5. CONCLUSION AND ISSUES RAISED

This study attempted to compare port tariff systems adopted in the ports of the ESCAP region in terms of tariff structure as well as actual tariff levels. One of the advantages of tariff comparisons is that it can show if tariffs are reasonably in line with neighbouring competitors. Tariff comparisons also provide useful marketing information in this increasingly competitive environment of port operation and management. During the course of the study, however, difficulties and shortcomings were posed and some important issues were raised for further review and analysis.

5.1 Model tariff structure

This study utilizes as a comparison base the ESCAP/UNDP Model Port Tariff Structure developed in 1989. The survey results reveal that many ports in the region have fairly simplified port tariff structures, which are similar to the ESCAP model. In some ports of the region, however, tariff items are divided in too much detail, particularly for charges included in the cargo operations group. Nomenclatures of port tariff schedules are not the same across the ports surveyed.

A sound pricing system should be clearly understandable and comparable between one port and another. If port charges are calculated on comparable bases, users will be able to assess the amount of the various charges more accurately, and so reduce the uncertainty in their estimates. Ports also have an interest in adopting comparable bases for calculating charges, since it will be easier for them to evaluate their competitiveness with regard to other ports. It is also desirable to explain clearly each charge specifying which services are included and which are excluded.

Transparency and comparability of port tariffs could be achieved by adopting a common tariff structure among ports, simplified through the consolidation of similar charges.

Following trial implementations of the ESCAP model tariff to four ports in the region, it was reported that the ESCAP model could be easily adopted for use in any regional port and existing charges could be mapped directly to the four service groups in the model structure. Assistance could be provided to the governments and port authorities in the region that might wish to adopt the ESCAP model to simplify their port tariff structure through related advisory services.

5.2 Comparison of port tariff levels

The underlying assumption for tariff comparisons is that the charges being compared are for the same services and ports being compared are competing for the same traffic, which is, in fact, not realistic. Services that are provided for the same tariff item may differ from one port to another. The quality of service may not be comparable and the cost of providing services may be different among ports because the mix of labour and capital employed in providing the services may not be the same. The traffic that will bear port charges may also differ among ports, and the ability to pay the charges may be different depending on competitiveness.

This study attempts to tackle this limitation by creating two hypothetical ships carrying container cargoes and by making a common assumption on the number of containers to be loaded and unloaded in each port. However, this approach also poses unrealistic scenarios and still ignores differences in service quality that may impact on the total costs of port users.

Therefore, the result of the tariff level comparison should not be considered a rating of ports in terms of tariff level. The ratings produced by the analysis indicate the relativity of tariff levels based on two different conversion ratios, namely average exchange rates and purchasing power parity.

Nevertheless, it can be inferred from the results of the tariff level comparison that there exist wide gaps in port tariff levels across the ports in the region. The highest tariff level could be more than seven times higher than the lowest.

The great disparities may be due to differences in the cost of providing port services, which may occur because of lack of cost control, ineffective labour management, and/or institutional inefficiencies such as rigid dock labour schemes creating chronic over-staffing, restrictive work practices, and high wages. Further analysis to identify the main causes of the differences could help governments and port authorities to place themselves in a more price competitive position.

5.3 Trigger model for tariff revision

Ports are also increasingly required to be financially viable and sustainable. For the majority of public and even private sector ports in the region, however, price changes require government approval. The revision of port tariffs can, therefore, be a lengthy process. This results in infrequent yet substantial price increases. This in itself can be problematic for port users and a disincentive to potential private sector investors who would like to ensure an appropriate revenue stream.

An approach to assisting ports more effectively to keep pace with changing cost structures could be the development of a trigger mechanism in which predefined cost indicators such as inflation indices, can be used as the basis for future tariff adjustments. Through this approach, ports would be able to adjust prices to reflect changing costs without resorting to government approval. Port users, who would like to avoid significant and abrupt price increases, could also benefit from the trigger mechanism.

However, port tariffs are not always determined purely on the basis of costs. As discussed in chapter 2, different groups of tariff items can be determined based on different pricing factors: costs, performance, value of the service and market. Adjusting tariffs according to the cost increase therefore may not be enough for ports to keep financially viable and sustainable. In particular, private sector port operators wish to ensure an appropriate revenue stream. In this case, the real income level of the port operators could be maintained by adjusting tariffs taking into account the increase in real gross domestic product.

As a trial attempt to address this issue, a set of port tariff setting models has been developed on the basis of cost recovery. A trigger model for the port tariff revision has also developed in a very simple form. These models are presented in annexes III and IV. These models could be further elaborated to assist the government and port authorities in the region to make pricing decisions in a more effective manner.