The Changing Shape of Port Authorities in Australia

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Background

- Significant philosophical and policy changes from mid-1970s
- Dramatic impact on ownership of transport infrastructure following deregulation of government monopolies
- Opening up of market to competition enabled modal integration and ownership of supply chains by a single owner or alliance

Background

- Economic lessons learnt from other countries
  - USA, UK and NZ
- Microeconomic reform followed the National Competition Policy (NCP) in 1995
- Focused on
  - Private sector
  - Mining and manufacturing
  - Corporate restructure and ownership change
  - Deregulation
  - Labour market
- Flow-on effects on port and rail sectors

Post-war experience

- Near full employment did not persist
- Inflation grew from the 1960s followed by oil shocks and economic crises of the 1970s
- High unemployment, rising inflation in 1980s
- Government spending exceeded revenues
- In 1985/86 Australia's foreign debt was 30% of GDP (7% in early 1980s)
  - –1995-6 foreign debt was 19.1% of GDP
  - –Today Current Account Deficit (CAD) is circa 6%

The situation

- Firms had developed into monopolies
- Reform to make the market contestable
- Caution against jumping to privatisation
  - without appropriate restructuring, the anti-competitive structure of the former public sector monopoly could be transformed into a private sector monopoly
- Port users demanded
  - productivity and efficiency improvements
  - transparent accounting systems

Response

- Perception that
  - Australia was over-governed, over-taxed and over-regulated
  - private sector *must be* more efficient than government
- NCP and Aus Competition and Consumers Association (ACCC) introduced in 1995
- Particular attention on public sector monopolies (ports and railways)

Response in ports

- State governments under pressure from port users and shippers to either
  - make them profitable and efficient
  - or withdraw from commercial activities
- Ports moved from public statutory authorities to competitive businesses
- Privatisation and corporatisation

Privatisation/corporatisation

- Purpose
  - Release from high cost, low productivity assets
  - Reduce public debt
- Privatise
  - transfer of public assets to private sector
  - Sale/lease/contracting out of port operation
- Corporatise
  - Gov't (or state) owned corporation (GOC or SOC) established by legislation


Christmas Island
Cocos (Keeling) Island
DARWIN
Thursday Island
Skardon River
Gove
Weipa
Quintell Beach
Milner Bay
Bing Bong
Cape Flattery
Wyndham
Cairns
Derby
Karumba
Mourilyan
Lucinda
Broome
Townsville
Abbott Point
Varanus Island
Port Hedland
Mackay
Barrow Island
Hay Point & Dalrymple Bay
Port Walcott
Dampier
Thevenard Island &
Saladin Marine Terminal
Airlie Island Terminal
Rockhampton
Gladstone
Bundaberg
Cape Cuvier
Useless Loop
BRISBANE
Geraldton
Yamba
Port Bonython
Whyalla
FREMANTLE
& Kwinana
Thevenard
Ardrossan
Port Pirie
Wallaroo
Catherine Hill Bay
Newcastle
Lord Howe
Island
Port Lincoln
ADELAIDE
Bunbury
Klein Point
Port Stanvac
SYDNEY
Esperance
Port Giles
Cape Jervis
Port Kembla
Kingscote
Albany
MELBOURNE
Geelong
Hastings
Penneshaw
Eden
Portland
Ports of Australia
King Island
Flinders Island
Stanley & Latta
Launceston
Burnie
Spring Bay
Devonport
HOBART

Port authorities

- Public sector bodies, usually corporatised
  - Considerable amount of ministerial interference
  - Usually exempt from ACCC purview
- Exceptions
  - Flinders, bulk ports
- The primary purpose of PAs
  - Public and state (national ?) interest
- Alternatives to public sector
- Ideal structure?

Need for integrated planning

- Coordinated with industrial development

"Just as there is a broad public interest and involvement in planning and developing other parts of the transport infrastructure, there is a public interest in the development and maintenance of the major ports and their facilities"

(Industry Commission 1993, p.43).

Public good and efficiencies

- Public port authority
  - – Provision of public goods
  - – Ports as natural monopolies (?)
  - – Promotion of efficiency
  - – Role in social objectives

Overview

- Main city ports
- Flinders Ports
- Tasports
- Bulk (specialised) ports

Purpose

- Regional ports
  - Comprehensive approach
  - May provide cargo handling services
  - Offer competition to private operators
  - Use PA expertise most effectively
- Bulk ports
  - Sugarport model (iron ore, coal, gas,etc)
- Aim is success of ports

Push to privatisation

- Government interference
  - National policy influences port
- Financing
  - Governments control investment …a port authority may miss out on the opportunity to undertake investment and development in its port

    (Industry Commission 1993)
- Efficiency
  - Maintenance, waste, allocation of costs
- Inability to pursue market opportunity

Privatisation

- Assumes sufficient competition
  - Exists among some city ports
  - If not, can transfer market power from public to private hands
- Secondary to improving efficiency of PAs
  - Institutional settings to maximise efficiency
- Corporatised model
  - Government shareholders
  - Political interference through board appointments

Each to its own

- Victoria
  - privatised Geelong and Portland
  - kept Melbourne as a GOC
- NSW and Q'sland corporatised main ports
- WA went through commercialisation to corporatisation
- SA privatised all ports
- Tasmania went through corporatisation to amalgamation of all ports
- NT has corporatised Darwin but has smaller private ports

Flinders Ports

- 1994, all SA ports corporatised
- In 2000, government decided to privatise South Australian Ports Corporation.
- In November 2001, Flinders Ports began to privately operate SA ports on a 99-year land lease and port operating license for the Port of Adelaide, Port Lincoln, Port Pirie, Port Giles, Klein Point, Thevenard and Wallaroo

Main city port PAs

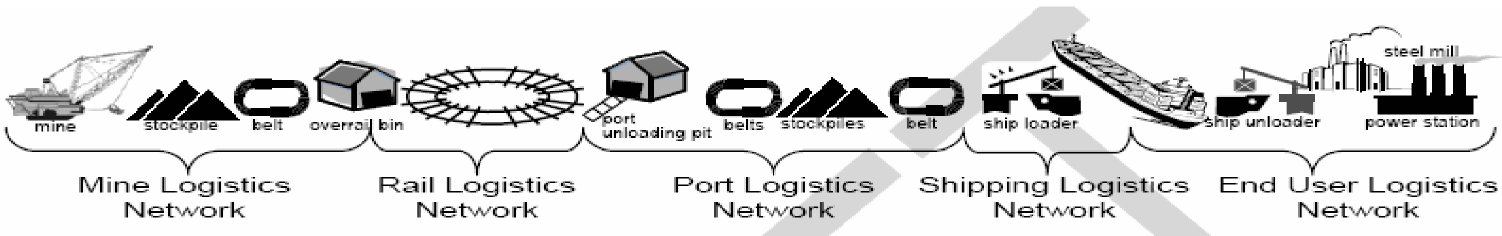
- Landlord model
- Primary purpose
  - Manage to facilitate trade
  - Provide appropriate infrastructure
  - Successful as business
  - Recognise interests of employees
  - Regulate safety, prices and licensing
  - Supervise operators

Bulk ports

- Usually operated by private companies
- 99 year lease from state governments
- Provide loading capability – customers contact rail companies and mines directly
  - 3rd party terminal operator coordinates rail movements
- Operating costs (some capital costs) recovered from users
- Charges and access regulated by state competition authority

Bulk ports

- Generally operate on FOB paradigm
- Generates inefficiencies in supply chain



- Long ship queues outside some ports

Tasports

- In 1997, all four ports were corporatised
- On 1 January 2006 - The Tasmanian Ports Corporation Pty Ltd (Tasports), a GOC of the Tasmanian Government, was created under an Act of the State Parliament
- Tasmania’s four ports were amalgamated
- Tasports is responsible for the operations and management of all ports in Tasmania
- Board members are appointed by government and the Board appoints the CEO

Corporatised port authorities

- Apparent success
  - Preceded by decade of economic reform
  - Labour reforms in high cost market
    - Reduced workforce
    - Higher automation
    - Improved bottom line
  - Business improvement in other sectors
  - Difficult to separate effects

Public-private paradox

- Perception of efficient private ports
- Why is private more efficient?
- Australian ports
  - Capital city (landlord)
  - Bulk ports
  - Private ports (Flinders)
  - State-wide PA (QPC, Tasports)