

**AAPMA**

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4<sup>th</sup> November 2003

The Committee Secretary  
Standing Committee on Transport and Regional Services  
Parliament House  
Canberra  
ACT 2600

Secretary: *[Signature]*

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HOUSE OF REPRESENTATIVES  
STANDING COMMITTEE ON  
TRANSPORT AND  
REGIONAL SERVICES

**Inquiry into Privatisation of Regional Infrastructure and Government Business Enterprises.**

Dear Sir/Madam,

The Association of Australian Ports and Marine Authorities is pleased to make a submission to the above enquiry. Our Association represents the interests of Australia's Government owned ports and several privately owned port corporations as well as State marine regulatory authorities.

1. Australia's ports are predominantly State Government owned. They have been corporatised or commercialised as part of the corporatisation process applied to many GBE's in the 1990's. As part of this process, the Victorian Government sold Geelong and Portland ports to the private sector. More recently, the South Australian Government has also sold its ports to the private sector. In addition there are several resources industry ports that are privately owned. The Western Australian Government retains ownership of some smaller regional ports through its Department of Infrastructure and Planning.

Under the corporatisation and commercialisation process a number of port operations previously carried out by ports were sold or transferred to the private sector through long term leasing arrangements or other similar arrangements. A large proportion of the port service requirements are therefore managed and operated by the private sector with the port corporations/authorities largely remaining as landlords with a strong trade facilitation function.

The corporatised/commercialised ports have been given Boards of Directors, however, they remain subject to adherence to a wide range of Government business, financial, employment and other policies and processes which are often generic in their nature and application.

2. Australia's ports provide the entry and exit points for over 99% of Australia's trade by volume. They are part of the overall transport and logistics chain being the essential interface between land and sea transport modes.

As a result ports have a significant economic impact on a regional and State basis and also at a national level. The results of Economic Impact Studies that have been undertaken by a selection of ports using an economic impact model developed by the Australian Department of Transport and Regional Services' Bureau of Transport and Regional Economics are shown in the attachment.

3. The land transport corridors for freight to and from ports are important strategic systems providing access to distribution centres as well as direct access to end users/suppliers. The cost and efficiency of land transport, as well as port costs and efficiencies, are important elements in contributing to Australia's international competitiveness.

Land access issues to ports at present and into the foreseeable future are most important strategic considerations as they can impact on the ability to provide the lowest cost service to our exporters and importers and can contribute in delays to meeting shipping schedules. It is important that, if we are to maintain our international competitiveness, efficient land transport corridors for freight are recognised by Government as essential infrastructure. Planning schemes must be established that recognise the importance of these corridors and the provision of capacity for expansion as well as suitable buffer zones for environmental purposes.

Many of the major bulk exports through ports are of low value and are required to be shipped long distances to their destinations. They are significant earners of export revenue and major contributors to regional development. They therefore require the most efficient, lowest cost infrastructure so that they remain internationally competitive and can grow in line with international demand.

4. Government financial requirements on ports that are determined by Government budgetary requirements can impede the timely and efficient meeting of market needs, especially in relation to port infrastructure development. The adequacy of port infrastructure such as the depth in channels and at berths to meet new and larger ship requirements, the capacity of berths and loading/discharge facilities to meet current market needs as well as growth in trade, are also important strategic issues that directly relate to economic growth.

It is essential that ports are not impeded from expansion of their infrastructure to meet timely growth of existing markets as well as new industries that will rely on port infrastructure so that the regional and national economics can grow. Australia is only one of many nations, especially in the Southern Asian region, that compete to attract new growth industries.

Ports are businesses and need to be able to move flexibly and quickly to meet changing market needs and manage the range of issues that impact upon them for the benefit of their stakeholders.

5. Furthermore, Government owned ports are required to meet a range of Government micro controls linked to strict adherence to Government employment, business, process etc requirements as well as reporting requirements.

This adds a layer of costs to ports which normally have to be passed on to exporters and importers. It is considered that these requirements, which are mainly generic in nature, do not add value to port operations or port management and are such that in a privately owned organization they would not be incurred. The maintenance of our competitive

position internationally, requires that all parts of the transport chain minimise their costs as well as maximise efficiency in business operations and processes.

6. In capital city and other regional ports handling general cargo, the level of competition between ports is increasing. Although still quite limited, such competition is largely the result of more flexible and innovative approaches to land transport and logistics solutions developed by the private sector.

In many of the regional ports, it is difficult to move product by land from its origin to another port because of distance and resultant land transport costs as well as, in many cases, the need for dedicated land transport and port infrastructure.

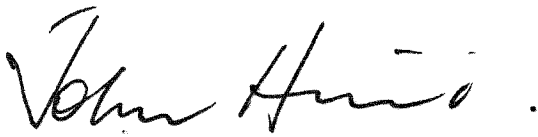
Port users focus closely on port pricing and over the last 10 years or so, since corporatisation/commercialisation, there has been a general decline in port pricing in real terms.

7. In making the above comments AAPMA is not advocating privatisation of port corporations/authorities. However, we consider that where an economic benefit to industry can be achieved, the corporatisation/commercialisation model should be applied with flexibility, so that there is an elimination of those Government controls on ports that do not add value to the port but essentially add a layer of costs that must be met by exporters and importers.

Furthermore we consider that port corporations/authorities should be allowed to manage their capital in such a way that much of the infrastructure requirements to meet market needs can be met from their internal funds generation, possibly including direct borrowing. However, if further privatisation were to be considered, then we would advocate that it should only be done if it did not increase costs to exporters and importers and was able to demonstrate increased efficiencies that will be of benefit to port users, the facilitation of trade and enhance international competitiveness.

I would be pleased to expand further on these issues if the committee requires this.

Yours sincerely



John Hirst  
**Executive Director**

## Economic Impact Data from a Selection of Ports

	Economic output		Value added		Household income		Jobs Full time	
	Total	Per ship visit	Total	Per ship visit	Total	Per ship visit	Total	Per ship visit
Fremantle	\$728m	\$0.411m	\$440m	\$0.248m	\$223m	\$0.126m	5792	3.3
Bunbury	\$90.2m	\$0.297m	\$51.2m	\$0.169m	\$22.5m	\$0.074m	573	1.9
Launceston	\$90m	\$0.363m	\$60.5m	\$0.243m	\$31.5m	\$0.127m	763	3.1
Gladstone	\$224m	\$0.240m	\$139m	\$0.149m	\$68.0	\$0.073m	1758	1.9

### NOTES

These figures represent the sum of the direct effects of income generated by firms, government, semi government and non profit organizations directly related to port activity plus the flow on effects of the additional output, employment and income resulting from re-spending of the initial revenue generated by firms and households.

**Economic output** is that attributable to activities required for the movement of ships, cargo and passengers. It does not include the value of imports and exports or other activities not associated with ship operators and the transport of cargo. Economic output is thus only a partial measure and understates the overall economic worth of the port in terms of total trade facilitation benefits.

**Value added** is gross revenue generated by port activities less the cost of intermediate inputs into production and imported goods and services.

**Household income** is wages, salaries and other earnings paid to labour.