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happen in Scotland till we sort out our ports.**

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Introduction

Trade development is rightly considered a central pillar of the Scottish Government's economic strategy¹. However, it is not at all clear that the Scottish Government fully understands how trade is actually developed, or what the existing barriers to trade are. There is very limited national emphasis, for example, on improving Scotland's vital transport infrastructure such as ports or shipping connections that are essential for international trade. In addition, it is not clear that the Scottish Government has the necessary policies in place to facilitate the required scale of growth in specific trade sectors in order to meet its objectives. The importance of trade as a determinant of economic growth cannot be overstated. According to the Fraser of Allander Institute, and in reference to Scotland: 'General sustainable recovery can only be guaranteed ... if the country vastly increases its exports'². Note the need to 'vastly increase' exports, from what is the current low base. Economists advocate a range of economic 'tools' to help in developing trade, but one issue they often forget, at least in Scotland, is that international trade of physical goods and commodities depends on ports and shipping services - these are 'activities' Scotland used to be reasonably good at. It stands to reason, therefore, that as economic growth depends on trade, and trade depends on ports and shipping, this means that economic growth must also depend on ports and shipping services.

This policy paper focuses on the role of seaports and their impact on trade development. There have been significant changes in terms of the ownership and regulation of Scotland's major ports over the past 25-30 years, and not all of them have been positive for trade or for economic growth. Privatisation led to rapid transfer of the ownership of ports from public to private sector, at heavily discounted prices. However, crucially, this transfer failed to ensure subsequent investment in new modern port infrastructure, which is vital in order to allow trade to expand. At the same time, ongoing technological advances mean the needs of international shipping and logistics firms have fundamentally altered, and continue to change. This requires ports to adapt and modernise, demanding significant investments in new port infrastructure. In this context one can logically argue that, if a country does not upgrade its ports, and the ships do not come (or cannot come due to physical and technological constraints in ports), then trade and economic growth will obviously be constrained.

¹ <http://www.gov.scot/Publications/2015/03/5984>

² <http://www.scotsman.com/news/politics/top-stories/debt-fuelled-spreed-won-t-help-economy-experts-warn-1-3164882>

The paper begins with a review of trade data and trade ‘support’ provided at the national level in Scotland. This sets the economic policy background for what might be termed the current *trade facilitation* initiatives undertaken by the Scottish Government. The next section outlines the present major port ownership position in Scotland and highlights the implications this has for trade development and economic growth. A comparison of trade development and port investment between Scotland and other similar sized nations is presented. This is followed by analysis of the weaknesses inherent in the distinct ‘model’ of port privatisation adopted in the UK, with emphasis on the key areas of investment and regulation as pertaining to Scotland. The final section offers conclusions and recommendations.

Trade support in Scotland

A recent Jimmy Reid Foundation paper by Margaret Cuthbert sought to analyse how well Scotland is served by the UK and Scottish Governments and by their economic agencies in relation to international trade and development support.³ That paper identified a number of weaknesses in relation to existing policy, reflecting Scotland’s relatively poor trade performance. It suggested that: ‘unless there is a radical change in attitude, in systems, and in working methods by government and government agencies, Scotland will be seriously hampered in improving trade performance’.

The paper highlighted the Scottish Government’s target to deliver a 50% increase in the value of international exports for the period 2010 to 2017. It found that, far from trade increasing, between 2002 and 2013 international exports from Scotland actually fell by 2.5% in real terms from £20.14bn in 2002 to £19.64bn in 2013 (based on 2002 prices). Scottish manufactured exports fell by a considerable 22.8% between 1999 and 2014, to a large extent reflecting the collapse of the electronics sector. The paper further suggested that Scotland needed a healthy tax base to provide funding for public services, and cautioned that an ongoing mediocre export performance would inhibit this.

The paper also identified the structure of Scotland’s exporting sector as problematic in that relatively few large firms of more than 250 employees dominate Scotland’s export trade. These firms are responsible for 64% of all exports in the production and construction sectors, with 60% of international exports attributable to only around 100 businesses. Whilst Scotland has many thousands of small businesses, at the moment these small firms contribute little to Scottish exports, and as a consequence Scotland is dependent on a narrow exporting base. This implies an urgent need to both raise export volumes, and to increase the number of smaller firms in the economy involved in exporting. However, this also means there is a need to better understand the underlying reasons why Scotland’s export performance is worsening, which is a key aim of this paper.

For 2014, HMRC estimated that Scottish exports to countries outwith the UK was £19.6bn, with imports at £15.15bn, whilst the *Global Connections Survey* estimated Scottish

³ Cuthbert, M. (2015) *Growing the Scottish Economy: is Scotland well served on international trade and development?* Jimmy Reid Foundation, September. <http://reidfoundation.org/2015/09/facts-on-trade-and-industry/>

international exports to be £27.875bn albeit the latter's findings were questionable on a number of counts, not least a limited sample. In 2002, 58.6% of Scotland's exports went to the rest of UK: since then the UK share has become larger, reaching 68% in 2007, before falling back to 62.4% in 2013. This means Scotland's trade is dominated by just one destination market, further suggesting that Scotland is not as competitive in exporting worldwide as it could be, reinforced by the fact exports are declining in real terms.

In terms of Government support for trade, Scottish Enterprise/Scottish Development International has a budget of £34.1m in 2015-16, and UKTI reported that they spent £13.9m in 2013/14 on Scotland's behalf, giving a total spend of almost £50m per annum. However SE and SDI were unable to give any detailed breakdown of their past performance in terms of generating improvements in exports as a result of this expenditure. In the main, SDI provides services to attract inward investment into Scotland, with rather less emphasis on actual trade development. No information is provided by SE/SDI in terms of actual trade growth as opposed to projected growth in exporting from their activities, and no information is given in SE/SDI reports on the amount of spend and labour resources used in its trade and investment role.

As Margaret Cuthbert concluded in her paper: 'data are not available to make any meaningful judgement of how well the agencies are doing in the ultimate goal of improving Scotland's export performance', and on this basis she asserts that Scotland must get 'a grip on how it manages its economic affairs', failing which there will be less room for manoeuvre in tackling austerity. Given the prevailing position of diminishing exports, this also raises questions about the longer term strength of the Scottish economy, about employment, and about Scotland's international competitiveness generally. Recommendations in the paper suggested the Scottish Government should maintain its own HMRC trade statistics based on VAT data as the major source for statistics on imports and exports. But a major concern identified is that there is simply no detail behind public money spent by SE/SDI/HIE, with Cuthbert stating that: 'We fool ourselves about the future and about economic strategy without knowledge based on an analysis of the facts'. So, fundamentally, Scotland needs to vastly improve its trade performance, at the same time making sure that increasing trade ensures benefits to the domestic economy, and that most of the benefit does not simply 'evaporate out of the economy', as is currently the case with financial surpluses from whisky exports, and to some extent with oil (the latter also penalised by high ship and cargo 'dues' levied by certain ports).

Whilst the Cuthbert paper highlighted the failure of existing public sector 'support' and public agencies in developing trade, it is also evident that there is little in the way of Scottish Government strategy or investment in terms of the essential transport 'hardware' necessary to convey trade (i.e. primarily ports and shipping services). Transport Scotland invests a considerable amount annually on internal transport, such as for new ferry terminals serving the many islands in Scotland, and it is soon to award a major £1bn shipping contract covering Clyde and Hebridean ferry services. However, the national agency has no budget line or strategy for investing in Scotland's strategic international port and shipping needs. Scottish Ministers in this regard have merely adopted the prevailing Westminster approach towards such ports, which simply assumes that 'the market' will provide international port

infrastructure and related shipping services as and when required⁴. Scotland's worsening trade performance, coupled with further evidence provided in subsequent sections of this paper concerning the fundamental matters of port ownership, port investment and port regulation over recent decades, suggests this to be a deeply flawed approach.

Port privatisation

Since the early 1980s, successive Tory Governments have sold off most major British ports, comprising extensive port land estates, cargo handling (i.e. terminal) activities, as well as port regulatory functions (i.e. the 'port authorities'). In most other countries the state has generally retained ownership of port land and merely rents/concessions (i.e. 'privatises' with a small 'p') cargo handling operations and associated port services (towage etc.). This has enabled other countries to continue to plan and invest in new port capacity in line with the growing trade needs of the national economy. In most other countries the state has also retained the public port 'authority' in its statutory regulatory role (i.e. for licensing port works, issuing by-laws, 'taxing' ships and goods, and economic and safety regulation within estuarial areas), however this is not the case in the UK where the new private port owners were also 'given' these important port regulatory functions (on dissolution of public port authorities at the time of privatisation). UK privatised ports have since been allowed (by statute) to more or less regulate themselves, and inevitably in their own interest.

Most of the privatised major UK ports (usually grouped by estuary) initially found their shares trading on the London Stock Exchange, quickly creating multi-millionaires out of former MBO (Management Buy Out) public port officials, also reflecting the fact that the City was able to more accurately value a port's real worth far better than Government⁵. Major UK ports have since been acquired by offshore registered private equity firms, and today the latter own virtually all major ports on Scotland's three main central belt rivers and firths – Clyde, Forth and Tay – serving the international trading needs of most of the Scottish economy.

Offshore registered private equity firms have paid a high premium to acquire Scottish ports; however, this does not reflect the quality or extent of assets acquired, but rather the significant local and regional monopoly power (and hence sustained profitability) that comes with ports⁶. In any event, this high premium has to be repaid through port surpluses and this means port charges are high and must remain high, which in turn acts as a constraint on trade development in Scotland. Scotland's major privatised ports are leveraged acquisitions which means the acquired ports carry a large debt burden (i.e. from loans facilitating their acquisition) that is 'loaded' onto their balance sheets. However, this is not debt used to invest in creating new port assets, it merely reflects the cash 'borrowed' by the equity fund 'managers' (or 'financial engineers') from 'fund' investors in order to acquire

⁴http://www.scottish.parliament.uk/S4_InfrastructureandCapitalInvestmentCommittee/Reports/Scottish_Government_response_to_the_ICI_Committee_report_on_Freight_Transport_in_Scotland.pdf

⁵ Baird, A. J. (1995) 'Privatisation of trust ports in the United Kingdom: Review and analysis of the first sales' *Transport Policy*, Vol. 2, No. 2, 135-143.

⁶ Baird, A. J. (2013) 'Acquisition of UK ports by private equity funds' *Research in Transportation Business and Management*, Vol. 8, 158-165.

the port business. A key issue here is that the resultant high level of indebtedness implies there is very limited scope for the port to borrow further in order to invest in building major new port capacity. This suggests the private equity financial 'model' is unsustainable for any economy that seeks to expand trade and achieve economic growth, primarily because moving more trade (and hence generating economic growth) cannot be done without first providing additional new port capacity. Other concerns with the private equity model of ownership relate to the lack of transparency, in the sense that nobody aside from fund managers know who the fund investors are, or where the cash used to acquire the port has come from, plus offshore registration allows these firms to avoid paying tax in the host nation where surpluses are generated.

So, what can the Scottish Government do about this situation? Ports in Scotland are a devolved responsibility, and there is nothing to stop the Scottish Government formulating its own 'ports policy', preferably as part of a wider maritime transport and trade policy. Such a policy should seek to estimate the port capacity that is needed in future, and to then provide that capacity to enable trade to expand and thereby ensure the economy can grow, and to plan and facilitate ongoing investment in essential port infrastructure and key international shipping connections (as other nations do). Government should also seek to return the statutory regulatory 'port authority' roles and functions which are currently held by offshore private equity firms, to the control of public agencies, as is the case in virtually all other countries.

Comparison with other countries

In comparison with other European nations, Scotland's port-trade position appears poor and under-developed. Indeed, the modest trade volumes flowing through Scotland's major container ports today (i.e. Grangemouth and Greenock combined) are more or less at the same level as that of Iceland's major port, Reykjavik, which handles 250,000 teu (twenty-foot equivalent containers) a year. Thus, Scotland's 'major' ports sector is comparable to Iceland in terms of total unitised cargo volume, despite the fact that Iceland's population is just one twentieth of Scotland's. Freight traffic moving through Irish ports amounts to over three million freight units a year, some ten times greater than the international traffic moving via Scotland's major ports, and volumes shipped through Flanders ports are even higher, in excess of ten million teu/year.

Holyrood's Infrastructure and Capital Investment Committee recently noted that investment has simply not occurred in Scotland's major ports for at least the past 30 years⁷. Spending on renewing port equipment is not considered enough. Scotland needs new, advanced seaport capacity to better serve modern ships and to help expand and facilitate trade in order to grow the economy. Public expenditure on Ireland's major ports over the last 30 years exceeds £3bn, aided in large part by EU funding. Completely new marine terminals have been developed downstream from the old/obsolete port areas at Dublin and Belfast, providing the capability to handle ever larger ships and greater trade and passenger volumes. Port investment in Sweden, Norway, Denmark and especially Flanders is also in the €billions over the past 30 years, during which time the needs of shipping and the logistics

⁷ <http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/90988.aspx>

role of ports has been transformed. Scotland appears, by comparison, a poor relation, having to make do with obsolete port infrastructure, much of it dating from Victorian times. This means Scotland's major ports are nowhere near internationally competitive, and the meagre trade volumes currently moving through our major ports compared with other nations, in addition to declining overall trade values, reflects this reality.

Because Scotland's major ports are inadequate, outdated, and expensive⁸, Scotland therefore attracts relatively few international shipping services, which means much of our international trade is 'leaked' via ports in England, from where more frequent shipping connections can be accessed. However, this alternative routing should not be viewed as positive or in any way as a sustainable long-term solution for the Scottish economy. Scottish trade that is currently more or less forced to access international markets by land via remote UK ports faces the very significant added burden of higher land transport costs, as well as costs from congestion and delays (e.g. on the Channel routes, plus road congestion throughout much of England, and rail capacity constraints). It costs as much to send a container by road/rail from Glasgow to Southampton as it does to ship the same container by sea from Europe to Asia. This costly dependence on access via remote ports in England not only ensures Scotland's lack of competitiveness, it acts as a constraint to any further development of new Scottish trade. Using routes via ports in England therefore negatively affects the competitiveness of existing trade, and inhibits development of new trade flows that could be generated if the Scottish economy benefitted from direct access to international markets via advanced, low-cost ports in Scotland and related shipping services.

Existing UK inland logistics arrangements, whereby most international imports to Scotland initially enter the UK via ports and then Regional Distribution Centres (RDC) in England, and are then moved north by road/rail as domestic movements, serves to add further costs to Scotland's transport account. This is another reason why it is important to provide advanced, cost competitive ports in Scotland, offering frequent international shipping connections, to help redirect much of this import traffic so that it might better access Scotland directly by sea from the continent. As well as helping to reduce transport costs, this would also provide related logistics/added value jobs at RDC's in Scotland (rather than south of the border as is currently the case).

Port investment and regulation

A key objective of any port regulator (i.e. port authority and/or national government agency) is to prevent the interception of economic rents by particular interest groups⁹. Major ports tend to be natural local/regional monopolies, so the interests of users and the wider economy (i.e. producers and consumers) must be protected accordingly. However, the UK port privatisation 'experiment' has had the opposite effect in that successive port owners, and today the aggressive offshore private equity firms, have enjoyed an unhindered

⁸ Baird, A. J. (1997) 'An investigation into the suitability of an enclosed seaport for cruise ships: the case of Leith' *Maritime Policy & Management*, Vol. 24, No. 1, 31-43.

⁹ Baird, A. J. (2004) 'Public goods and the public financing of major European seaports' *Maritime Policy & Management*, Vol. 31, No. 4, 375-391.

veritable feast as far as the interception of economic rents are concerned¹⁰. The price paid for this regulatory 'negligence' on behalf of the state is what we see today, i.e. a lack of port investment, constrained trade development, and weak (if any) economic growth.

The numerous, generally unrestricted and often archaic range of port charges (e.g. ship dues, cargo dues, conservancy fees, pilotage, towage etc.) still levied by private port 'authorities' on ships and cargo unfortunate enough to enter our outdated harbours equate to a 'private' tax on trade. The higher these port charges are, and research has shown them to be higher than other European ports¹¹, then the more likely it is that trade will fall, or that trade will simply not move at all. Industrial production is mobile and today easily shifts location, as Scotland knows only too well, whilst new trade is simply not facilitated. A government that ignores its seaports in this way, as is evidently the case in Scotland, also ignores its trade, and hence ignores a very significant part (if not the most significant part) of its economy.

A further consequence of the lack of investment in new port capacity here in Scotland, now stretching over several decades, is that Scotland's major central belt ports are today mostly technologically obsolete and entirely unsuited to accommodating modern ships and cargo handling systems. It is the contention here that this absence of port investment is one of the main, if not the main reason reasons, why Scotland's international trade performance is weak, and is becoming ever weaker over time. In turn, a weak trade position will inevitably be a significant contributory factor in respect of the nation's lacklustre economic growth.

By disposing of its major ports and disregarding their important regulatory functions, the UK (and Scottish) government has effectively withdrawn from the ports industry, with the result that the economy now depends on the 'market' (or rather, offshore private equity firms) to provide new port capacity as and when required. This assumption fails on a number of counts, not least the very long-term nature of port investment relative to the short-term nature of 'the market'; private equity funds have a maximum timescale of typically between 4-8 years, whereas a port's economic life has a much longer time horizon of well beyond 30 years¹². Ports depend on long term financing for new infrastructure. Moreover, the private equity *modus operandi* is simply to acquire mature, profitable port businesses; it is not intended to build new ports. In a largely self-regulated port market like the UK, private port owners have an incentive to restrict capacity because this has the effect of maintaining port charges at a high level; however, the consequence of this is usually congestion, which hinders trade growth and also constrains economic growth. As an illustration, if cargo volumes are growing at an average of between 6%-8% per annum at a given port (perhaps reflecting GDP growth just under half this level), the port in question will need to double its handling capacity every ten years¹³. However, when port capacity is constrained, economic

¹⁰ Fleming, D. F. and Baird, A. J. (1999) 'Some reflections on port competition in the united States and western Europe' *Maritime Policy & Management*, Vol. 26, No. 4, 383-394.

¹¹ Baird, A. J. (1997) 'An investigation into the suitability of an enclosed seaport for cruise ships: the case of Leith' *Maritime Policy & Management*, Vol. 24, No. 1, 31-43.

¹² Baird, A. J. (2000) 'Port Privatisation: Objectives, Extent, Process and the UK Experience' *International Journal of Maritime Economics*, Vol. II, No. 3, 177-194.

¹³ Baird, A. J. (1999) 'Analysis of private seaport development: the port of Felixstowe' *Transport Policy*, Vol. 6, 109-122.

growth will likewise be constrained. Ultimately, it is entirely irresponsible for any state to depend on speculative private equity funds to assume the responsibility for ensuring a country's new port capacity is provided in a timely fashion (i.e. essentially, new port capacity is required well in advance of trade growth). The state itself has to be far more proactive.

The specific port privatisation model(s) adopted in the UK (and virtually nowhere else¹⁴) has therefore resulted in very limited investment in the creation of new international port capacity in Scotland over the past 30 years¹⁵. In the UK as a whole, only a handful of major new port projects have been taken forward during this period, albeit these were mainly promoted by specialist international port operators, not private equity funds, and are in the few estuarial areas where public port authorities were retained (i.e. Thames/London Gateway and Haven/Felixstowe). One significant UK international port project taken forward by private equity owners, a new £300m quay at Liverpool, was delayed for a number of years until a capacity crisis point was reached, and the project only proceeded after significant public resources were committed by the UK government and the EU towards dredging costs, with over half the development costs being long-term financed by the European Investment Bank (EIB)¹⁶. The latter project is being managed (and part financed) on behalf of Guernsey registered port owner Peel Ports/Deutsch Bank by another private equity outfit, Lend Lease.

However, the absence of any major investment in new international port capacity in Scotland by private equity port owners, and the impact this has on trade and economic growth, remain the primary concern of this paper. The high debt burden that UK private equity owned ports continually carry on their balance sheet as a consequence of leveraged transactions, and the need to use any profits to pay interest on this debt (and 'fund management' fees), means these ports are clearly severely limited in their ability to finance major investments in new infrastructure¹⁷. Reflecting this reality, the private equity owners of Scotland's major ports on the Forth, Clyde and Tay, have no current or envisaged plans for any significant investments in new port infrastructure; essentially, this implies that Scotland's trade will continue to be constrained and, for the foreseeable future, Scotland's economy must depend on outdated, obsolete, high cost ports offering limited shipping connections.

The evidence therefore suggests that the prevailing UK port 'policy' over the past thirty years whereby international port provision has been left more or less entirely to 'the market' (i.e. to offshore private equity firms/leveraged acquisitions) has been and continues to be something of a disaster for Scotland's international trading position, which is now particularly weak in comparison with other similar sized countries in northern Europe. The lack of investment in new international port capacity and in shipping connections has undoubtedly held back economic growth. This will have had a negative knock-on effect on

¹⁴ Baird, A. J. (2002) 'Privatization trends at the world's top-100 container ports' *Maritime Policy & Management*, Vol. 29, No. 3, 271-284.

¹⁵ <http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/90988.aspx>

¹⁶ Anon (2012) Liverpool2 Container Terminal. Ship-Technology.com. <http://www.ship-technology.com/projects/liverpool-2-container-terminal/>

¹⁷ Pawlik, T., Stemmler, L., Baird, A. J. and Helch, M. (2011) 'The value of container terminal investment to ocean carrier strategy' *Maritime Economics & Logistics*, Vol. 13, No. 3, 319-341.

employment throughout the Scottish economy, not least in manufacturing, and further suggests that Scotland is simply no longer internationally competitive, evidenced not only by a worsening and constrained export position, but also by limited successes in terms of inward investment; firms will simply not locate in nations that lack modern ports and sophisticated shipping connections serving key markets.

There are clearly several very good reasons for ensuring that proper consideration is afforded by any national government to critical aspects influencing trade development, such as port investment, port capacity, port modernisation, and port regulation. Public port authorities, like any public authority, were created for a purpose. To dissolve these authorities was a negligent act, and the last thing any state should do is hand over maritime regulatory powers and key national port capacity and investment decisions to private port monopolies, yet that is effectively what the UK has done with its major ports. Scotland's economy has paid, and is still paying, a heavy price for this policy mistake, which should now be rectified as a matter of urgency.

Conclusions and recommendations

The evidence presented in this paper suggests that Scotland cannot afford to continue to depend on SE/SDI 'support', or on outdated and expensive seaports in order to develop trade. Scotland's public agencies, it seems, have never had a coherent, never mind a measurable strategy for international trade development; Scotland's limited and declining trade confirms the ineffectiveness of such support. In addition, the Scottish Government does not allocate any meaningful resources towards developing the international port and shipping infrastructure necessary for Scotland to trade successfully. Consequently, due primarily to our expensive and outdated ports, existing trade flows are weak and are becoming ever weaker as the Scottish economy continues to lose international competitiveness. It is therefore inevitable that something must be done beyond the current 'support', which in any event is inadequately defined or measured.

It is argued here that the failure of the present Scottish 'port market' to provide new international port capacity is one of the main reasons, if not *the* principal reason behind Scotland's poor and worsening trade performance. No economy can sensibly depend on the offshore private equity model of port ownership and regulation to bring about trade growth; by its very nature, the private equity model actually limits investment in new port infrastructure, whilst continually demanding excessive profits, followed eventually by selling on of what are 'mature' port assets to another 'fund' to do precisely the same thing over again. Ultimately, there comes a time when the nation's port assets are so obsolete and trade is so diminished that this model is completely unstuck; given Scotland's moribund trade position that time seems ever closer.

Scotland's major seaports today are debt-ridden, profit-maximising, self-regulating, estuarial monopolies owned by tax avoiding offshore registered private equity outfits, locked into a financial (i.e. debt-ridden) 'model' which effectively hinders new port investment and modernisation, leaving Scotland offering obsolete port infrastructure to an increasingly technologically advanced global shipping industry, the inevitable consequence of which is a serious barrier to trade and a block on economic growth.

Reflecting EU and international best practice, to remedy this situation Scotland ideally requires a Maritime Transport Policy¹⁸, as a key part of any wider trade policy. The absence today of such a policy is highly unusual for any nation with a coastline and dependence on shipping and seaports for its international trade¹⁹. A maritime transport policy will require adequate resourcing, not least to ensure Scotland is able to provide (as a matter of urgency) world class port facilities offering strategic and sustainable international shipping connections with the European continent and elsewhere. This task should not be difficult: Transport Scotland already invests heavily in dozens of ferry ports/terminals across Scotland, from Brodick and Ullapool to Kirkwall and Lerwick, and a myriad of related shipping/ferry connections, so this is not beyond our capability. Virtually all major ports throughout the EU (aside from the UK) remain public 'port authority' owned 'utilities' (albeit operated by private terminal operators under lease/concession agreements) so there is no state aid limitation here. The EU TEN-T Programme²⁰ actively encourages Member States to also develop 'Motorways of the Sea' (i.e. long-term, contracted, frequent, intra-European shipping/ferry services)²¹ to help facilitate trade, create employment and economic growth, and to bring about modal shift from road to sea thereby generating environmental benefits. Such a maritime policy would go (and needs to go) well beyond the lacklustre and ill-defined SE/SDI trade 'support' activities, and enable the Scottish Government to belatedly start to 'fix' the unfortunate legacy of a misguided UK port privatisation experiment that has left Scotland's economy at the mercy of self-regulated, rapacious, offshore private equity outfits that only serve as barriers to trade and hinder economic growth.

Taking some ports back into public ownership may be an option. However, care is needed here as much of the current major port capacity in Scotland is now technologically obsolete. It is, therefore, more likely that entirely new port capacity is required, quite possibly at more optimal locations, and there are different strategies the state can pursue to create new ports, such as offering public concessions to private firms to build and operate required ports and terminals. This strategy could be combined with an enforcement regime that requires port owners to adequately maintain and improve existing facilities, and to better regulate port charges. A new Maritime Authority for Scotland could aim to address these issues and further assume relevant port 'authority' regulatory responsibilities that currently reside with private equity port owners. The separate issue concerning redevelopment of obsolete docklands in urban areas requires another specific strategy, perhaps involving compulsory purchase where no imminent development prospect exists, yet societal needs prevail (e.g. for provision of new housing). Other important considerations include access to public and EU funding (the latter easier for state-owned infrastructure projects), taxation regime for ports and shipping investment, and the potential for any Free Port development within or in close proximity to new port infrastructure, in an effort to attract trade and industry.

¹⁸ Baird, A. J. (2005) 'Maritime Policy in Scotland' *Maritime Policy & Management*, Vol. 32, No. 4, 383-401.

¹⁹ Flitsch, V., Herz, N., Wolff, J., and Baird, A. J. (2014) 'Maritime Policy in the North Sea Region: Application of the Cluster Approach' *Maritime Economics & Logistics*, Vol. 16, No. 4, 484-500.

²⁰ http://ec.europa.eu/transport/themes/infrastructure/ten-t-guidelines/corridors/index_en.htm

²¹ Gese Aperte, X., and Baird, A. J. (2012) 'Motorways of the Sea Policy in Europe' *Maritime Policy & Management*, Vol. 40, No. 1, 10-26.

Note on Alf Baird: Alf began his working career in 1974 as a Liner Shipping Clerk at the port of Leith, then running a small packaging and freight forwarding company. After a degree in Business Studies at Napier University in Edinburgh in 1993, he was employed there first as a researcher and then as lecturer, completing a PhD on strategic management in the global container shipping industry in 1999. He was appointed Director of the Maritime Research Group at Napier in 1997, and in 2005 was appointed Professor of Maritime Transport, subsequently altered to Professor of Maritime Business. He has been a specialist advisor on maritime transport matters by a number of select committees of Parliaments in the UK, Northern Ireland and the Isle of Man, and as advisor to various government agencies and ports including Scottish Enterprise, Highlands & Islands Enterprise, Clydeport, and Orkney Islands Council. He left Edinburgh Napier University in 2015 although he is still actively involved in international research and consultancy activity, particularly in the maritime economics/policy/business areas, and with emphasis on ferry transport, container shipping, cruise shipping, and seaport policy and design.

