Legal Framework for Dry-Port Development and Operation in Korea

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I. Introduction

1-1. Challenges of Seaport

The rise of emerging economies has been marked by a transformation in transportation and logistics toward integration and sophistication of functions in supply chains.

- International Trade
  - Increased Export
  - Increased Import

- Supply Chain
  - Integration
  - Sophistication

- Social Demand
  - Congestion
  - Pollution

Demand for Increased Capability of Sea Port
I. Introduction

1-2. Definition of Dry Port

A logistics center connected to one or more modes of transport for the handling, storage and regulatory inspection of goods moving in international trade and the execution of applicable customs control and formalities.
I. Introduction

1-3. Importance of Dry port

Dry Port can be an economical and effective measure to complement international and domestic transportation services with intermodal connectivity.
I. Introduction

1-4. Dry Port Functionality

The role of dry port varies depending on country and region. Many dry ports have shown a consistent pattern of their evolution.

Functional Evolution of Dry Ports.
Reference: UNESCAP(2006a)
II. Scope of Research

2-1. Acts and Factors of Dry Port

Development and operation of dry port shall be implemented with related law and institution which is the basis for other factors that influence implementation of a dry port.

Dry Port
(Inland Container Depot)

Factors that influence implementation of a dry port

Law and Institution
- Infrastructure
- Environment
- Land Use
- Political and Economical Decision

Actors that are influenced by a dry port
- Seaport
- Shippers
- Rail operators
- Road operators
- Society
3-1. Theoretical Background

The importance of institutions in economic development has been well established. (North, 1990; Williamson, 2000; Hall, 2003; Acemoglu and Robinson, 2008)


III. Theoretical Background and Methodology

3-2. Methodology: Case Study

- implementation of the laws and institutions by Korean government.

**Case Study**

**Institutional Framework**

**Legal Framework**

**Government Organization**

**A Case of Uiwang ICD Development & Operation**

**Implications from Korea’s Experience**
IV. Empirical Finding

4-1. Uiwang ICD Development

Korean government decided to develop Uiwang ICD with social demand with growing economy in 1990’s. The laws for the development were relevantly introduced.
4-2. Legal Framework of South Korea

Act on the development and management of logistics facilities and act on public-private-partnership in infrastructure consist of legal framework for dry port development and operation.

IV. Empirical Finding

Dry Port (ICD)

- Planning
- Authorization
- Operation
- Financing

Act on the Development and Management of Logistics Facilities

Act on Public-Private-Partnerships in Infrastructure
IV. Empirical Finding

4-2. Legal Framework of South Korea

Act on the Development and Management of Logistics Facilities

**Article 1 (Purposes)**
Rationally laying out and management of logistics facilities

**Article 2 (Definitions)**
Logistics Facilities, Logistics Terminals
Complex Logistics Terminal Businesses

**Article 7 (Registration of Complex Logistics Terminal Businesses)**
Guidelines for registration of complex logistics Terminal Businesses

**Article 20 (Support for Development of Logistics Terminals)**
Financial, landing and infrastructure support from Government

**Article 20-2 (Supports for Activation of Logistics Terminals)**
Granting authorization for revision to the execution of project including the installation of a manufacturing facilities and its ancillary facilities

**Article 30 (Authorization, Permission, etc. Deemed Granted)**
Guidelines for authorization, permission, etc. and deemed granted

Support and guide for development and management of dry port and ICD
IV. Empirical Finding

4-2. Legal Framework of South Korea

Dry port operators shall be deemed granted the relevant authorization, permissions, etc., after it gets approval on its plan for construction from MOLIT.

**Construction Plan by Logistics Terminal Operator**

- Construction Plan
- Changes in Construction Plan

**Ministry of Land, Infrastructure and Transport**

- Approval
- Public Announcement

**Authorization, Permission, etc. Deemed Granted under Other Act**
The central or local **governments** can support developing and **activating dry ports** in both direct and indirect ways.

**Supports for Development and Activation of Logistics Terminals**

**Logistics Terminals**

- **Development**
- **Activation**

**Supports and Incentives from Government**

1. **Granting Loans** to Logistics Terminal Operators
2. **Providing Funds** for installing Roads, Railroad, and Water Ways.
3. **Arrange of Request** to the Competent Mayors or Governors in Securing the Project Site or Installing Urban or Local Planning Facilities
4-2. Legal Framework of South Korea

Act on Public-Private Partnerships in Infrastructure

Chapter 1. General Provisions
Purpose, Definitions, Composition and Operation of Committee

Chapter 2. Infrastructure Facilities Projects
Guidelines for implementation of PPP Projects

Master Plan for PPP Projects
- Management and Operation of Infrastructure Facilities
- Infrastructure Credit Guarantee Fund
- Investment and Financing Collective Investment Scheme for Infrastructure Facilities

Implementation of Infrastructure Facilities Projects

Chapter 3. Supervision

Chapter 4. Supplementary Provisions

Support and guide for development & management of dry port and ICD
Government should establish and publicize the master plan of the private investment project.

Master Plan by Government

- Formulation
- Notification
- Public Announcement

PPP Projects
PPP Facilities Project

Details of Master Plan

1. **Direction** of the Private Investment Policy
2. **Scope** of Investment
3. **Methods** and **Conditions** of the Private Investment Project
### 4-2. Legal Framework of South Korea

Concessionaire is deemed to be received the **authorization, permission, etc.** set out in the related laws **when the competent authority notifies the implementation plan.**

<table>
<thead>
<tr>
<th>Competent Authority</th>
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<tbody>
<tr>
<td><strong>Approval</strong></td>
<td><strong>Confirmation</strong></td>
</tr>
<tr>
<td>Implementation Plan</td>
<td>Construction Completion</td>
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- **Implementation Plan**
  
  Concessionaire must get approval of the implementation plan prior to the implementation of PPP project.

- **Construction Completion**
  
  Concessionaire should submit a construction report to the competent authority.

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**Authorization, Permission, etc. Deemed Granted under Other Act**
IV. Empirical Finding

4-2. Legal Framework of South Korea

The private investment facility project shall be managed and operated in accordance with the provisions of the concessionaire agreement.

Concessionaire Agreement

### Implementation Plan

- Concessionaire must get approval of the implementation plan prior to the implementation of PPP project.

### Construction Completion

- Concessionaire should submit a construction report to the competent authority.

Rights to Manage and Operate Infrastructure Facilities

1. Concessionaire shall register its rights to manage and operate facility.
2. Concessionaire shall be responsible for the proper maintenance.
The important function of the two acts for dry port development is to simplify legal steps and prevent legal conflict with authorization, permission, etc. deemed granted under other related acts.

Act on the Development and Management of Logistics Facilities

Act on Public-Private Partnerships in Infrastructure

Authorization, Permission, etc. Deemed Granted under Other Act

Simplify the Legal Steps Prevent the Legal Conflict

Encourage Development of Dry Port with Organized Legal Framework
V. Discussion & Conclusion

5-2. Conclusion

Legal framework affects entities which involves in dry port development. It will be the guideline for government and private sectors to collaborate for dry port development and operation.

- National Logistics Master Plan
- National Logistics Facilities Master Plan
- Act on the Development and Management of Logistics Facilities
- Act on Public-Private Partnerships in Infrastructure
- PPP Participation
- Project Development Plan
V. Discussion & Conclusion

5-2. Conclusion

Legal framework and institution for dry port development **shall clearly state** entity, roles, responsibility and relevant **process** for planning, authorization, operation and financing **of dry port development.**

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Minimize Legal Conflict

Clarify **Grey Area** for Logistics Facility Development
KOTI and Eastern Asia Society for Transportation Studies started a joint research project on “Establishing Legal and Institutional Basis for Efficient Dry Port Development in East Asia”.

2. Joint Research Group: KOTI, EASTS, Experts from South East Asia
3. Joint Research Contents
   - General information of the country
   - Government organization
   - Institutional and legal framework
   - Diagnosis on current system for developing logistics infrastructure
   - Conclusion and suggestion

We invite UNESCAP member countries to join in this research project.
- Government officials, civil experts, professors
Thank you

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