



South Australian Ports (Disposal Of Maritime Assets) Bill

4 July 2000

Mrs PENFOLD (Flinders): As you know, Mr Deputy Speaker, I have a special interest in these bills because of the two ports—Thevenard and Port Lincoln—that are in my electorate of Flinders. We live in a time of change, the speed of which is unprecedented in the history of mankind. Change applies in every area of our lives, including business and the government. Coupled with change is the move to what has been called the 'global village' where the world operates as one market or entity, as opposed to a collection of individual nations that comprised the business world in the recent past. The government has acknowledged these changes in the South Australian Ports (Disposal of Assets) Bill. Of necessity, the operation of entities by governments must be constrained by their need for accountability. The process that meets this accountability often restricts the proficiency of the entity in decision making.

Also, there are risks attached to the changing business environment that did not exist even a decade ago. South Australians have suffered from the debacle of the Labor government that saddled the state with a debt from the State Bank that almost bankrupted the state. It has been a long, hard haul to get where we are. Therefore, it is important that one of the underlying factors that this bill addresses is the removal of financial risk from the government and, therefore, the taxpayers in the commercial operation of ports.

South Australian Ports Corp is a business that has grown to maturity. It no longer needs or benefits from the security of government ownership as it did in its early, risky growth phases between an old-fashioned public service department and a modern government enterprise. It has restructured the business into a good, solid ports business, due largely to the hard work and application of the Ports Corp Board members and the management, whose commercial abilities have put the organisation in the strong position it is in today. However, if it is to continue to grow in value, the business needs to reinvent itself by adopting new technology and techniques to integrate the transport chain, a process that will benefit all South Australian exporters.

We must now look at how best we can develop the ports for the economic benefit of the state. As a relatively small ports business, South Australian Ports Corp is not in a position by itself to develop the necessary innovations. This will require a private sector owner with the necessary resources. The South Australian Bulk Handling Cooperative has spent millions of dollars upgrading the Thevenard terminal loading facilities, including doubling the loading delivery capacity from 500 tonnes an hour to 1 000 tonnes an hour. The sale/lease of the port will complement what has been done already and will lift the commercial value of the port.

Incidentally, the Thevenard port has operated at a profit for several years. Few people appreciate the volume of product that goes through this port, including grain, gypsum and salt. Private ownership has been shown to improve the economy of individual ports, and this means economic benefits for regional communities. World grain prices are low, and increased profits can only be achieved by farmers if their overheads, such as ports charges, are reduced.

The private ports of Geelong and Portland have driven down prices further than the publicly owned port of Melbourne. We ignore this evidence at our peril. Portland has the potential to emasculate trade through the port of Adelaide.

Waterfront reform in Australia has delivered. The Patrick wharf in Melbourne, where reform has been introduced, has experienced a doubling of productivity and a 40 per cent improvement in ship turnaround times. Recent publicity on waterfront reform included companies that have not taken on reforms.

The aforementioned facts support the earlier comments that the world has become a global village. We can no longer look at South Australia as an entity standing on its own in the commercial world. Business creates trade, whether it is manufacturing business, farming business, or any other sort of business. It is also business that facilitates the movement of traded goods such as grain and motor vehicles, and the ports are simply part of that process.

Rail freight and the airports are already private operations, and road haulage is all done privately. South Australia has several privately owned ports, including Whyalla, Ardrossan and Port Stanvac. Of the major exports, grain is trucked from the farm gate privately, stored in silos privately by SACBH, and loaded onto bulk carriers privately by SACBH, which already owns the loading facilities on the dock.

Trade is best facilitated by improving the efficiency and service offered. A commercial enterprise that will invest and be innovative will also take the risks, removing the risk from South Australian taxpayers. Reversionary conditions to the land lease will provide protection for customers and communities, but will have no impact on the expected value from a trade sale of the business.

The lease/sale of Ports Corp will benefit local government bodies whose territory covers the ports. Councils will be able to recover rates from all land held by the private port owner. Councils did not receive rates from Ports Corp land that it did not lease to a third party. Rate equivalents currently paid to Treasury are \$130 000, and this is expected to increase significantly, based on actual council assessments.

Certain land has been removed from the sale/lease if not required for core port operations. This includes land primarily used for recreation or general public use, such as Pinky Point at Thevenard. Minister Michael Armitage handed this land to the Ceduna District Council when the cabinet met at Ceduna in April. The progressive Ceduna District Council is planning a marina development that will enhance the quality of life for local residents as well as attracting tourists and yachties.

The Ceduna council also supports a lookout at Pinky Point for which Thevenard Ratepayers Association received a grant from Coast Care. Patrick Cotton and the Ceduna campus of TAFE have coordinated a specific course that includes Aboriginal students to undertake the building of the lookout. Already, a side benefit has come from the sale of the ports.

The South Australian Ports (Disposal of Assets) Bill includes in-built restraints that will ensure that the future owners of Ports Corp will act in accordance with the state government's objectives for the divestment, which include encouraging enhanced economic development, that is, growing trade through South Australian ports and fostering competition. The state government has imposed cross-ownership protection on container trade to exclude existing container operators at the competing ports of Melbourne and Fremantle from the divestment process. In addition, the port operator will be obliged to allow access to defence vehicle vessels.

The lease/sale package is made up of a 99 year lease on the land of Ports Corp that includes the core land required to operate the ports, the wharves and the jetties to enable the new owner to operate the business.

An honourable member interjecting:

Mrs PENFOLD: I do mostly. The three stages of the lease process will enable interested parties to work through the lease/sale offer so that the state gets the best price on the deal. Ports Corp is a complex operation where the state's interests are wider than the facilities and business. I commend the government for protecting the interests of the state. This includes the setting up of the South Australian independent Industry Regulator that will have ultimate control of the third party access regime, strategic pricing and associated service standards. The government believes that it is important to have an Independent Regulator rather than have the minister act as regulator to manage dispute resolution when commercial negotiations fail.

We are planning for the long term, and it is therefore commonsense to use the best qualified and most experienced people in specialist situations. The sale component covers improvements to the land including buildings; road frontages; berth working areas; plant and equipment; wharves and jetties; the ongoing business and operations; contracts and operating agreements already in place; and leases already in place. Port operating agreements will be drawn up for each of the seven ports to define and convey the powers and responsibilities directly related to the safe commercial use of each port. This allows flexibility for each port to be managed and operated in a manner that best

suits that particular port. The port operator's obligations will include managing, dredging and maintaining the port's waters; maintaining navigational aids; directing and controlling vessel movements and related activities; and maintaining an improved emergency response plan.

The upgrading of ports to accommodate larger vessels was investigated by the Deep Sea Port Investigation Committee. The investigation of this issue has been ongoing for more than five years and came about because the grain industry in South Australia realised that it had to meet the shipping requirements of its overseas customers. These customers are moving towards the use of bulk vessels of up to 80 000 dead weight tonnes, which are capable of carrying more grain at less cost per tonne, leading to significant reductions in freight costs for the customer. Currently, Port Lincoln is, I believe, the only port that can accommodate vessels of this size in South Australia.

Increased competition from other countries from our traditional markets means that South Australia has to accommodate these bigger ships or lose export sales. This is vitally important because 85 per cent of the average South Australian grain crop is exported, contributing, on average, \$1 billion to the South Australian economy, mostly in rural areas. The South Australian Farmers Federation notes that international marketers such as the Australian Wheat Board and the Australian Barley Board now charter around 40 per cent of their export shipping, forcing closer attention to competitive port costs in an environment where the state borders have become much less relevant. Along with these changes has been a decrease in the availability of the smaller vessels.

This is an appropriate occasion to mention the Centre for Labour Research report entitled 'Risky Business' that was commissioned by the Public Service Association of South Australia, and its supplement prepared by Professor John Quiggin. Following the publication of the claims arising from that supplement, the government Sale Project Team commissioned the independent review undertaken by the Adelaide corporate advisory firm of Leadenhall Australia Limited. The review identified a number of areas where Professor Quiggin's assumptions were faulty. For example, Professor Quiggin used an interest rate of 6 per cent when working out the cost of retiring government debt, when the average rate the government was, and is, paying has varied but has been closer to 10 per cent. This represents a huge difference when dealing in millions of dollars. Professor Quiggin also used projected Ports Corp income from assets that have already been sold in modelling income for future years, so his figures were 34 per cent too high for the 1997 year.

The government has consulted with staff and workers and has negotiated with them through the respective unions to protect their workplace arrangements. The result, agreed by the MUA and the AMOU, will ensure a smooth transition in ownership of the ports. The passage of this bill looks to the future of South Australia so that we can trade in a global economy with confidence. The government has actively explored the possibility of mining deposits that may lead to large-scale mining. The potential exists for our ports in the future to be part of commercial ventures such as mining. The future of our ports—particularly Thevenard and Port Lincoln—and our state looks very exciting. I support the bill.

Debate adjourned.