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Regional Institutional Convergence? Reflections from the Baltimore Waterfront

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Abstract: This article discusses the process of institutional change across regions in response to structural economic, social, political, and technological change. It accepts as a starting point the assertion that institutional differences between regions account, at least in part, for differences in regional development outcomes. This assertion raises the question of whether institutions in different locales will converge or diverge over time. The article explores this question through a case study of institutional changes associated with the process of containerization at the Port of Baltimore. Despite considerable pressure for convergent change in various formal institutions, specifically with respect to port pricing and terminal leasing policies, important elements of a common-user approach to the operation of the port were maintained. This particular trajectory of institutional change is reflective of both the local political economy and the role of public officials in deliberating over formal institutional choices in the face of considerable uncertainty. The evidence supports a notion of institutional transformation in which regional institutional diversity, albeit in new forms, is maintained.

Key words: institutions, institutional change, regional development, port authorities, containerization.

Economic geographers have become increasingly interested in questions about the developmental salience, specificity, variability, and durability of institutions at the regional scale. This interest reflects a convergence of attention to regional and local scales in the current round of global economic restructuring (cf. Cox 1997; A. J. Scott 1998; Storper 1997; Taylor 2000) and the broader flowering of institutional analysis in the social sciences (for a review, see Immergut 1998). However, the insertion of institutional thinking into economic geography masks some important differences in our understanding of how new institutions arise, what role they play in human action, the mechanisms by which they are transferred from one place to another, and their implications for regional development.

This article discusses the process of institutional change across regional space in response to structural economic, social, political, and technological change. I argue that structural change leads not to institutional

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convergence, but to a process of institutional transformation, which itself provides a basis for ongoing unevenness in development. Institutions are understood in this article as taken-for-granted formal and informal rules, practices, norms, and patterns of behavior, not to be confused with organizations (cf. W. R. Scott 1995; Lowndes 2001). Institutional convergence is understood to have occurred when actors in one place adopt the institutions developed elsewhere, leading to a greater homogeneity in institutional form. The article accepts as a starting point the assertion that differences in institutions between regions account, at least in part, for differences in regional (i.e., subnational territories) development outcomes (cf. Amin 1998; Storper 1997; Saxenian 1994). Questions thus arise about what trajectories for regional institutional change may be expected.

It is not easy to find isolated examples of variation in institutions and institutional change at the subnational level because institutions, almost by definition, change infrequently and lumpily; that is, institutional change often occurs in dramatic shifts that cut across multiple spatial scales. However, the responses of public port authorities to the process of containerization since the early 1960s provide an example of subnational institutional change. Containerization refers to the mode, technology, organization, and regulation of the movement of goods across both land and sea. It has been implicated in the reshaping of trade routes (Hayuth 1981), changes in the regulation of relationships between carriers and shippers (Shashikumar and Schatz 2000), changes in employment and labor regimes at ports (see Herod 2001; Ircha and Garey 1992; Kagan 1990; Talley 2001), and reconfigurations of the economic relationships among ports, their host cities, and wider hinterlands (Campbell 1993). This transformation has raised, and still raises, a series of difficult institutional choices about the full range of policies, plans, and operating procedures and practices of ports. This challenge has typically been framed as a high-stakes game in which only a few ports will be able to achieve container-hub status (Slack 1993; Gulick 1998). It suggests that powerful forces are pushing ports to become more similar over time as they strive to secure this status. The story of containerization thus provides an opportunity to examine the issue of regional institutional convergence.

This article presents a case study of institutional change associated with containerization in the Port of Baltimore. Despite considerable pressure on the public port authority for convergent change in formal institutions, specifically with respect to port-pricing and terminal-leasing policies, the evidence supports a notion of institutional transformation in which regional institutional diversity, albeit in new forms, is maintained. This path-dependent process of regional institutional change is reflective of both the local political economy and of human agency, revealed, in this instance, by the deliberations of public-sector planners and managers over formal institutional choices in the face of considerable uncertainty. The article starts with a theoretical discussion of institutional change and then presents the empirical material.

Regional Institutional Convergence?

The concern over institutional change in economic geography echoes older debates about convergence and divergence in regional development outcomes. In its earlier manifestation, the debate over convergence hinged on the movement of tangible resources (principally people and capital) between places with different levels of development. For some, trade and/or the deployment of resources in their most productive location provided the mechanism by which convergence would occur (Ohlin 1933; North 1955); for others, these movements would have the opposite results (Friedmann 1972; Kaldor 1985; Myrdal 1957). The empirical comparisons brought to bear in this debate concerned the degree to which interregional differences in

incomes, wages, productivity, and industrial structure diminished over time (Gertler 2001).

The recent attention to the role of learning in regional development has allowed this debate to reemerge, but in a modified form. Gone is the concern with tangible capital and physical resources; the acquisition and application of knowledge through learning processes is now the central concern of economic geography (Dicken and Malmberg 2001). Institutions, as understood here, are important in this new geography of learning because they provide the "cognitive, normative, and regulative structures and activities that provide stability and meaning to social behavior" (W. R. Scott 1995, 33; see also Storper 1997, chap. 10). Institutional effects are thus viewed as cognitive, simultaneously enabling and constraining (cf. Giddens 1979; Granovetter 1985). Institutions provide the context for innovation and learning, since as agents consider investment decisions and the adoption of technological changes, they try to balance uncertainties, guided by their relationships with others (see Storper and Walker 1989; Sabel and Zeitlin 1997).

Note that this approach distinguishes institutions from organizations, which are "collectivities oriented to the pursuit of relatively specific goals and exhibiting highly formalized social structures" (W. R. Scott 1998, 26). There is, however, a close relationship between the two, since most institutions have an organizational manifestation. For example, the case study presented here shows how the internal organizational structure of the Maryland Port Administration (MPA), the public agency responsible for the Port of Baltimore, both reflects and perpetuates the institutional norms and practices that have sustained the port as a common-user facility.

Should we expect an interregional convergence in institutions over time? There are some reasons for thinking that institutions, especially at the subnational scale, will become more similar over time. DiMaggio and Powell (1991) discussed institutional isomorphism as the process whereby the members of a particular organizational field—"organizations that, in the aggregate, constitute a recognized area of institutional life" (p. 64)—become more similar over time as "organizational characteristics are modified in the direction of increasing compatibility with environmental characteristics" (p. 63). For example, organizations may copy each other's operating procedures in response to uncertainty or be forced to conform to funding requirements or professional standards. This account of institutional convergence is also compatible with the Coasian tradition (see Coase 1934) in institutional economics, most commonly associated with the work of Williamson (1975). If institutions, from norms to contracts to firms, are all alternative modes of organizing transactions, competitive pressures in both national and international markets should result in institutional convergence on the basis of the survival of the fittest. Territorial contests—like the bidding war among ports to attract steamship lines described later—are one such manifestation of such competitive institutional isomorphic pressures.

However, these deductive approaches to institutions and institutional change are at odds with a recognition of the role of politics and uncertainty and the interaction between politics and uncertainty in producing space. Although territorial contests present pressures for institutional convergence, their resolution is contingent on the outcome of place-specific struggles. In other words, institutions are "the cumulative product of political struggles at a series of historical conjunctures" (P. A. Hall 1986, 19; see also Polanyi 1944). These struggles are not the exclusive preserve of the nation-state; they are resolved at multiple spatial scales (cf. Lauria 1997; Peck 1996). Keil (1998), for example, argued that the local state is formed out of the political contest around the goals of external articulation with the global economy and the internal integration of society.

At the same time, it is important not simply to consider the outcome of these contests and struggles as being reflective of the interests of some dominant coalition

or regime. In particular, pressures for formal institutional change are manifest as policy choices enacted by human agents. We need to understand that these policy choices are themselves institutionally mediated in the face of considerable uncertainty about the direction and shape of institutional change. Recent work by Amin (2000), elaborated in Gertler (2001), is especially useful in understanding the spatial dimensions of this process. Amin argued that it is not simply repeated face-to-face contact, but rather a "community of practice" that provides the context for learning that is central to the formation and maintenance of institutions.

These communities of practice can transcend spatial scales; for example, best practices may diffuse within a particular firm, especially when managers are posted to multiple locations. Similarly, national legal frameworks or policy frameworks of organizations, such as the World Bank, constitute mechanisms by which institutional convergence may be promoted. In other words, injecting the role of uncertainty and the social basis of learning into our understanding of institutional change does not eliminate the possibility of convergence. However, in a place-based public authority, such as a port, we would expect the community of practice to be a relatively stable and geographically confined social formation. Such a community of practice constitutes a relatively strong countervailing force against convergent institutional change and for persistent institutional variation.

In summary, this theoretical review suggests that we should not conceptualize the interregional process of institutional change in an either-or, convergence-divergence dichotomy: rather, we should view it as a process of institutional transformation. The process of institutional change operates at many spatial scales and is prompted by a variety of forces and actors. Thus, it is important to recognize both the role of interterritorial and other competitive pressures in stimulating institutional reconfiguration, as well as the place-specific sources of path dependency rooted in power relations, the uncertainties attendant to particular institutional choices, and the exercise of human agency. In addition, we need to pay close attention to the institutional constraints, motivations, and commitments of actors when they deliberate over and act upon pressures for institutional change.

Containerization, Convergence, and the Maersk Bid

In July 1996, the MPA issued its concise new *Strategic Plan* (MPA 1996). While all bets were appropriately hedged, in this document the public authority that was responsible for the Port of Baltimore implicitly conceded that Baltimore was unlikely to become the next container-hub port on the U.S. East Coast. The stated goal of the *Strategic Plan* was to "sustain and grow the container business commensurate with the growth in the North Atlantic container market" (p. 10), which was derived from the concession that "events in 1995 and 1996 signaled important industry changes which may limit our ability to increase share" (p. 2). However, as Figure 1 shows, the decline had begun long before then. Throughout the 1980s, particularly under the administration of Governor William Donald Schaeffer (1987–95), the MPA had enjoyed considerable support from the Maryland State Legislature in its efforts to attract more containerized cargo. But by 1990, there was little doubt that despite this support, the port had not succeeded in this endeavor (Starr 1991).

The Port of Baltimore had not been slow to get into the container business. In 1967, it became the second public port in the Northeast to develop a container terminal, and Hayuth (1981) suggested that by 1973, Baltimore—along with its neighbor and competitor, Hampton Roads/Norfolk, Virginia—was one of only six U.S. load-center ports (defined by Hayuth as a port that handles more than 250,000 20-foot equivalent units (TEUs) annually). The March 1980 issue of the *Port of Baltimore Bulletin* reported that 1979 was an "excellent year for the Port of Baltimore" ("1979

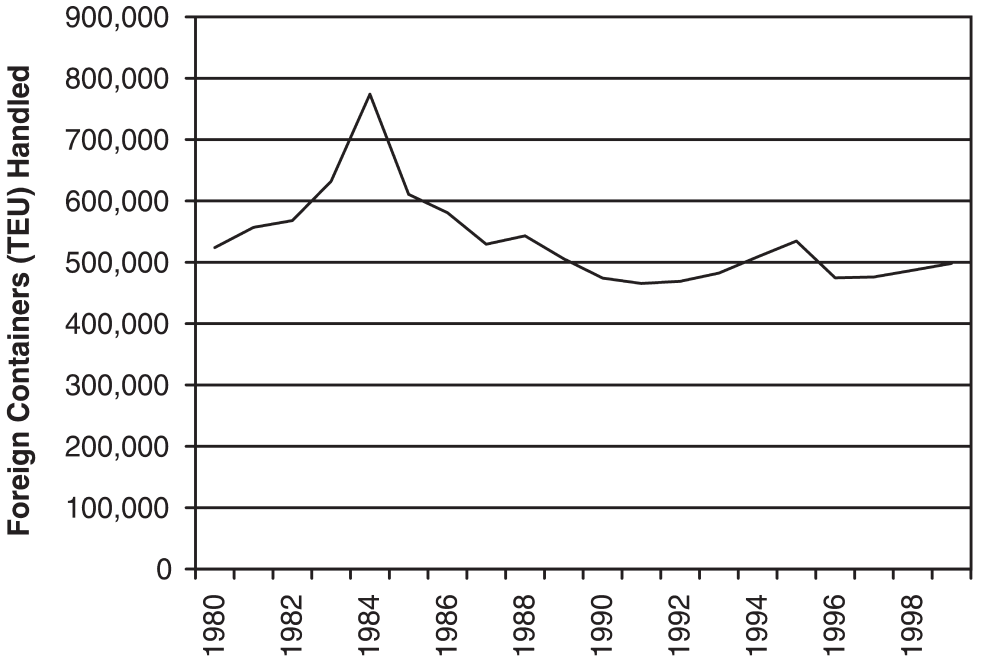

Figure 1. Baltimore's container fortunes declined after 1984. *Note*: TEU is the 20-foot equivalent unit. Includes full and empty containers, imported and exported. *Sources*: Figures up to 1984 are from Containerisation International; thereafter from the Maryland Port Administration.

Excellent Year for Baltimore" 1980, 17). The port was the fastest growing in terms of tonnage handled on the U.S. East Coast, outperforming Philadelphia, New York, and Hampton Roads/Norfolk. And in January 1981, a relatively unknown Danish shipping line, Maersk, opened a 12-acre container-terminal facility at Baltimore.

In 1984, the Port of Baltimore handled approximately three-quarters of a million TEUs with a foreign origin or destination and looked set for considerable future growth. However, deregulation in the shipping industry that year consigned the port to a secondary role in the container trade. Earlier deregulation in the road (the 1980 Motor Carriers Act) and rail (the 1980 Staggers Rail Act) transportation industries eliminated the inland-location advantage of the port by removing fixed transportation rates per mile (see Starr 1991, 1994). Although the providers of surface transportation were slow to make use of this opportunity, the ocean carriers were not (Shashikumar and Schatz 2000). The Shipping Act of 1984 allowed ocean carriers to quote door-to-door rates, which, in turn, encouraged them to select ports that reduced ocean shipping costs relative to surface transportation costs. For Baltimore, several hours' sailing up the Chesapeake Bay, the regulatory change meant that the port was now increasingly likely to be bypassed in favor of Hampton Roads/Norfolk (see Figure 2).

Since 1984, the port has rarely handled more than half a million foreign TEUs in any given year, and between 1989 and 1991, the port authority had an operating loss. From 1984 to 2000, the number of hours worked annually by longshoremen was cut in half. Even the much-delayed dredging of the Fort McHenry and Brewerton shipping channels from 42 feet to 50 feet, completed in the summer of 1991, did not reverse this trend.

In many ways, then, the 1996 *Strategic Plan* was surprising only because it took so

Figure 2. Major mid-Atlantic ports and Baltimore's inland location. *Source*: U.S. Army Corps of Engineers 1999.

long to be written. Its political (and financial) capital expended, the MPA had no alternative but to give up the quest to become a dominant container port. At the same time, however, the *Strategic Plan* also gave late recognition to the port's success in handling a range of noncontainerized commodities—automobiles, ro-ro (roll on/roll off) cargoes, forest products, refrigerated goods, and steel. As is surely the case with all strategic plans, this was as much a forward-looking statement imagining a desired future for the organization as it was a confirmation of trends that were already in place. The ambitious targets for growth in these commodities that were set in 1996 have, for the most part, been successfully met.

For example, in 1999, with a 9-percent market share, the Port of Baltimore was the fifth-largest automobile port in the United States and the nation's largest car-export port. Particular institutional rules and practices at the Port of Baltimore have played an important role in attracting this automobile cargo. Specifically, the diverse terminal-leasing practices of the MPA have allowed automobiles to be imported and exported through the port using the full range of business models deployed in the industry. For example, Toyota operates its own dedicated terminal on the basis of a long-term lease with the MPA. Conversely, Mercedes imports are discharged (and sometimes stored) at the common-user Dundalk Marine Terminal before they are transported some 30 miles north to the Mercedes Vehicle Preparation Center at Belcamp, Maryland. Amports, a British-owned automobile-processing firm, operates a facility

that handles imports and exports for various Japanese, European, and American assemblers.

However, just two years after the publication of the *Strategic Plan*, the MPA was again able to secure considerable political and financial support in a renewed quest to become a container hub. In preparation for its merger with the U.S. shipping line Sealand in 1999, the Danish shipping giant Maersk proposed that its operations should be consolidated at one hub port on the northeastern range. Ports were invited to submit bids, and a territorial contest, similar to those that occur with plant (re)locations, sports events, conferences, and conventions, ensued (for a critical discussion, see Budd 1998; also Cox 1997). Much to the surprise of many in the industry, Baltimore was selected as one of two finalists. The MPA submission included a considerable financial commitment by the state and concessions from longshoremen and other port users. The bid proposed numerous large and costly infrastructure projects, including a major reconfiguration of terminal space and usage practices.

In the end, the Port Authority of New York and New Jersey won the Maersk contract. Today, members of the Baltimore port community reflect on the Maersk episode in one of two ways. The more negative view is that the port never had a chance and that Maersk simply used Baltimore's superior channel depth to extract dredging concessions from New York. The more positive spin is that Baltimore competed valiantly in a bidding game that showed other potential users that this was a port that was worthy of consideration. Either way, an apparent contradiction remains. Despite its acceptance of the idea that Baltimore was not the right location for a container hub in the 1996 *Strategic Plan*, the port community responded enthusiastically to this possibility in 1998. If the 1996 plan had been a rational policy on containerization, albeit late, how could these same actors get it so wrong just two years later? This episode reminds us that underestimating the attractiveness of gaining container-hub status to just about any port community, particularly to state and local politicians, would be a mistake.

Baltimore's failed bid for the Maersk hub illustrates many of the by now well-understood features of the containerization process. Containerization has been accompanied by increasing concentration in the shipping industry through mergers and a complex network of alliances among carriers (Slack, McCalla, and Comtois 2002). With the reorganization of the shipping industry has come larger ships that require deeper channels, longer berths, bigger cranes, more and reconfigured terminal space, and improved landside connections (Chilcote 1988). At the same time, various regulatory changes, particularly changes in the rules governing the pricing of ocean shipping contracts, have transferred decision-making power about the use of the ports from the owners of the cargo to the carriers of the cargo (Slack 1994; Hershman and Kory 1988; Shasikumar and Schatz 2000). Together, these changes have allowed carriers to play port authorities off against each other, since ports are no longer closely associated with a given hinterland (Corbert 1996). In other words, ports can no longer assume that they will serve a given "captured" hinterland (Slack 1993).

All these elements of the containerization story are visible in the Baltimore case, and they all suggest a convergence process whereby ports are under pressure to become more similar across a range of dimensions as they compete to attract containerized cargoes. To attract flows of containerized cargoes, port authorities have to provide a minimum set of infrastructure attributes. Moreover, they have to offer an attractive set of terminal-lease contracts and pricing arrangements, operating procedures, and management practices—in short, a complex of institutions. The Maersk bid included precisely such an institutional "incentive package," specifically a long-term lease and the release of much of the Dundalk Marine Terminal for the exclusive use of one shipping line.

This article concentrates only on terminal-leasing and pricing policies, but it is worth noting that the Maersk bid also entailed some important institutional changes governing local work rules. Despite the Master Contract that governs wages for handling containers and ro-ro cargo in ports from Maine to Houston, the structure of collective bargaining in East Coast ports allows considerably more local variation than does the coastwise agreement in the West Coast ports (for more on this topic, see Talley 2001; Herod 2001). Baltimore longshoremen made concessions on both start times and team size, concessions that now frame work rules in the port. Since the bid episode, and despite a close approval vote by the union, the shipping line Wallenius-Wilhelmsen was able to extract similar work-rule concessions when it recently negotiated a long-term terminal-use arrangement (see Adams 2000).

The Port of Baltimore as an Institutional Complex

The proposed Maersk lease would have resulted in much of the common-user Dundalk Marine Terminal being turned over to a dedicated lease for the exclusive use of this one steamship line. If the bid had been successful, it would have represented a fundamental shift in MPA terminal-lease policy and operating procedures, heralding an institutional change that the Port of Baltimore had avoided since the early 1980s. To understand why this proposed institutional change was both so profound and so long avoided, we need to understand first that the piers and docks of the Port of Baltimore are governed by a set of market-shaping institutions that are structured in important ways by public-sector officials.

When the Maryland Port Authority (later the Maryland Port Administration) was formed in 1956 at the instigation of various Baltimore-based commercial interests (see Baltimore Junior Association of Commerce 1953; Baltimore Association of Commerce 1954; and Greater Baltimore Committee 1956), it was with the explicit goal of serving the shippers—the owners of cargo—as opposed to the carriers of cargo. Until that time, Baltimore had been a "railroad port," and in the opinion of influential locals, it had ceased serving local economic interests. That founding intention remains deeply embedded in the structure of the organization and in the consciousness of its personnel. For example, the MPA maintains one of the most-extensive networks of marketing offices of any public port authority in the United States, and unlike other port authorities, the primary focus of these marketing offices is on the shippers, not the carriers, of cargo.

On his retirement in 1978 after 22 years as the first Maryland Port administrator, Joe Stanton restated the goal in the following terms:

> Very early in the operation of the Maryland Port Authority we adopted the guiding philosophy that Baltimore was to be a shipper's port. It was not to be a railroad port, it was not to be a trucker's port, it was not to be a steamship port. It was to be a port that catered to the needs of the shipper. The shipper, after all, pays the freight. This philosophy guided us in our operations of the Maryland Port Authority and in more recent years as the Maryland Port Administration. We believe this is the most successful guideline for a port such as Baltimore. ("Joe Stanton Retires" 1978, 17)

With the creation of the MPA, the Port of Baltimore also ceased to be a "city port." On its formation, waterfront properties owned by the city of Baltimore (and some private terminals) were transferred to the MPA (Rukert 1982). However, these inner-harbor properties did not represent the future of the working port. Rather, it was the 1959 purchase of the municipal airport, Harbor Field, approximately six miles to the east of the city that both signaled the start of serious terminal development by the MPA and cemented the working port's physical separation from the city. Harbor Field is now known as the Dundalk Marine Terminal. Subsequent developments have also been well outside the inner-harbor area—most

notably the automobile terminals on the south side of the Patapsco River at Fairfield and the Seagirt Container Terminal adjacent to the Dundalk Marine Terminal. Apart from the construction of Baltimore's World Trade Center, an important piece of the much-touted inner-harbor development (see Levine 1987), port officials have worked actively to enforce the physical separation between the city and the working port.

The physical separation between the port and the city reflects underlying organizational structures and institutional norms. The MPA is a creation of the state of Maryland, and since 1970 it has been one of five intermodal agencies that falls directly under the state Department of Transportation (*Laws of the State of Maryland* 1970). As a result, the MPA turns to the state secretary of transportation and the Maryland State Legislature for overall approval of its annual budget and primary political support for large capital expenditures. The intermodal agencies are funded by a single transportation fund for the state, providing greater bonding capacity on the basis of statewide gasoline taxes, tolls, and other transportation-based sources of revenue. In the past 20 years, the MPA has received considerable political and financial support from the legislature.

This organizational structure reflects and reinforces an institutional legacy that continues to exert influence on the daily practices and strategic deliberations of port officials, namely, the operation of the Port of Baltimore as a common-user facility for shippers. The continued enactment and transformation of this particular set of institutional norms and practices in the face of pressures for convergent change is the central concern of this article.

As a principle of port operation, the notion of common use is not a fixed or written rule. In almost every modern cargo port, there are some facilities that are in common use, dredged approach channels being the most obvious example. In its narrower meaning, the term *common use* is applied only to a terminal or a shared wharf facility with no priority rights of use. Usage of the facility is thus allocated on a first come, first served basis. The Port of Baltimore contains both common- and single-user terminals. However, the container terminals of the MPA are common-user facilities, where the MPA maintains the ability to allocate berthing and terminal space to multiple users.

In contrast, many, but not all, successful container ports in the United States have adopted the single-user long-term terminal-lease policy. For example, in the Port of Long Beach (California), container terminals are leased in whole for up to 25 years to carriers, stevedores, or their subsidiaries (Larsen 1995). The public port authority operates essentially as a landlord, and public officials at this port do not participate in the port's day-to-day operations.

To understand why the MPA embodies a set of institutions at the common-user end of the common–single-user continuum, we need to understand the history of the particular mix of facilities that make up the Port of Baltimore. Although the MPA was initially established to develop and manage Baltimore's public port facilities, a mix of public and private terminals remains in the port to this day (see Table 1). For example, only two of five breakbulk terminals in the port are public facilities (North and South Locust Point), and the port community includes several operators of private terminals and stevedoring firms. Unlike many of the public port authorities in the American South, when the MPA was formed it did not take on the formal role of "operating" port; that is, it did not attempt to offer stevedoring and terminal-operations services directly to carriers and shippers.

However, unlike landlord ports elsewhere, the MPA has remained actively involved in terminal operations, partly because the port's early experiences with containerization. The first container ship to visit Baltimore, SeaLand's *SS Mobile*, arrived in Baltimore on 9 April 1963, and by 1965, SeaLand was constructing its own container terminal in collaboration with the Canton Company, a local private-terminal operator ("Containerization" 1973). In response, the MPA

Table 1

Terminals of the Port of Baltimore

Terminal Type	Public Terminals (Operator)	Private Terminals (Operator)
Container	Dundalk Marine Terminal (various) South Locust Point (P&O Ports) Seagirt Container Terminal (MIT[a])	—
Automobile	Dundalk Marine Terminal (various) Fairfield Auto Terminal (Toyota) Masonville Marine Terminal (ATC Logistics)	Atlantic Terminal (Amports)
Breakbulk	South Locust Point (P&O Ports) North Locust Point (various)	Chesapeake Terminal (Amports) Canton Marine Terminal (CMT Inc) Sparrows Point (Chesapeake Bulk Stevedores)
Dry bulk	—	Curtis Bay (CSX Coal/Curtis Bay Company) Rukert Marine Terminal (Rukert)

Source: Maryland Port Administration and author's research.

[a] MIT is Maryland International Terminals, the operating subsidiary of the Maryland Port Administration.

adjusted its development plans for the Dundalk Marine Terminal (formerly Harbor Field) and opened its own public container terminal at Dundalk in 1967. Since then, the MPA has ensured that container facilities in the port are operated under a common-use philosophy. Indeed, all the container terminals of the MPA are common-use facilities, even though some are leased in whole to terminal-operating firms.

Officials of the MPA, specifically those in the Terminal Operations Department, are involved in the daily reenactment of the common-user institution. For example, container cranes at the Dundalk Marine Terminal are owned and maintained by the MPA. Berthing is allocated on a first-come, first-served basis with no steamship line enjoying preferential berthing rights, although some ocean carriers are guaranteed a berth with a crane or some other specific equipment. There is typically little congestion at the terminal, although the MPA does facilitate meetings with steamship lines to find mutually acceptable solutions when there is congestion.

Carriers and/or stevedores using the terminal generally hold some sort of ground lease for a small portion of the 170-acre Dundalk Marine Terminal to provide the first point of rest, an onsite office, and secure storage for equipment. To qualify for cargo guarantee incentives (discussed later), most carriers lease a few acres for periods of up to 10 years. However, other ground leases may be as short as a month, thus providing carriers with substantial flexibility in the use of the terminal. This is an especially important factor for automobile importers, since fluctuations in demand may result in sharp changes in their requirements for storage space.

The Terminal Operations Department of the MPA allocates space for ground leases and is actively involved in ensuring that goods move freely around the terminal. The common-use practices of the port thus place officials in direct and close contact with these port users on a daily basis over operational matters. Even though the MPA is not a direct employer of longshoremen, it has even been drawn into various employment-related issues, from on-dock safety to training, by virtue of its management of terminal operations.

It is important to note that Baltimore's particular set of terminal-leasing arrangements is neither inherently superior nor inferior to any other. There is some evidence that ports with common-user facilities may

achieve greater allocative efficiencies than may ports that are comprised of dedicated- or single-user terminals. In a simulation study using data for the Port of Seattle, Turner (2000) argued that common-user seaports, where all users have equal access to all terminals, can reduce the total time that vessels are in port without reducing container throughput. They can do so because common-user facilities pool the demand for terminal space, hence increasing the productivity of high-capacity terminals and releasing low-capacity terminals for alternative uses. Conversely, an individual port user may, in principle at least, achieve greater productive efficiencies through the exclusive use of a dedicated terminal in which it can deploy firm-specific equipment and systems. Long-term single-user terminal leases also shift some of the risks of investment in the infrastructure from public port authorities to terminal operators.

Regardless of the merits of particular leasing policies, the key point about the Maersk bid is that had it been successful, it would have resulted in changes in Baltimore's terminal-lease policy that would have constituted institutional convergence. Institutional convergence may be thought of as increasing similarity in the formal and informal norms, practices, rules, and regulations that regulate activity in different places. The MPA bid involved a 25-year lease that would have secured much of the Dundalk Marine Terminal for use by Maersk alone. In this way, the MPA would, in an institutional sense, have become more like the landlord ports of New York, Los Angeles, Long Beach, Oakland, and elsewhere.

The Evolution of Terminal-Leasing Policies at the Port of Baltimore

What might have been is all very well, but a more tractable question is why did this institutional convergence not occur sooner? How is it that the planners and managers of the MPA had not already implemented the single-user long-term terminal-lease model commonly found in major container ports? It bears repeating that this more formal institution relates to a complex of other formal and informal institutions, including work rules, governance of the port authority, and the norms that mediate the relationships between the private and public sectors.

To understand the evolution of terminal leasing and pricing policies in the Port of Baltimore, I examined the records of the MPA Tariff Study Committee (TSC) during the early 1980s. Semi-annually, a committee of MPA officials, known as the TSC, met to prepare a report advising on tariff policies to be submitted to the MPA executive. On the basis of this report, the MPA published a proposed tariff schedule for comments by shippers, carriers, and other members of the port community. The results of these deliberations and consultations were changes in the port pricing schedule and leasing policies.

Port tariffs are essentially price lists that encompass all the services and facilities provided by a port. Depending on the scope of port activities, they typically consist of charges for wharfage (the cost of moving cargo across the wharf), dockage (the cost of occupying berthing space), charges for terminal leases, various fees for handling cargoes (such as drayage and stacking), equipment leasing (e.g., crane fees) and services for ships (such as tugs, fresh water, and bunkers). With the advent of containerization and single-user or dedicated terminal leasing, published port tariffs have been drastically simplified, and actual charges are more likely to be the subject of negotiation (see O'Dowd and Fleming 1994).

In addition to the empirical material summarized here, supporting evidence was found in physical planning documents, the port authority's monthly newsletter, and annual reports and interviews with MPA officials of long standing. The evidence revealed the uncertainty confronting these public officials as they deliberated over possible institutional changes and the path-dependent nature of their eventual decisions.

The committee reports from the early 1980s contain valuable insights into the strategic deliberations of senior port officials in response to deregulation in the transport sector. In other words, the purview of this committee was broad enough to afford an understanding of more than simply the published tariff:

> The MPA Tariff Study Committee had the "main problem" of port tariffs before it every session the Committee held—i.e., determining the proper "relation" between our tariff and customers' rates. This relationship of port tariff and port customers takes many forms—tariff adjustment procedures, lease length and acreage cost, tariff charges for the account of the vessel, tariff billing procedures, the role of port agents and *other facets of our role as a governmental port body charged with the promotion and protection of our State's most important economic asset.* (MPA TSC 1983; emphasis added)

If we think of the officials of the MPA, particularly when they came together as the TSC, as a "community of practice," we may begin to understand their actual choices. Indeed, the 1983 and 1984 tariff committees consisted of precisely the same individuals, except that the deputy director of terminal operations sat in place of the director in 1983.

The 1983 TSC report was framed by concerns about the uncertainty generated by the deregulation of transportation in the early 1980s. For the first time in the port's history, the committee considered adopting the pricing policies of ports on the U.S. West Coast, recognizing that land-bridging activities (i.e., carrying cargo across the continent by land, rather than through the Panama Canal) had brought these ports into direct competition with ports on the East Coast. In particular, the committee paid considerable attention to innovative policies at the Port of Oakland. These are precisely the leasing policies that have today become standard in container ports on the U.S. West Coast and in some East Coast ports. In 1983, officials of the MPA implemented some aspects of these policies and rejected others.

Concerned that shipping lines would stop calling, in 1982 the Port of Oakland offered terminal leases to stevedoring firms and volume discounts to carriers in exchange for guarantees that they would continue to visit the port for five years. Although it recognized the need to experiment with some of the ideas contained in the Oakland policy (e.g., the crane-leasing arrangements), the MPA TSC detailed several arguments why it regarded the main features of the Oakland policy as inappropriate for Baltimore. The TSC initially recommended rejecting both volume discounts and terminal leases, but volume discounts were included in the draft tariff published for comment later in the year. However, the committee was clear that dedicated terminal leases would violate the MPA's commitment to maintain its terminals as common-user facilities and apparently was supported in this opinion by the port executive.

The 1983 TSC report also signaled an increasing awareness and concern within the MPA that the Virginia Ports Authority (VPA)—the agency responsible for Baltimore's southern archrivals, the ports of Hampton Roads/Norfolk—might have an operating model more appropriate to the container age. The VPA is what is known as an operating port; the port authority is responsible for all aspects of terminal operations, including stevedoring services. In 1983, the TSC recommended against a box tariff, something that had been implemented in Virginia at the time. A box tariff attaches a single charge for all port handling fees, rather than charging separately for drayage, grounding, stacking, inspection, and wharfage. This has become an increasingly popular form of tariff because it eliminates much of the administrative expense associated with the use of terminals. The reason given by the MPA officials in 1983 for not implementing a box tariff is revealing.

Because the MPA did not provide stevedoring services at that time, it did not have a pricing schedule for drayage, grounding, stacking, and other services provided by private stevedoring firms. These services were, and still are, priced in the Baltimore

Marine Terminal Association tariff, while the MPA tariff deals only with terminal ground leases, wharfage, and dockage. Adopting a box tariff would have necessitated a reorganization of this division of functions between the public and private sectors. The committee balked at this prospect: "such a single charge approach could cause repercussions in the area of ocean carrier-stevedore contracts and upset the tariff payment process" (MPA TSC 1983, 18). An even more extensive review by the 1985–86 TSC again recommended against implementing a per-box tariff (MPA TSC 1985–86). This particular institutional nonchange reflects the political economy of the Port of Baltimore.

It is impossible to say how events might have been different if the TSC had recommended differently in these two instances in 1983. Certainly, terminal leases and box rates have become widely accepted in the industry, and by 1990, the MPA had implemented policies that incorporated elements of each. However, the earlier deliberations of the TSC are relevant to this discussion because they tell us about the decision-making process within the MPA at the time. It is clear that the MPA officials engaged in serious reflection on their operating environment, particularly the actions of their competitor ports. On the basis of these deliberations, they implemented modified versions of what was being tried elsewhere. In those cases in which they chose not to recommend changes, they fell back on existing common-user operating practices and their commitment to shippers, to justify the no-change decision.

Despite the TSC's recommendation against volume discounts, the final 1983 tariff did introduce wharfage volume discounts—the more containers per vessel that call at the ports, the greater the discount possible. In the 1984 round of tariff adjustments, this policy was reviewed and amended in a fashion that again reveals the MPA's commitment to a diversity of shippers, carriers, and other port users. The volume discount introduced in 1983 was criticized for discriminating against small steamship companies, vessels carrying a mix of containerized and noncontainerized cargoes (i.e., combo vessels), and lines not active in vessel-sharing arrangements. These arguments were detailed in an interoffice memorandum, dated 22 March 1984, from a senior official in the Terminal Operations Department to the director of leasing and insurance and the port's financial analyst. The memorandum formed part of the TSC's deliberations of that year and contributed to two changes in the 1984 tariff. The first change was relatively simple: the volume discount was extended from containers to all other cargoes.

The second change was more complicated. In the space of a year, the TSC's view of the Oakland lease arrangements—or what were by now being called "California-type leases" (MPA TSC 1984)—had shifted. Although it was still unwilling to forgo the common-user principle at the Dundalk Marine Terminal, the TSC recognized the value of leases as opposed to tariffs in providing a forum for deepening the relationship between the public agency and carriers: "In examining the broader question of the MPA tariff vs the lease, the Committee recognized that we are perhaps at the limit of the tariff's flexibility as far as new innovations or incorporation of 'specific incentive' features for special customers. In short, the tariff while being very flexible, can never replace direct MPA-party negotiations and contracts when specific demands are made" (MPA TSC 1984, 10).

However, at the same time as they recognized these benefits of leases over tariffs, the MPA officials were not about to abandon the common-user principle. The compromise result was the Acreage Utilization Incentive Program (AUIP), implemented in the 1985 tariff. The AUIP provided a variable discount of up to 12 percent on the terminal leases of ocean carriers, according to the number of containers they moved per acre per period.

In this way, the MPA took a first hesitant step toward negotiated terminal leases, but did so in a way that avoided the wholesale "privatization" of terminal space. Leases

under the AUIP were for a portion of the terminal only, with the port authority still responsible for allocating berths and managing the use of terminals. In this way, the essential elements of the common-user-facility approach were maintained. Note also that these leases were generally renewable 3-year agreements, certainly nothing like the 20- to 25-year single-user terminal leases that have been widely used on the U.S. West Coast. It was precisely this institutional arrangement that might have been overturned by the Maersk deal.

The conscious attempts by officials of the Port of Baltimore to consider the "Oakland" or "Californian" model of port leasing reflects again the transforming, as opposed to convergent, nature of regional institutional change. MPA officials implemented a volume discount policy similar to the one they were mimicking, but the institution was incompletely transferred. And the resulting institutional arrangements have been hotly contested. For example, a 1991 terminal-lease agreement between the MPA and the terminal operator handling Maersk containers at the port (Universal Maritime Services Corporation) that was modeled on the AUIP has been the subject of a protracted suit between the MPA and Ceres, a local stevedoring firm (see *Maryland Port Administration v. Federal Maritime Commission* 1998). To meet the needs of other port users—the small carriers and those that carried noncontainerized cargoes—MPA officials remained committed to providing common-user facilities. Pre-existing interests were able to influence the process of institutional change.

Conclusion: Regional Institutional Transformation

The spread of container technology provides some powerful physical images of both spatial unevenness and homogenization. The unevenness is visible in the many former cargo ports that are empty, blighted brown fields or that have been converted to alternative uses. In the remaining active ports, the rows of metal boxes; cellular ships; enormous cranes on wide, square terminals; and double-stacked rail cars all suggest that cargo ports are becoming more alike. However while containerization has profoundly reshaped port-regions, it has not necessarily implied institutional convergence, at least not with respect to port leasing and pricing policies. This surprising lack of convergence in formal institutions is further reinforced by the less-surprising lack of convergence in other arenas, for example, in the formal and informal rules governing labor relations and work processes at ports. The evidence presented here suggests that a concept of institutional transformation may be more appropriate than a simple dichotomy of convergence versus divergence (Christopherson 2002). Although the rules governing patterns of economic organization may not become more similar across regions, they are nevertheless being transformed through a variety of processes in which continued diversity is the likely but not inevitable outcome.

Furthermore, it is important to recognize that human agency, enacted in this instance by public port officials, is influential in shaping the process of institutional change. In the early 1980s, the planners and managers of the MPA faced considerable uncertainty about the future of containerization. The deregulation of transportation represented the kind of structural economic, social, political, and technological changes that take a long time to be revealed, and once they take hold, they are associated with the profound reshaping of markets and other social relations. Restructuring of this kind presented, following Schoenberger (1997), something of a "cultural crisis" for these port managers. Not only did it raise questions about how to manage the port on a day-to-day basis, it also raised questions about what sort of port Baltimore should be. MPA officials took more than 10 years to accept that theirs would not be a major container port. And as was shown by the Maersk bid, this "consensus" was not strong.

In the meanwhile, the MPA planners and managers were guided both by considera-

tions of the local political-economy and by their existing practices. This situation was clear when they decided to reject the box tariff used by their closest rival because it might have disrupted "normal" operating procedures in the port. Similarly, they chose to modify the initial volume discount program to conform to the common-user philosophy that is so prominent in the institutional norms governing port operations. Only an analysis that pays close attention to these factors can account for the selective way in which different institutional alternatives were evaluated and then adopted, modified, or rejected.

It may be tempting to blame the failure of the Port of Baltimore to secure container-hub port status on the (bad) institutional choices of port officials, but such a single-factor explanation is incorrect. At the same time, the particular institutional choices discussed here did mediate the way in which the Baltimore port-regional economy experienced the economic, social, political, and technological changes associated with containerization, but in unanticipated and unintended ways. Today, the port successfully specializes in handling various noncontainerized commodities and is one of the few ports on the U.S. East Coast where new longshoremen have been hired in recent years. The same institutional choices that protected the common-user facilities at the port have played no small role in this outcome. For example, the operation of the Dundalk Marine Terminal as a common-user facility has made it attractive to a range of automobile shippers today.

Thus, the unwillingness of MPA officials to adopt what was coming out of Oakland in 1983, and what some may now regard with hindsight as the best practice, does not constitute a spectacular blindness by these public officials. There is ample evidence that MPA officials engaged in a lively and critical debate about the appropriateness of the various institutional and policy options that were available. To suggest that they should have made a particular choice ignores the uncertainties faced in the decision-making process, let alone any doubts we may have about the optimality of a given lease policy. In other words, this is a story not about institutional sclerosis, but about the necessarily contingent process of institutional change. For economic geography, it implies that there are new but persistently diverse institutions, best understood as arising through a process of regional institutional transformation.

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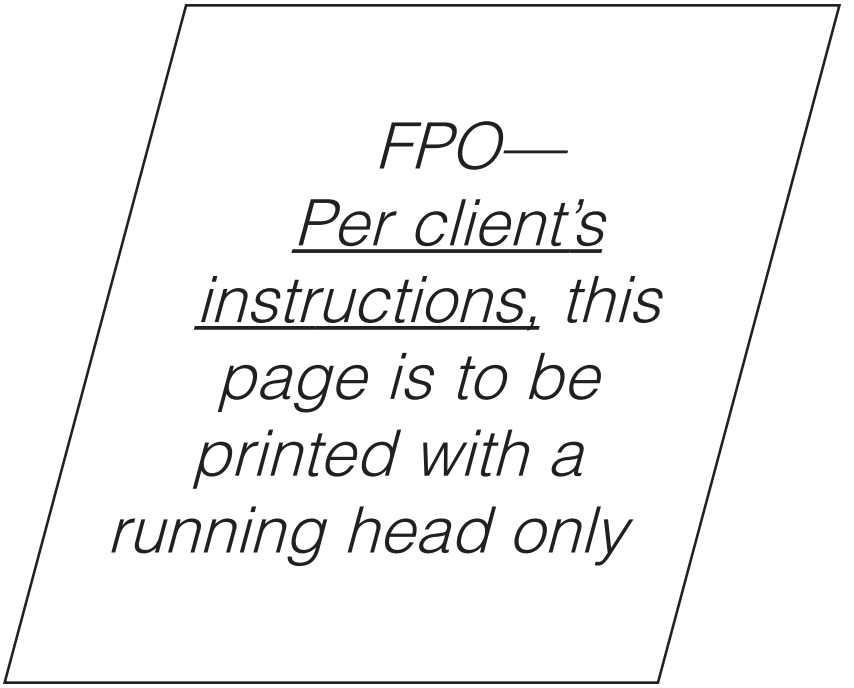
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