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Public Private Partnership: PORT OF AQABA, JORDAN

Jordan's only sea port, the port of Aqaba, located in the northern Red Sea, has been a major port since the Iron Age. It has a strategic geographic importance, as it is placed at the cross-section of trading routes between three continents namely, Asia, Europe and Africa and four countries, i.e. Iraq, Saudi Arabia, Israel and Syria. During 1980s, due to its multi-modal transport system, the port emerged as third largest Red Sea port after Suez in Egypt and Jeddah in Saudi Arabia. However, during late-1990s, this port started losing its competitiveness and demand among the users. With emergence of Dubai, Beirut and Latakia ports, Aqaba's Port importance in the Eastern Mediterranean started falling drastically.

In mid-2003 the terminal came at a standstill, experiencing the worst congestion in its history. There were delays and long waiting time for ships at berth, vessels docking at the port often faced anchorage waiting times of 150 hours, which led to a cascading effect on the earnings of local traders and shipping lines, which were then compelled to use ports in more distant Lebanon and Syria. The rising costs were affecting the Jordanian economy, and thus reforms were suggested to bring about changes in the ailing port system.

Reforms in form of Privatisation

Jordanian state had always retained control over infrastructure and industry sector. However, port of Aqaba crisis pushed the policy makers to cast reforms not only for the port, but also in other sectors as well. Consequently, 2001-2020 master plan was introduced. Under the new plan (Privatisation Law 25/2000), port ownership was allowed to be transferred from state control to a neutral party (the Aqaba Development Corporation) that could move ahead rapidly with reforms.

The investment required to modernise the terminal and make it internationally successful was estimated to be $500 million, a huge amount for an ailing Jordanian economy to provide for the port industry. Thus the idea of involving private sector was promoted. However, still there was lot of opposition pertaining to the credibility and accountability of private sector. After weighing the need of the economy and the consequences of giving private autonomy in infrastructure sector, the King Abdullah II, King of Jordan, along with other revolutionary policy makers, paved way for public private participation including the local and international private investors.

Concerns over Privatisation

Major concern for adopting PPP was that it might undermine national security as ports were the strategic assets of the country and such national assets should not fall into the hands of foreigners. Another concern was that, as the port was the largest employer in the region, privatisation would lead to layoffs.

Resolving through Reforms

The concerns over ownership of national assets were resolved by adopting a PPP model under which the ownership of port was left with government and the private players were made responsible for providing services (management contract). Also, measures were taken to curtail private autonomy, by not promoting long-term contracts and rather the government entered into PPP contracts lasting for two years.

Under the management contract, the private sector was only responsible for providing management services and not for any port infrastructure. These contracts were pilot projects, undertaken to evaluate the efficiency and effectiveness of private sector, many of them now being converted into long term (25years) contract. With reference to apprehension pertaining to layoffs, the Privatisation Law 25/2000, a clause was inserted to prohibit layoffs and involuntary dismissal of port employees.

Functioning of APM Terminals

In early 2004, leading international container terminal operators were invited to participate in the public tender. Of them, eight placed bids, and of these bids, APM Terminals was awarded the contract. To evaluate APM Terminals' work in the two year trial, the Aqaba Development Corporation created performance indicators to measure progress at the container terminal.

APM Terminals brought considerable expertise to managing the Aqaba Container Port. They cleaned the port to create new work environment. Workers were given onsite and overseas training as well as better compensation package. Achievement based rewards, onsite clinics, health insurance, meals and compensation for transportation were other incentives provided to the workers. The company also recognised the local norms and cultures among the workers. Earlier workers used to take prayer break (almost two hours in a day), which made the operation of port irregular and disruptive. The company devised a shift system to accommodate daily prayers among the port workers, allowing port operation to continue uninterrupted 24 hours a day.

The port of Aqaba started yielding results soon after APM Terminals took over its management, in fact, in 2005, 18 months after the contract was awarded to APM Terminals, it was chosen among the best three terminals in the Middle East and the Indian Subcontinent.

A Remarkable Change

The Port of Aqaba case offers lessons for policymakers. *Firstly,* it is essential to have a strong, influential team to champion reforms. In Jordan the King and his reform-minded technocrats brought a visionary approach to Jordan's development and the role of a vibrant and competitive Aqaba port. *Secondly,* global best practices, if adapted to the local context, are a good guide. It was clear that the way to modernise and manage the Aqaba Container Terminal was in public-private partnership. But given all the national concerns in Jordan about the management of strategic national assets by a foreign company, a graduated approach to the needed reform was adopted-hence the initial offer of a two year management contract and a subsequent 25 year joint venture based on an excellent management performance and favourable public opinion. *Lastly,* as infrastructure development need huge investments and professional know-how, private entities should be promoted and a level playing field should be created for them with the government entities. This will not only bring competitiveness but also efficiency and effectiveness in such sector.

Further Readings:

Doina Cebotari & Allen Dennis. 2008. A Public-Private Partnership Brings Order to Aqaba's Port. *Celebrating Reforms 2008*. International Finance Corporation and the World Bank. Available at http://www.doingbusiness.org/~/media/FPDKM/Doing%20Business/Documents/Reforms/Case-Studies/2008/DB08-CS-Jordan.pdf, last accessed on 03 October 2013.

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