

PE2029/O: Nationalise Clydeport to bring the ports and harbours on the river Clyde into public ownership

Professor Alfred J Baird written submission, 26 August 2024

Since the early 1980s successive British Governments have sold off most major ports in the UK. In most other countries the state has retained ownership of port land and merely rents/concessions (i.e. 'privatises' with a small 'p') cargo handling operations and port services (towage etc.)¹. This enables other countries to continue to plan and invest in new port capacity in line with the growing trade needs of the national economy. In other countries the state has also retained the public port 'authority' in its statutory regulatory role; however, this is not the case in the UK where new private owners were 'given' these important port regulatory functions. UK privatised ports have since been allowed (by statute) to more or less regulate themselves, inevitably in their own interest.

Most 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, reflecting the fact the City was able to more accurately value a port's real worth better than Government². Major UK ports have since been acquired by offshore private equity firms, and the latter now 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 economy³.

In comparison with other nations, Scotland's port-trade position appears poor and under-developed. Holyrood's Infrastructure and Capital Investment Committee previously noted that investment has simply not occurred in Scotland's major ports for at least the past 30 years⁴, i.e. since privatisation.

Because Scotland's major privatised ports are inadequate, outdated, and expensive⁵, Scotland therefore attracts relatively few international shipping services. This also means what remains of our international trade is 'leaked' via ports in England, from where more frequent shipping connections can be accessed. This costly dependence on access via remote ports in England not only ensures Scotland's lack of competitiveness, it acts as a constraint to further development of new Scottish trade.

¹ Baird, A. J. (2002) 'Privatization trends at the world's top-100 container ports' *Maritime Policy & Management*, Vol. 29, No. 3, 271-284.

² 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.

³ Baird, A. J. (2013) 'Acquisition of UK ports by private equity funds' *Research in Transportation Business and Management*, Vol. 8, 158-165.

⁴ [Infrastructure and Capital Investment Committee Report | Inquiry into freight transport in Scotland](#)

⁵ 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.

A key objective of any port regulator (i.e. port authority and/or national ports agency) is to prevent the interception of economic rents by particular interest groups⁶. Major ports tend to comprise natural local/regional monopolies, so the interests of users and the wider economy (i.e. producers and consumers) must be protected accordingly. However, the irregular UK port privatisation 'experiment' has had the opposite effect in that successive port owners, and today offshore private equity firms, have enjoyed an unhindered veritable feast insofar as the interception of economic rents is concerned⁷. The price paid for this regulatory 'negligence' is what we see today, i.e. the absence of port investment, constrained trade development, and weak (if any) economic growth.

The higher port charges are, and research has shown charges to be higher in Scottish ports than other European ports⁸, 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.

By disposing of major seaports the Scottish economy now depends on the 'market' (i.e. offshore private equity firms) to provide new port capacity as and when required. This presumption 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 typically between 4-8 years, whereas a port's economic life has a much longer time horizon of beyond 50 years⁹.

If cargo volumes are growing at an (international) average of between 6%-8% per annum at a given port (reflecting GDP growth just under half this level), the port in question will need to double its handling capacity every ten years¹⁰. However, when port capacity is constrained, trade and economic growth is also constrained.

The irregular port privatisation model adopted in the UK (and nowhere else¹¹) has therefore resulted in very limited investment in the creation of new international port capacity in Scotland over the past 30 years¹². On this basis I would urge the Committee to support this petition to return the Clyde port authority into public ownership. I would also urge the same in respect of the Forth and Tay ports authorities and a review of major trust ports.

[Note from the clerk – Alfred Baird is a former Professor of Maritime Business and was Director of the Maritime Research Group at Edinburgh Napier University.]

⁶ Baird, A. J. (2004) 'Public goods and the public financing of major European seaports' *Maritime Policy & Management*, Vol. 31, No. 4, 375-391.

⁷ 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.

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

¹⁰ Baird, A. J. (1999) 'Analysis of private seaport development: the port of Felixstowe' *Transport Policy*, Vol. 6, 109-122.

¹¹ Baird, A. J. (2002) 'Privatization trends at the world's top-100 container ports' *Maritime Policy & Management*, Vol. 29, No. 3, 271-284.

¹² [Infrastructure and Capital Investment Committee Report | Inquiry into freight transport in Scotland](#)