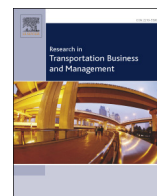




Contents lists available at ScienceDirect

Research in Transportation Business & Management



The latest trend in Australian port privatisation: Drivers, processes and impacts

Peggy Shu-Ling Chen ^{*}, Hilary Pateman, Quazi Sakalayen

Department of Maritime and Logistics Management, Australian Maritime College, University of Tasmania, Locked Bag 1397, Launceston, Tasmania 7250, Australia

ARTICLE INFO

Article history:

Received 12 May 2016

Received in revised form 20 October 2016

Accepted 23 October 2016

Available online xxxx

Keywords:

Port privatisation

Leasehold sale

Private landlord port

Australia

ABSTRACT

This paper presents the latest trend in Australian port privatisation, long-term leasehold sale, and discusses its impact on port governance structure and port management. Since 2010, Australia has been exercising port privatisation at major capital city ports, driven by the government's policy of recycling capital for funding other infrastructure projects and the budgetary goal of reducing State Governments' debts. Except for land, the State Government transfers major port assets and the port corporation to a state-owned holding company and then sells it to a private winning bidder. Of notice is that the privatisation involves private equity ownership and foreign ownership of Australian ports. Consequently, the governance structure at the privatised ports is a private/public model, with the private port company being the port authority and landlord managing the port. The regulatory function following the privatisation is the public sector's responsibility while operator functions are undertaken by stevedores. Although the Australian port privatisation has positive effects on State Governments' balance sheets in the short term, it may result in a risk of undervaluing port assets, increased port charges, impeded port competition, less port investment, and less concern for the public interest in the long term. In terms of these findings, this paper provides some thoughts for further port privatisation in Australia.

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1. Introduction

In past decades, governments in many countries have embarked on port privatisation to pursue different goals. The underlying principle driving port privatisation is that any entity providing port services should operate in a commercial environment under market mechanisms. Full port privatisation refers to the transfer of ownership of assets from the public to the private sector or the application of private capital to fund investments in port facilities, equipment and systems. But in reality this has not been totally adopted. National port authorities have often attempted to devolve selected port services to the private sector by means of leasing facilities, licensing operations and granting concessions (De Monie, 1996; UNCTAD, 1998), a partial adoption of port privatisation.

The UK port privatisation experience during the 1980–1990s demonstrates full port privatisation through the sale of port assets including property rights; most other countries implement a degree of port privatisation through liberalisation, commercialisation, corporatisation, concessions (including lease and Build-Operate-Transfer, (BOT)), joint

ventures and contracting out. The UK experience is not common; additionally, no other UK ports have been sold since 1997, despite a voluntary privatisation application made by the Port of Dover in 2012, which the UK Secretary of State for Transport rejected (Verhoeven, 2014). In contrast, Australian ports have been actively exercising port privatisation since 2010. However, the model adopted in Australia is selling long-term leaseholds over the port assets to the private sector, usually for 99 years; this is effectively an alternative approach to full privatisation. This paper presents recent privatisation in 5 major Australian ports including Port of Brisbane, Port Botany, Port Kembla, Port of Newcastle and Port of Darwin, and discusses its implications for port management and policy.

This paper is structured as follows. The next section explains the evolution of port governance in Australia, followed by the drivers for Australian port privatisation during 2010–2016. Following this background introduction to port governance and privatisation in Australia, Section 4 states the methodology used to derive details of individual port privatisations and subsequent thematic analyses to ascertain impacts and implications of port privatisation. The privatisation process of the individual privatised ports is explained in Section 5, followed by Section 6 which considers its key features. Section 7 analyses the change in the port governance model and management functions from the conceptual perspective. Section 8 discusses the impact of privatisation, and

^{*} Corresponding author.

E-mail addresses: pchen@amc.edu.au (P.S.-L. Chen), H.Pateman@amc.edu.au (H. Pateman), Quazi.Sakalayen@utas.edu.au (Q. Sakalayen).

Section 9 addresses the implications for future privatisation. Section 10 provides concluding remarks.

2. Evolution of port governance in Australia

Australia has three levels of government, Federal, State and local, which impact on port reform processes. Historically, the majority of Australian ports are owned by State Governments; however, there are a few that are privately owned, often bulk ports. Generally, public port authorities are accountable for managing port assets while the private sector mainly operates cargo handling and other business activities within ports. Australian ports have experienced different approaches of institutional reform since the 1980s, including commercialisation and corporatisation (Chen, 2009). Commercialisation allows the public port authority to apply private sector commercial management practices with a high degree of autonomy (World Bank, 2007). Corporatisation involves the transformation of the public port authority to an independent, but government-owned, entity under the Corporation Act, or similar statutory state legislation.

In the 1990s, the government promoted a commercialisation policy to improve the efficiency of port authorities, therefore the continuing reform of corporate structure and ownership of Australian ports has been undertaken since then (Chen & Everett, 2014). In general, the corporatisation model has been widely adopted by State Governments for restructuring port authorities. Everett (2009) identifies two types of corporatisation models that exist in Australian ports. One is the Government-Owned Company (GOC) registered to the Australian Securities and Investment Commission (ASIC), where the State Minister represents the ownership of the port and remains liable to the Corporation Act, thereby being accountable to ASIC. The other is the Statutory State-Owned Corporation (SSOC), the preferred option in most states, subject to the organisation's specific statute with the State Minister

holding the supreme authority and remaining accountable to the State Parliament.

It is noticeable that the major port corporatisation in each state was undertaken through an individual port authority or the amalgamation of several port authorities, such as South Australian ports and Tasmanian ports. In 2014, the Government of Western Australia consolidated eight WA port authorities into five to ensure better safety, planning, port development coordination, economies of scale and resourcing for smaller regional ports. The consolidation may be a pre-cursor to the corporatisation of the port group, following the examples of South Australia and Tasmania. The location of the majority of Australian ports is shown in Fig. 1.

In Australian corporatisation models, government control remains with most commercial activities given to the private sector. In both corporatisation models, sometimes government or political influences and interests may not match with commercial objectives. In some Australian states, port corporatisation is a precursor to privatisation, which was not the case in the past. Those states that have adopted an SSOC model when first corporatising their ports have subsequently introduced further reform, enacting ports as GOCs for privatisation (Chen & Everett, 2014). For example, the Port of Brisbane has followed these stages.

Port privatisation is not new in Australia, for example the Port of Portland and Geelong Port were respectively privatised in 1995 and 1996. In November 2001, the South Australian Port Corporation managing the Port of Adelaide and another six regional ports of Port Lincoln, Port Pirie, Port Giles, Klein Port, Thevenard and Wallaroo was acquired by the private company Flinders Ports Pty Ltd with a 99-year land lease and an operating licence. However, in recent years there has been increasing privatisation of ports in Australia through the sale of long term leases over port land and associated assets by State Governments (Australian Competition & Consumer Commission, ACCC, 2014). The latest trend of port privatisation started at the Port of



Fig. 1. Australian ports.
Source: adapted from Ports Australia website.

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