

# The technical efficiency of Tunisian ports: Comparing data envelopment analysis and stochastic frontier analysis scores

Rabeb KAMMOUN<sup>1</sup>, Souhir ABBES<sup>2</sup>

**Abstract:** Maritime transportation for Tunisia plays an important role in trade exchange with other countries. Therefore, the objective of this paper is to measure the efficiency scores of 7 seaports in Tunisia by applying the Stochastic Frontier Analysis (SFA) with Cobb-Douglas production function and Data envelopment analysis (DEA) with CCR and BCC models. The annual data collected cover the 2003-2013 period for each port. Thus, the sample size for the analysis comprises a total of 77 observations. The empirical result shows that the total average scores of operating efficiency scores were  $DEA_{BCC}$  (0.746)  $> SFA_{CD}$  (0.536)  $> DEA_{CCR}$  (0.334) from 2003 to 2013.

**Keywords:** Efficiency, Data Envelopment Analysis (DEA), Stochastic Frontier Analysis (SFA), Tunisian seaports.

**JEL Classification:** C38, H54, L25, R41

## 1. Introduction

Maritime transport is the backbone of the world globalization and trade because 80 per cent of the volume of international trade in goods is carried by sea. The maritime transport provides efficient and low-cost means of transporting goods, which help create prosperity among nations and peoples and facilitates trade. The advantage of seaway is safety, speed, comfort, and the ability to manage heavy traffic of goods and passengers at relatively low prices.

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<sup>1</sup> Departement of Economics, Faculty of Management and Economics of Sfax, Tunisia. E-mail: rabebkam@gmail.com

<sup>2</sup> Departement of Economics, Faculty of Management and Economics of Sfax, Tunisia. E-mail: souhir.abbes@icloud.com

Efficiency is the success with the help of an organization (DMU) which uses its inputs to produce outputs. In simple terms, efficiency can be simply defined as the ratio of output to input.

Farell (1957) proposed that the efficiency of a DMU consists of two components, technical efficiency, which reflects the ability and willingness of a firm to maximize its output from a given set of inputs and allocative efficiency which reflects the ability and willingness of the firm to use the inputs in optimal proportions for given factor prices. Economic efficiency or total efficiency is determined by the product of the technical and allocative efficiency.

A review of previous studies shows that the majority of the studies focused on the seaports in Europe and Asia. Nevertheless, none of these studies has focused on North Africa so far. Tunisia has 7 commercial ports (Bizerte, Goulette, Rades, Sousse, Sfax, Gabes and Zarzis). Their complementarity and exceptional location can accommodate various types of ships and treat all types of merchandise. Hence, it is important to study and evaluate the efficiency of the Tunisian ports as this country is witnessing significant development in port legislation and is setting many investment plans in port infrastructure like the new project of Enfidha port which is dedicated to receive panamax and post-panamax ships.

The objective of this paper is to investigate the technical efficiency of 7 ports in Tunisia by using two methodologies: the Data Envelopment Analysis (DEA) and the Stochastic Frontier Analysis (SFA). The analysis of technical efficiency in this research covers  $DEA_{CCR}$  (Charnes, Cooper, Rhodes, 1978),  $DEA_{BCC}$  (Banker, Charnes, Cooper, 1984) and  $SFA_{CD}$  (Cobb-Douglas function).

Moreover, we propose the input-oriented DEA model to minimize the inputs while the given current output remains the same if we look at the inefficiency in terms of excess inputs.

This study is organized as follows. In section 2, we present the of DEA and SFA methodologies. In section 3, we give a review of studies on measurement of port efficiency. We describe the data and present the results of empirical study in section 4. Finally, section 5 concludes this paper.

## **2. Methodology**

We adopt two alternative approaches, DEA and SFA to quantify operational efficiency. The main difference between the two is that the former is a non-parametric technique and doesn't make accommodation for statistical noise, whereas the latter is a parametric technique and accounts for statistical noise. Both in the SFA and DEA analysis, a

DMU's distance from the efficient frontier measures its relative inefficiency. The two approaches are presented in the next paragraphs.

## 2.1. Data Envelopment Analysis Approach

Data Envelopment Analysis (DEA) was proposed by Charnes et al. in 1978. The DEA is a non-parametric technique for measuring the relative efficiencies of making units (DMUs) with multiple inputs and/or outputs. In case when there is no other DMU or a combination of DMUs which can produce at least the same amount of output with less of the same resources input and not more of any other resources, the DEA method states that a DMU is considered efficient. In general, a DMU is considered to be inefficient if it obtains a score of less than the unity where a score of unity implies that it is efficient.

Among the number of DEA models, we employ the two most used ones: DEA-CCR model and DEA-BCC model. The DEA-CCR model estimates constant returns to scale so that all the detected production combinations can be proportionally scaled up or down. Besides, the DEA-BCC model was developed by adding a convexity restriction to the DEA-CCR model envelope formulation, which leads to variable returns to scale.

In this study, we will adopt the input-oriented approach. Therefore, the dual mathematical formulation of the DEA-CCR model is:

$$\text{(DEA - CCR)} \left\{ \begin{array}{l} \min_{\theta, \lambda} \theta \\ \text{Subject to} \\ -Y_o + \lambda Y \geq 0 \\ \theta X_o - \lambda X \geq 0 \\ \lambda \geq 0 \end{array} \right. \quad (1)$$

Source: Coelli. (1996a)

where:

$\theta$ : is a sought scalar (it represents the efficiency score of  $DMU_i$ ),

$\lambda$ : vector of non-negative weights,

$Y$ : is the  $m \times n$  matrix of outputs,

$X$ : is the  $k \times n$  matrix of inputs.

$Y_o$ 's and  $X_o$ 's are the observed output and input values, respectively, of the  $DMU_o$ , and the  $DMU$  to be evaluated.

$\theta^*$  is the input-oriented efficiency score of  $DMU_o$ . If  $\theta^*$  is equal to the unity, then the current input levels cannot be reduced, indicating that  $DMU_o$  is efficient. However, if  $\theta^* < 1$ , then  $DMU_o$  is technically inefficient.

The DEA-CCR problem (3) integrates an additional constraint, the convexity constraint  $N1'\lambda = 1$ , where  $N1$  is the  $n \times 1$  vector of 1s.

$$(DEA - BCC) \quad \left\{ \begin{array}{l} \min_{\theta, \lambda} \theta \\ \text{Subject to} \\ -Y_o + \lambda Y \geq 0 \\ \theta X_o - \lambda X \geq 0 \\ N1'\lambda = 1 \\ \lambda \geq 0 \end{array} \right. \quad (2)$$

Source: Coelli. (1996 a)

However, the DEA presents some drawbacks. The first drawback is that the DEA ignores the statistical noise. So, one can apply the parametric Stochastic Frontier Approach (SFA) to resolve this problem.

## 2.2. Stochastic Frontier Approach

This approach was independently introduced by Aigner et al. (1977) and Meeusen and van den Broeck (1977). In fact, this paper uses the SFA model of Cobb-Douglas production function to analyze the efficiency of 7 Tunisian ports. The estimation of this model is allowed by the access to a panel of data which covers a nine year period 2003-2013. The specific functional forms tested are the following:

$$\ln y_{it} = \beta_0 + \beta_1 \ln x_{1it} + \beta_2 \ln x_{2it} + \beta_3 \ln x_{3it} + V_{it} - U_{it} \quad (3)$$

Source: Coelli. (1996 b)

$$U_{it} = (U_i \exp(-\eta(t-T))) \quad (4)$$

Source: Coelli. (1996 b)

where:

The variables are all deviations from the geometric mean and defined as follows:

$i=1,2,\dots,7$ ;  $t=1,2,\dots,T$ ;

$t$ : is a time trend;

$y_{it}$ : is the volume of merchandise handled in port  $i$  during period  $t$ ;

$x_{1it}$ : is the area stored in port  $i$  during period  $t$ ;

$x_{2it}$ : is the number of stevedoring equipment used by port  $i$  in period  $t$ ;

$x_{3it}$ : is the number of employees in port  $i$  in period  $t$ ;

$\beta_k$ : is the unknown parameters to be estimated  $k = 0, 1, 2, 3$ ;

$V_{it}$ : are random variables which are assumed to be i.i.d  $N(0, \sigma_v^2)$ , and independent of the  $U_{it}$ ;

$U_{it}$ : are non-negative random variables representing technical inefficiency and are assumed to be i.i.d as half-normal distribution  $N(0, \sigma_u^2)$ ;

$\eta$ : is a parameter to be estimated;

$\sigma_v$ : is the variance parameter of noise term;

$\sigma_u$ : is the variance parameter of inefficiency term.

Furthermore, we use the parameterization of Battese and Corra (1977). They substitute  $\sigma_v^2$  and  $\sigma_u^2$  with  $\sigma^2 = \sigma_v^2 + \sigma_u^2$  and  $\gamma = \sigma_u^2 / (\sigma_v^2 + \sigma_u^2)$ , respectively. The parameter  $\gamma$  is between 0 and 1. If  $\gamma$  is close to one, it shows that the deviations from the frontier are due principally to the technical inefficiency. However, if  $\gamma$  is close to zero, it shows that the deviations from the frontier are due principally to noise.

The method of likelihood ratio-test is proposed to examine the presence of inefficiency effect ( $u_{it}$ ) under both the null and alternate assumptions. This method is defined as:

$$LR = -2 \{ \ln[L(H_0)] - \ln[L(H_1)] \} \quad (5)$$

*Source: Battese and Coelli (1993)*

Where  $L(H_0)$  and  $L(H_1)$  are the values of the likelihood function under the null hypothesis ( $H_0$ ) and the alternative ( $H_1$ ), respectively. In this case, if  $H_0 = 0$  is true, this LR statistics, has an asymptotic distribution which is a mixture of chi-square distributions  $\chi^2$ .

### **3. Literature Review**

In the fast twenty years, a significant part of the literature on ports have focused on seaport efficiency. Most of the studies focused on seaports in Europe and in Asia but few dealt with the efficiency in the African and in the Middle East seaports. Thus, the majority of studies use both DEA and SFA methodologies to measure the efficiency of seaports.

#### **3.1. Literature of the empirical port efficiency studies by using DEA**

The first researchers who attempted to use the DEA to analyze the seaport efficiency are Hayuth and Roll (1993). They used cross-section data to estimate the efficiency of 20 seaports. Their work was limited to the application of the DEA-CCR, which is a standard DEA model. Manpower, capital and cargo uniformity were used as inputs. Four outputs were included in the model: the cargo throughput, the level service, the customer's satisfaction and the number of ship calls.

Martinez et al. (1999) classified 26 Spanish ports into three groups namely high, medium and low complexity ports. These authors examined the technical efficiency of these ports by using the DEA-CCR and DEA-BCC models. They conclude that high complexity seaports were associated with high efficiency. As inputs, they took labor expenditure, depreciation charges and other expenses. The output units include the total cargo moved through the docks and the revenue obtained from the rent of port facilities.

Applying both DEA-CCR and DEA-additive models, Tongzon (2001) estimated the technical efficiency of four Australian and twelve international ports for the year 1996. He concludes that Melbourne, Rotterdam, Yokohama and Osaka are the most inefficient ports in the sample. Ship work rate and cargo throughput were used as outputs while the inputs were represented by the number of cranes and container berths, as well as by tugs, terminal area, delay time and labor.

By using a cross-sectional data for the year 1998, Valentine and Gray (2001) applied the DEA-CCR model to determine the relationship between port efficiency with a particular type of ownership and organizational structure of 31 container seaports among the world's top 100 container seaports in 1998. The data include the total length of berth and container berth length as inputs. The number of containers and the total tons throughout as outputs.

Barros and Athanassiou (2004) employed both DEA-CCR and DEA-BCC to estimate the efficiency of 4 Portuguese and 2 Greek seaports. The number of workers and the

amount of capital are used as inputs. The number of ships, the freight movement, handled cargo and containers are output variables. The writers conclude that the majority of the seaports are efficient, with the sole exception of Thessaloniki.

By using DEA window analysis, Park (2005) estimated the efficiency of 11 Korean container terminals for a period of three years 1999-2002. The data include the total quay length, the number of cranes, the size of yard areas, the size of the labor force, the size of LPC storage (Lifts Per Calls), NBP (Net Berth Productivity) as inputs. The cargo throughput and the terminal capacity are used as outputs.

By using a cross-sectional data for the year 2002, Cullinane and Wang (2006) applied the DEA-CCR and DEA-BCC models to estimate the efficiency of 69 container terminals with an annual throughput of over 10,000 TEUs in Europe. The general conclusion is that the terminals are inefficient. The inputs were represented by the terminal length, the size of the terminal area and equipment (expressed in numerical value) while the container throughput was used as output.

Barros (2006) also used the DEA-CCR and DEA-BCC models to evaluate the performance of 24 Italian seaports for the period between 2002 and 2003. Based on DEA-BCC results, the examined Italian seaports display relatively high-managerial skills in that period. The outputs included the liquid and solid bulk, the number of containers and ships and the total receipt. The input units included the number of personnel, the capital invested and the value of the operational costs.

Regarding the research applied to Africa and the Middle East, Al-Eraqi *et al.* (2008) used the Standard Data Envelopment Analysis (DEA) and DEA Window Analysis to study the technical efficiency of seaports. Cross-sectional and panel data from 2000 to 2005 were collected for each of the twenty-two seaports in the Middle East and East African region. The berth lengths, the storage area and the handled equipment were used as inputs, while the ship calls and cargo throughput were the outputs.

Both DEA-CCR and DEA-CCR models were applied by Munisamy and Singh (2011) to analyze the technical efficiency of 69 container ports in the Asian region. Their inputs were the berth length, the terminal area, the total refers points, the total quayside cranes and the total yard equipment whereas the total throughput was the output. They concluded that most of the efficient ports in Asia are located in Bangladesh, Philippines, China, Cambodia, India and Singapore.

Recently, Rajasekar and Deo (2014) has applied the Standard Data Envelopment Analysis (DEA) and DEA-Additive models to examine the technical efficiency of selected major ports in India for the period between 1993 and 2011. They concluded that the size is not a determinant factor for port efficiency i.e. bigger ports Jnpt, Mormugao and

smaller ports Tuticorin and Ennore were proved to have efficient port operations all through. The input units included the number of berths, the berth length, the number of equipments and employees. The container throughput in the TEU and total traffic were considered as the output variables.

Table 1 below presents the studies conducted using the DEA method.

**Table 1: Literature Review of DEA studies**

Authors	Method	Units	Inputs	Outputs
<b>Roll and Hayuth (1993)</b>	DEA-CCR model	Hypothetical numerical example of 20 ports	Manpower, capital, cargo uniformity	Cargo throughput, level service, consumer satisfaction, ship calls
<b>Martinez et al. (1999)</b>	DEA-BCC model	26 Spanish ports, 1993-1997	Labor expenditure, depreciation charges, other expenses	Total cargo moved through docks, revenue obtained from rent of port facilities
<b>Tongzon (2001)</b>	DEA-CCR additive model	4 Australian and 12 other international container ports for the 1996	Number of cranes, number of container berths, number of tugs, terminal area, delay time, labor,	Cargo throughput, ship working rate
<b>Valentine and Gray (2001)</b>	DEA with CCR model	31 container ports out of the world's top 100 container ports for the year 1998	Total length of berth, And container berth length	Number of containers, total tons throughput
<b>Barros and Athanassiou (2004)</b>	DEA-CCR and BCC	2 Greek and 4 Portuguese	Number amount of workers and capital	Number of ships, movement of freight, cargo handled, container handled
<b>Park (2005)</b>	DEA window	11 Korean container terminals, 1999-2002	Total length of quay, number of cranes, size of the yard areas, size of the labour force, LPC (lifts per calls), NBP (net berth productivity)	Cargo throughput, terminal capacity
<b>Cullinane and Wang (2006)</b>	DEA-CCR and BCC	69 container terminals in Europe for the year 2002	The terminal length, size of the terminal area, equipment	Container throughput
<b>Barros (2006)</b>	DEA-CCR and BCC	24 Italian seaports, 2002 - 2003	Number of personnel, the capital invested, value of the operational costs	Liquid bulk, solid bulk, number of containers, number of ships, total receipt

Authors	Method	Units	Inputs	Outputs
Al-Eraqi et al. (2008)	Standard DEA and DEA window	Middle East and East Africa, 2000–2005	Berth length, storage area, handling equipment	Ship calls, cargo throughput
Munisamy and Singh (2011)	DEA-CCR and BCC	69 container ports in the Asian region for the year 2007	Berth length, terminal area, total refers points, total quayside cranes, total yard equipment	Total throughput
Rajasekar and Deo (2014)	Standard DEA and DEA-Additive	8 ports in India, 1993 -2011	The number of berths, berth length, number of equipments and number of employees	Container throughput in TEU, total traffic

### 3.2. Literature in empirical port efficiency studies by using SFA

Among the applications of SFA to the port industry, Liu (1995) used the technical efficiency with a translog production function to test the hypothesis which states that the public sector ports are less efficient than private ones. A set of panel data relating to the outputs and inputs of 28 British ports over the 1983-1990 period was used. The inputs were labour and capital while the turnover was used as a proxy for output.

The translog cost function was used by Coto Millan et al.(2000) to estimate the economic efficiency of 27 Spanish ports from 1985 to 1989. Their inputs were the price of labor, price of capital and price of intermediate consumption. As output they took the aggregated single variable of goods, passengers and vehicles. They concluded that smaller ports are more efficient. These authors claimed that this is not so much due to size, but to the level of autonomy: ports with smaller autonomy are considered to be highly efficient.

By using a panel data version, Estache et al. (2002) used the Cobb–Douglas and the translog functional forms to estimate the production efficiencies of 11 Mexican container ports from 1996 to 1999. The input units included the number of workers and length of docks. The output included the volume of the handled merchandise.

By using the cross-sectional and panel data versions, Cullinane and Song (2003) applied the SFA with Cobb-Douglas cost function to access the privatization achievement of 5 Korean and UK container terminals. For inputs, they took the managerial service, the employees' salaries, the capital cost of terminal operations, the net book value of mobile and cargo and handling equipment. For outputs, they took the turnover derived from the provision of container terminal services, but excluded property sales.

Tongzon and Heng (2005) used the Cobb–Douglas production to measure the efficiency levels of 25 container ports/terminals and examine the relationship between port efficiency and port specific characteristics. They concluded that the private sector participation in the port industry can to some extent improve the port operation efficiency, which will in turn increase port competitiveness. The input units included the terminal quay length, the terminal surface and the number of quay cranes. As output they took the total throughput of a container terminal.

By using the translog cost function, Barros (2005) analyzed the extent of the technical change and technical efficiency in Portuguese seaport for the 1999- 2000 period. His results showed an average score of inefficiency of 39.6%, denoting a high degree of waste in the management of seaports. The inputs include the price of labor and of capital. The outputs included the number of ships and the total cargo.

Applying the Cobb-Douglas production function, Sun *et al.* (2006) estimated the efficiency of the container port production. Annual panel data from 1997 to 2005 have been collected for each of the eighty-three container terminal operators. Their inputs were the handling capacity between the ship and the quay, the handling capacity between the quay and the yard, the number of berths, the length of quay lines, the terminal area, the storage capacity of the port and the refers points while the cargo throughput was the output.

Using the cross-sectional data for 2002, Trujillo and Tovar (2007) also used the Cobb-Douglas production function to analyze the technical efficiency of 22 European ports and estimate their legislation. They concluded that their analysis can't explain the factors that determine the level of port efficiency. The input units included the number of employees and the surface area. The outputs included the container traffic, other types of freight and passenger traffic.

González and Trujillo (2008) applied a translog production function with panel data for 9 Spanish ports from 1990 to 2002 to evaluate the technical efficiency evolution in transport infrastructure and analyze the impact of 90's port reforms. For inputs, they took the total length of berth, the surface area and labor and for outputs, they took the container and passenger traffic, the liquid bulk and other cargo.

By applying a panel data from 2002 to 2012, Barros et al. (2016) analyzed the impacts of cost and operational variables on major Chinese ports by means of a stochastic frontier model. Their inputs were the cost in Renminb, the price of labour, price of capital and price of intermediate consumption. The number of passengers and handled containers are output variables. The writers conclude that there is considerable heterogeneity in China's seaports, affecting their cost-efficiency estimation.

Table 2 below shows the applications made using the SFA method.

**Table 2: Literature Review of SFA studies**

<b>Papers</b>	<b>Method</b>	<b>Units</b>	<b>Inputs</b>	<b>Outputs</b>
<b>Liu (1995)</b>	Translog production function	28 British port authorities, 1983 to 1990	Labour, capital	Turnover
<b>Coto-Millan, et al. (2000)</b>	Translog cost function	27 Spanish Ports, 1985 to 1989	Price of labor, price of capital, price of intermediate consumption	Aggregated single variable of goods, passengers and vehicles
<b>Estache et al. (2002)</b>	Cobb-Douglas and Translog production function	11 Mexican port authorities 1996-1999	Number of workers, length of docks	Volume of merchandise handled
<b>Cullinane and Song (2003)</b>	Cobb-Douglas cost function	5 container terminals, Korean and UK, different year of observations (65 observations)	Managerial service, employees' salaries, capital cost of terminal operations, net book value of mobile, cargo handling equipment	Turnover
<b>Tongzon and Heng (2005)</b>	Cobb-Douglas production	25 container ports/terminals	The terminal quay length, the terminal surface, the number of quay cranes	Total throughput
<b>Barros (2005)</b>	translog cost function	10 Portuguese port authorities, 1990-2000	Price of labor, price of capital	Number of ships, total cargo
<b>Sun, et al. (2006)</b>	Cobb-Douglas production function	83 container terminal operators 1997-2005	Handling capacity between ship and quay, handling capacity between quay and yard, number of berths, length of quay lines, terminal area, storage capacity of port, reefer points	Throughput
<b>Trujillo and Tovar (2007)</b>	Cobb-Douglas production function	22 European port authorities 2002	Number of employees, surface area	Container traffic, other types of freight and passenger traffic
<b>González and Trujillo (2008)</b>	Translog production function	9 Spanish port authorities, 1990-2002	Length of berth, surface area, labor	Container and passenger traffic, liquid bulk and other cargo
<b>Barros et al. (2015)</b>	random and fixed-effect stochastic models	major Chinese ports 2002- 2012	Cost in Renminb, the price of labour, price of capital, price of intermediate consumption	Number of passengers, handled containers

## 4. Empirical results

### 4.1. Data

The available data are annual covering a nine year period, from 2003 to 2013, about 7 Tunisian ports (Bizerte, Goulette, Rades, Sousse, Sfax, Gabes and Zarzis). Thus, the sample of the analysis comprises a total of 77 observations.

The data were obtained from the Merchant Marine and Port Office (OMMP) and the Tunisian Stevedoring and Handling Company (**STAM**).

The measurement of the output is indicated for one element:

- Throughput: Movements of general cargo (dry, liquids and containers) unload and load (tons).

The measurement of the inputs is considered by the indicators:

- Number of stevedoring equipment: Total number of reach stackers, straddle carriers, number of quayside cranes, mobile cranes, quay gantry, mobile gantry and the ship shore container gantry,
- Number of employees: Total number of employees of the OMMP and of the STAM,
- Area stores: Total area stores (m<sup>2</sup>).

**Table 3: Summary statistics for the period**

Variables	Output	Inputs		
	Throughput (Tons)	Stevedoring equipment (Number)	Area stores (m <sup>2</sup> )	Employees (Number)
<b>Mean</b>	3672270,013	42,0259	15986,1558	168,2597
<b>Median</b>	4048751	31	13000	85
<b>Std. Deviation</b>	2556765,005	35,8755	11481,9591	205,0763
<b>Maximum</b>	10319193	122	35600	709
<b>Minimum</b>	650573	2	4000	6

Table 3 contains the descriptive statistics of the variables used in the study. They include the sample mean, the median, the standard deviation, the minimum and maximum value for each of the variables. Here, the largest traffic of throughput (i.e., 10319193 tons in 2013), the largest number of stevedoring equipment (i.e., 122 in 2010) and the largest number of employees (i.e., 709 in 2011) correspond to the port of Rades since it plays an important role in the national transport chain through its

specialization in container traffic and rolling units (mainly trailer traffic). While the maximum Area stores (i.e., 35600m<sup>2</sup> in 2010) correspond to the port of la Goulette.

On the other hand, the minimum values of the number of stevedoring equipment (i.e., 2 in 2003 and 2005) and of the area stores (i.e., 4000 m<sup>2</sup> from 2003 to 2011) are related to the port of Gabes. However, the minimum value of traffic of throughput (i.e., 650573 tons in 2003) corresponds to the port of Zarzis. Finally, the minimum number of employees (i.e., 6) is recorded in Gabes and Zarzis during 2003 and 2004, respectively.

To estimate the efficiency scores, we used balanced panel data on Tunisian seaport authorities for the years 2003 to 2013. This number of observations allows the estimation of DEA with CCR and BCC models and a stochastic frontier model based on Cobb-Douglas production function.

## 4.2. Results and interpretation

Coelli (1996 b) FRONTIER Version 4.1 computer software is adopted for the calculation of the frontier for SFA with Cobb-Douglas function for the half-normal distribution (SFA<sub>CD</sub>). Table 4 summarizes the maximum-likelihood estimation results, the test value calculated and the corresponding critical value of the X<sup>2</sup> distribution at 5% of significance.

**Table 4: Maximum Likelihood Estimates of the SFA Model**

Variables	Coefficient	Standard-Error	T-Ratio
Constant	15.462741	0.24376179	63.433816
lnx <sub>1it</sub>	-0.70511861*10 <sup>-08</sup>	0.10439815*10 <sup>-08</sup>	-6.7541296
lnx <sub>2it</sub>	0.041002659	0.050068689	0.59167545
lnx <sub>3it</sub>	0.11631621*10 <sup>-09</sup>	0.92371360*10 <sup>-10</sup>	1.2592238
$\sigma^2 = \sigma_v^2 + \sigma_u^2$	1.7040804	0.92383939	1.8445635
$\gamma = \sigma_u^2 / (\sigma_v^2 + \sigma_u^2)$	0.97128942	0.016413651	59.175706E
Log (likelihood)		-9.2718621	
LR =		165.77722	
Observations		77	

The estimated value of the variance parameter  $\gamma$  (0.971) is close to the unity, which suggests that deviations are due to technical inefficiency. The test refers to the evaluation of a Cobb-Douglas as a representation of production technology. The null hypothesis,  $\beta_1 = \beta_2 = \beta_3 = 0$  test the joint significance of input parameters. LR values of SFA<sub>CD</sub> (165.77722) are larger than the critical values (7.81) of X<sup>2</sup> distribution. This test suggests that we cannot reject this hypothesis and therefore the Cobb-Douglas function

can be considered a good model to represent the production technology of the Tunisian port sector.

Table 5 reports the technical efficiency of each port in Tunisia calculated by  $DEA_{CCR}$ ,  $DEA_{BCC}$  and  $SFA_{CD}$  models within the observed period, between 2003 and 2013.

The scores raised by the application of the DEA models were calculated using the DEAP 2.1 program created by Coelli (1996a).

**Table 5: Efficiency Scores for 7 Tunisian Ports (2003–2013)**

Port	2003			2004			2005		
	$DEA_{CCR}$	$DEA_{BCC}$	$SFA_{CD}$	$DEA_{CCR}$	$DEA_{BCC}$	$SFA_{CD}$	$DEA_{CCR}$	$DEA_{BCC}$	$SFA_{CD}$
Bizerte	0.548	1.000	0.8395	0.500	1.000	0.9981	0.503	0.889	0.6914
La Goulette	0.026	0.112	0.1406	0.029	0.112	0.3647	0.025	0.112	0.9947
Rades	0.211	1.000	0.9987	0.235	1.000	0.7377	0.230	1.000	0.8034
Sousse	0.109	0.308	0.2005	0.109	0.308	0.2454	0.124	0.328	0.2604
Sfax	0.278	0.801	0.7925	0.259	0.951	0.3259	0.297	1.000	0.9997
Gabes	1.000	1.000	0.9649	1.000	1.000	0.8564	1.000	1.000	0.7279
Zarzis	0.164	1.000	0.1388	0.198	1.000	0.8862	0.201	1.000	0.4987
AVERAGE	0.334	0.746	0.5822	0.333	0.767	0.6306	0.340	0.761	0.7109
Port	2006			2007			2008		
	$DEA_{CCR}$	$DEA_{BCC}$	$SFA_{CD}$	$DEA_{CCR}$	$DEA_{BCC}$	$SFA_{CD}$	$DEA_{CCR}$	$DEA_{BCC}$	$SFA_{CD}$
Bizerte	0.496	1.000	0.9351	0.536	1.000	0.3852	0.587	1.000	0.4370
Goulette	0.027	0.112	0.9267	0.024	0.112	0.1386	0.026	0.112	0.1247
Rades	0.229	1.000	0.9182	0.260	1.000	0.9240	0.270	1.000	0.9960
Sousse	0.123	0.321	0.9191	0.174	0.351	0.6552	0.189	0.333	0.6260
Sfax	0.267	0.859	0.9335	0.340	1.000	0.7222	0.381	1.000	0.4542
Gabes	1.000	1.000	0.9261	1.000	1.000	0.9994	1.000	1.000	0.7592
Zarzis	0.174	1.000	0.9141	0.163	1.000	0.1275	0.191	1.000	0.2032
AVERAGE	0.331	0.756	0.9247	0.357	0.781	0.5646	0.378	0.778	0.5143
Port	2009			2010			2011		
	$DEA_{CCR}$	$DEA_{BCC}$	$SFA_{CD}$	$DEA_{CCR}$	$DEA_{BCC}$	$SFA_{CD}$	$DEA_{CCR}$	$DEA_{BCC}$	$SFA_{CD}$
Bizerte	0.572	1.000	0.9994	0.427	0.509	0.3257	0.994	1.000	0.9619
La Goulette	0.025	0.151	0.1003	0.030	0.175	0.2158	0.060	0.178	0.8893
Rades	0.265	1.000	0.8311	0.260	1.000	0.7812	0.470	1.000	0.7193
Sousse	0.236	0.526	0.2591	0.269	0.560	0.8305	0.496	0.565	0.9257
Sfax	0.457	1.000	0.9172	0.497	1.000	0.6576	0.838	1.000	0.9655
Gabes	1.000	1.000	0.5539	1.000	1.000	0.9996	1.000	1.000	0.7712
Zarzis	0.255	1.000	0.1208	0.290	1.000	0.1600	0.470	1.000	0.8298
AVERAGE	0.401	0.811	0.5402	0.396	0.749	0.5672	0.618	0.820	0.8661
Port	2012			2013					
	$DEA_{CCR}$	$DEA_{BCC}$	$SFA_{CD}$	$DEA_{CCR}$	$DEA_{BCC}$	$SFA_{CD}$			
Bizerte	1.000	1.000	0.3832	0.843	1.000	0.9349			
La Goulette	0.074	0.178	0.3415	0.060	0.178	0.9174			
Rades	0.435	1.000	0.8072	0.417	1.000	0.9254			
Sousse	0.370	0.565	0.8355	0.369	0.565	0.9302			
Sfax	0.661	0.728	0.9162	0.647	0.894	0.9141			
Gabes	1.000	1.000	0.9997	1.000	1.000	0.9272			
Zarzis	0.265	1.000	0.4593	0.224	1.000	0.9152			
AVERAGE	0.544	0.782	0.6775	0.508	0.805	0.9235			

The input-oriented efficiency represents the degree to which a port could minimize its input use without altering its output. The DEA and SFA scores are between 0 and 1. DMUs with DEA and SFA scores equal to the unity are efficient. A DMU with a score of less than the unity is relatively inefficient.

Based on the  $DEA_{BCC}$  results, the ports of Rades, Gabes and Zarzis have achieved the best overall technical efficiency (score=1). However, the results for the port of Bizerte vary because it was inefficient between 2005 and 2010.

Moreover, the results of  $DEA_{BCC}$  for the port of Sfax also vary in terms of efficiency as shown in table 5. In fact, this port was inefficient along 2003, 2004, 2006, 2012 and 2013. On the other side, it was efficient during the rest of the study period.

When the  $DEA_{CCR}$  model is applied, the results show that the port of Gabes was the only efficient port for this set of samples and showed efficiency scores of 1. The results also showed that the ports of Bizerte, la Goulette, Rades, Sousse, Sfax and Zarzis were inefficient during the whole period of analysis.

Regarding the  $SFA_{CD}$  analysis, the results showed that none of the studied ports has high efficiency. However, the port of Rades can be considered as an efficient port during all the study period since its  $SFA_{CD}$  efficiency scores are always higher than 0.7193 while the  $SFA_{CD}$  scores for the other seaports are fluctuating.

The port of the La Goulette is the most inefficient, this inefficiency can be explained by its specialization in the passenger traffic and cruise. On the other hand, the port of Gabes is the most efficient by applying the 3 models. In 2012, this port represents 2 times of total traffic of port of Sousse and 3 times of total traffic of port of Zarzis.

We can conclude that the inefficiency of Tunisian seaports is noticed in the decline of handling traffic, which corresponds to the results obtained by Pjevčević et al. (2010) regarding the Serbian ports case.

The analysis also showed that the total average of operating efficiency scores of  $DEA_{BCC}$  (0.746) >  $SFA_{CD}$  (0.482) >  $DEA_{CCR}$  (0.334) between 2003 and 2013.

**Figure 1: Year-by-Year Average Efficiency for 7 Tunisian Ports (2003–2013)**

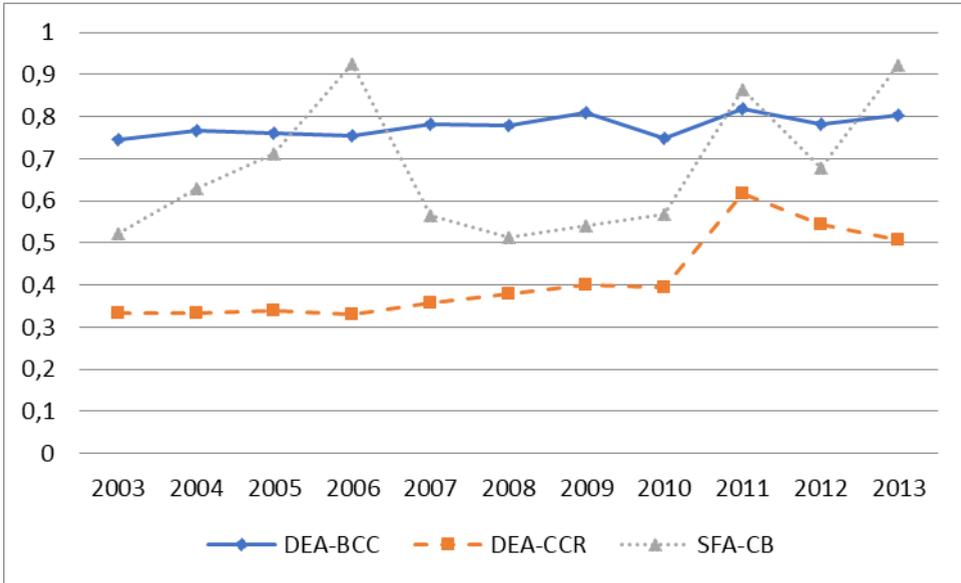


Figure 1 depicts the development of the year-per-year average efficiency of all of the seven ports in the sample using the  $DEA_{CCR}$ ,  $DEA_{BCC}$  and  $SFA_{CD}$  models. The average annual efficiency scores of  $DEA_{CCR}$  and  $DEA_{BCC}$  between 2003 and 2013 are almost constant. However, the average annual efficiency scores of  $SFA_{CD}$  rose steeply from 0.5233 in 2003 to 0.9247 in 2006. After 2006, there was an evident decline in the average annual efficiency scores of  $SFA_{CD}$  which reached 0.5672 in 2010. According to figure 1, the curve of the  $SFA_{CD}$  model peaked in 2006, 2011 and 2013.

By looking table 5 and figure 1, we can see that the efficiency scores of  $DEA_{CCR}$ ,  $DEA_{BCC}$  and  $SFA_{CD}$  in 2011, 2012 and 2013 increased compared to 2010.

## 5. Conclusion

This study applies the two leading approaches to the efficiency measurement, DEA and SFA, on the same data set for the port industry in Tunisia and compares the efficiency derived from the two approaches.

The input data are composed of the storage area, the number of employees and the number of stevedoring equipment while the output data include the aggregated port throughput per year.

The analysis shows that the total average of operating efficiency scores of  $DEA_{BCC}$  (0.746)  $>$   $SFA_{CD}$  (0.536)  $>$   $DEA_{CCR}$  (0.334) between 2003 and 2013. Based on the  $DEA_{BCC}$  results, the ports of Rades, Gabes and Zarzis achieved the best overall technical efficiency of 1.0 over 11 years of the observed periods. However, the port of Rades can be considered efficient during the whole period of analysis since its  $SFA_{CD}$  efficiency score has never fallen below 0.7193. Given these results, we can say that the port of Rades can be considered as the best efficient port in the 2 models ( $DEA_{BCC}$ ,  $SFA_{CD}$ ). Based on the  $DEA_{CCR}$  results, the port of Gabes is defined as the only efficient one for this set of samples, so we can conclude that the port of Gabes can be considered as the best efficient port by using the  $DEA_{BCC}$ ,  $DEA_{CCR}$  and  $SFA_{CD}$  models.

We can conclude that there are two solutions to resolve the sources of inefficiencies. Firstly, all the most inefficient seaports are advised to increase the quantity of goods that can be transferred by attracting more clients. Secondly, these ports should rent their stevedoring equipment and storage area to other companies in order to reduce the use of considered inputs (number of stevedoring equipment, number of employees and storage area) in proportion to the achieved output (throughput) in these ports.

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