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PORT MANAGEMENT AND OPERATION IN MALTA

Dr. Kevin F. Dingli
Managing Partner
Dingli & Dingli Law Firm

ZDRASTVUYTYE !

- It is my pleasure to talk to you once again today, in the beautiful city of Odessa, on Port Management and Operation in Malta.
- This is a subject I have very much enjoyed researching.
- I am also indebted to Mr. Charles Schembri, Executive Director of the Ports Directorate, Malta Maritime Authority, for his guidance.

INTRODUCTORY THOUGHTS

- Port Services, essential for the functioning of Ports, have undergone fundamental changes in recent years.
- Previously a single, monopolistic provider, in many cases publicly-owned or controlled, was the rule.
- But over time **Market Forces** have gained ground, pushing back the Public Sector.
- Malta has not been immune to these winds of change.

IMPORTANCE OF HARBOURS TO MALTA

- The harbours of MALTA are the gateway of the Island to the outside world.
- The **excellent deep natural harbours** of MALTA, in tandem with the Island's **strategic location** in the Central Mediterranean, have been the single most significant factor to shape its history and destiny over thousands of years.
- These harbours have allowed MALTA to play an international role of importance far outweighing its size of 320 km2 and population of 400,000.

ROLE OF PORTS IN THE MALTESE ECONOMY

- Over 9,000 Ship Calls in Port / Designated Anchorages made in 2006.
- Around 1,000,000 tonnes of Bunkers provided to ships by local bunker barges.
- Around 1,500,000 TEUs of transhipment containers handled.
- Over 400 Cruise Ship Calls annually, with around 400,000 Passengers handled.

COMMERCIAL PORTS IN MALTA

- There are 2 major International Commercial Ports in Malta :

➢ **Port of Valletta** (Grand Harbour)

➢ **Port of Marsaxlokk** (Freeport)

PORT OF VALLETTA

- One of the most lovely deep water harbours in the Mediterranean, steeped in history over thousands of years.
- Today incorporates Malta Cruise and Ferry Port, and Grand Harbour Marina, as new niche markets.
- Offers a comprehensive Maritime Package that takes care of all Ships' requirements.

MARITIME FACILITIES AT PORT OF VALLETTA

General Cargo and Container handling	Passenger handling (Cruise / Ferry)
Ship Repair / Shipbuilding	Bulk handling silos (Grain / Cement)
Oil Terminals (Wet bulk)	Bunkering
Pilotage / Towage	Yacht / Superyacht Marina
Warehousing / Open Storage	Waste Reception

MAIN OPERATORS AT PORT OF VALLETTA

Viset plc	Passenger Handling	Private
Valletta Gateways Terminals Ltd.	General Cargo / Container Handling	Private
Malta Shipyards Ltd.	Shiprepair / Shipbuilding	Public
Kordin Grain Terminal Co. Ltd.	Bulk Handling (grains)	Public (to be privatised)

MAIN OPERATORS AT PORT OF VALLETTA

Enemalta Corporation	Wet Bulk Handling (petroleum)	Public
Tug Malta Ltd.	Towage	Public (being privatised)

Pilotage Cooperative	Pilotage	Private
Grand Harbour Marina plc	Yacht / Superyacht marina	Private (Listed MSE)

MAIN OPERATORS AT PORT OF VALLETTA

Bezzina Ship Repair Yard Ltd. Cassar Ship Repair Ltd.	Shiprepair	Private
Central Cement Ltd. Inter Cement Co. Ltd.	Bulk Handling (cement)	Private
Island Bunker Oils Ltd. Falzon Service Station Ltd.	Bunker Supplies	Private (largest 2 out of 8 operators)

PORT OF MARSAXLOKK

- Historically a fishing fleet port.
- Wet bulk operations (discharge of petroleum products / bunkering operations) also carried out in last decades, especially following construction of Malta's new Power Station at Delimara.
- Today host to The Malta Freeport Terminal – a major container terminal in the Mediterranean.
- Oil Tanking (Malta) Ltd. operates an independent oil terminal, offering storage, blending and bunkering facilities.

MARITIME FACILITIES AT PORT OF MARSAXLOKK

Container Terminals / Transhipment	Warehousing
Oil Terminals (Wet Bulk)	Bunkering
Pilotage	Towage

Malta Freeport Terminals Ltd.	Container Terminals / Warehousing	Private
Oiltanking Malta Ltd.	Wet Bulk Handling (Petroleum)	70% Private
Enemalta Corporation	Wet Bulk Handling (petroleum) (Delimara Power St)	Public
San Lucian Oil Co. Ltd.	Wet Bulk Handling (petroleum) (San Lucian)	Private
Tug Malta Ltd.	Towage	Public (being privatised)
Pilotage Cooperative	Pilotage	Private
Island Bunker Oils Ltd. Falzon Service Station Ltd.	Bunker Supplies	Private (largest 2 out of 8 operators)

LANDLORD MANAGEMENT

- Maltese Ports are not privately owned. The infrastructure (breakwaters, quays, etc) is State-Owned.
- BUT the various services offered by the Ports are mainly operated commercially by private entities / entities in the course of privatisation. These would own the superstructure (equipment, etc).
- The State maintains a regulatory / managerial role – which has been delegated to ad hoc Government Agencies (Malta Maritime Authoritiy / Freeport Authority).

MALTA MARITIME AUTHORITY

- MMA established by law in 1991 as a distinct body corporate functioning as a Government Agency.
- Powers formerly vested in the Director of Ports transferred to MMA.
- Setup allows for the distinctive management of the various maritime services Malta has to offer, but within a centralised framework.

PORTS RELATED FUNCTIONS OF MMA

➢ the efficient operation and further improvements of Ports;

- the human resources development of port personnel;
- the overall control for the preservation of good order in Ports and their approaches;
- the prevention and control of pollution of ports;
- the provision of appropriate safety measures related to Ports;
- the promotion abroad of Maltese maritime facilities;
  and
- advice to Government on matters relating to maritime activity and its development

PORTS DIRECTORATE

- Ports Directorate considered to be the 'Port Authority' for all Ports in Malta.
- Has (i) Regulatory and (ii) Managerial role.
- Ultimately responsible for Port Management and Development, ensuring the provision of facilities and services that guarantee the efficient and cost effective operation of Maltese Ports.

Ports Directorate as Regulator

- As Regulator, concerned with statutory compliance by all Port Operators, and with such key issues as :
  - ✓ Good order
  - ✓ Navigation
  - ✓ Port operations
  - ✓ Pollution prevention and control
  - ✓ Port Security

Ports Directorate as Manager

- In its Managerial role, the Ports Directorate is obliged to ensure :
  - ✓ The provision of Port Workers
  - ✓ Pilotage / Towage services
  - ✓ Mooring services
  - ✓ Other Ship requirements / Port-related services
- This does not mean that the Ports Directorate is a direct Service Provider itself.

SOURCES OF REVENUE OF PORTS DIRECTORATE

- Port Dues
- Berthage Dues (including anchorage)
- Rentals from Concessions (Viset, VGT etc)
- Miscellaneous (e.g. waste reception facility)

Commercial Role giving way to Regulatory Role

- Over time, a new approach has been adopted whereby the Ports Directorate is contracting out port related services to the Private Sector, thereby assuming a more regulatory role
- Passenger handling
- Cargo handling
- Pilotage services
- Towage services

PASSENGER HANDLING

- Responsibility for passenger handling services in Malta Cruise and Ferry Port, a specially designated area located in Grand Harbour, taken over by **VISET Malta plc**, a 100% privately owned company comprising various investors.
- Agreement with Government signed November 2001, following a public tender process. Concessionary lease entered into for a 65 year period.

CARGO HANDLING

- Responsibility for managing cargo handling at Valletta's Grand Harbour awarded to **Valletta Gateway Terminals Limited**.
- 30 year Concession granted by MMA in favour of this new cargo terminal operator with effect from July 2006, following a selection process.
- **Terms** : Lm350,000 annual concession fee + 2% throughput fee on annual gross revenue – payable to MMA. Contribution of Lm500,000 for upgrading Deep Water Quay.

VALLETTA GATEWAY TERMINALS LTD.

- Majority Shareholder : Portek Ports (Mauritius) Ltd. – a subsidiary of Portek Group (Singapore) – 55%
- Minority Shareholder : TF Shipping Agencies – a subsidiary of Tumas Group (Malta) – 45%
- VGT will be investing over Lm5,200,000 in infrastructure, superstructure and plant and equipment at Grand Harbour in 1st 3 years.
- Terminal handles conventional cargo, cars, RORO and containers.

FREEPORT AUTHORITY

- Freeport Zone established by Government in 1989 (Malta Freeports Act).
- Physically situated in the Port of Marsaxlokk.
- Malta Freeport Corporation Limited (MFC) declared to be the Freeport Authority.
- Main roles of MFC originally to act as Regulator, Investor and Landowner in specially designated Freeport Zone at Kalafrana, Port of Marsaxlokk.

DEVELOPMENT OF FREEPORT ZONE

- MFC developed Freeport Zone Area into a fully fledged operational and commercial Freeport comprising following activities :
  - Container Terminals (x 2) + Warehousing (operated today by Malta Freeport Terminals Limited)
  - Oil Terminal (operated by Oiltanking Malta Ltd.).

DISTINCTION BETWEEN AUTHORITY / OPERATOR

- In consequence of Restructuring (1998 – 2001), MFC now solely fulfils role of Landlord and Authority over Freeport Zone.
- Other Activities divested from MFC and passed on to Operating Companies.
- Malta Freeport Terminals Limited established in 2001 as the single Operating Company of the 2 Container Terminals, and of the Warehousing Facilities.

MALTA FREEPORT TERMINALS LIMITED

- Originally 100% Malta Government owned, fully Privatised in 2004.

- Transfer of Shares to CMA-CGM.
- Malta Government entered into 30 year Concession Agreement with CMA-CGM to operate and develop the Malta Freeport.

OILTANKING MALTA LTD.

- Subsidiary of Oiltanking Gmbh (majority shareholder - 70%). MFC minority shareholder (30%).
- Operates Oil Terminal at Malta Freeport.
- Current tank capacity of 361,600 cubic metres spread over 18 tanks.
- Aims to increase storage space to 526,000 cubic metres.

ROLE OF MFC TODAY

- **Regulator** (ensures compliance by all Freeport Users with provisions of Malta Freeports Act + License Agreements);
- **Provider of Security Services** (to Freeport Users, in accordance with International Ship & Port Facilities Security Code);
- **Surveillance and Management** (of Customs Free Zone and Free Warehouses).

EU ISSUES

- Malta is a Member State of the European Union. Therefore any EU issues in relation to Ports would be of immediate relevance.
- Out of the 27 Member States of the EU, 22 have Ports.
- Estimated that Port Sector handles 90% of the EU's trade with Third Countries; and 30% of Intra-EU traffic. Over 200 million passengers annually pass through EU Ports.

PROPOSAL FOR EU DIRECTIVE

- The Commission has since 14/11/2001 made a Proposal for a Directive of the European Parliament and of the Council on **<u>market access to Port Services</u>**.
- Proposal is inspired by already existing Community rules on Freedom to provide Services; the Right of Establishment; and Competition Rules.

THE COMMISSION PROPOSAL IN OUTLINE

- Not seeking to harmonise ports – their structure, the way they are run. Not even whether they should be public, private or a mixture of both. Nor to reduce management function of Port Authority.
- The aim is to effectively implement the right of a port service provider to freely offer his services, by removing existing limitations to free market access to port services; and by only allowing constraints thereto in limited and exceptional circumstances (local specificities : available space / capacity; maritime-traffic safety considerations).
- Procedural Rules (regulating professional requirements / numerical limitations / selection of – service providers) must become transparent, non-discriminatory, objective and proportional.

➢ Every prospective service provider to be given a fair and equal chance ;

➢ If Port Authority is also itself a supplier of port services, it cannot maintain a privileged position in regard to other commercial competitors. Alternative impartial decision process to be established by State.

PLEASURES YET TO COME ?

- The Proposal has not yet been approved by the European Parliament. In fact, twice rejected.
- However the Commission continues to persist in its belief in the necessity of establishing a Community legal framework for access to the provision of port services.
  - Pleasures yet to come for Port Authorities ?

CONCLUDING THOUGHTS - PRIVATISATION

- Recent developments in the **Privatisation** of port operations in Malta have undoubtedly enhanced efficiency and best practice, and can be said to reflect the current international trend in the port industry which considers ports as commercial entities which ought to recover their costs from port users who benefit from them, rather than from the taxpayer.

CONCLUDING THOUGHTS - LIBERALISATION

- However, The issue of complete **Liberalisation** of such operations, given the realities of the limited size of the market, the constraints of available space and the considerable investment levels required, is of course another question altogether.