveals that the participation of private companies in the port services production process is the rule rather than the exception. On the contrary there are some European countries, including Greece, which didn't followed this trend and their port industry is characterized by the highly intervention of the public sector.

Few months ago, Greece started a new reform process aiming at granting the two major ports of Piraeus and Thessaloniki to private companies. This initiative caused the intense reaction of the port labour unions which resulted in standstill. But soon or later Greece should liberalize the port industry in order to gain a competitive position in the Mediterranean region. If we take into account that rival countries such as Spain, Italy and more recently Turkey, managed to reform their port industries in a successful way, then Greece should move faster towards a new port reform.

The forthcoming reform it might result in the participation of private companies in the port services provision market. The private participation will contribute in solving some current problems (i.e. effectiveness) but it will cause other problems. The most important is the fair distribution of the port services production cost, something that is also desirable for the EU, between the private and the public sector.

The paper proposes a methodological framework that will contribute in the fair cost distribution based on the principle “beneficiary pays”, i.e. on the benefits obtained by each sector. Based on previous studies the services and the benefits that can be produced by a passenger port have been defined. Based on these, a hierarchical model has been developed which concluded in the construction of the questionnaire.

The final step of the proposed framework which is also a proposal for further research is the selection of a case study passenger port (i.e. Piraeus) in order to test the reliability and the performance of the framework.

The framework can be a useful tool for defining the rules governing the Greek port system. The relevant regulatory authorities might also use it both prior and after the implementation of the projected reform. The intention of the Greek government is to initiate a concession process at least in the case of the two major container ports of the country. As in any case of “privatisation”, liberalization, or other form of a market opening, attention should be on avoiding inequities which might wrongly discriminate against some of the contracted parties. Thus in the case of Greece, the public sector shall not accept a concession fee lower than the real value of the port infrastructures and superstructures. The same also applies for the private sector, i.e. it shall not pay a concession fee higher than the actual market value of the container terminals.

The proposed framework can be a background to facilitate reaching an optimum ending (when each sector will, normally, try to gain the more from the concession agreement). The benefits that each sector obtains from the port services production could be the base for an analogous and fair distribution of the port costs associated with the operation of a competitive port. Thus the results from the forthcoming application of the proposed framework could provide valuable signs as regards the present conditions and the benefits that each sector obtains from port services provision.

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