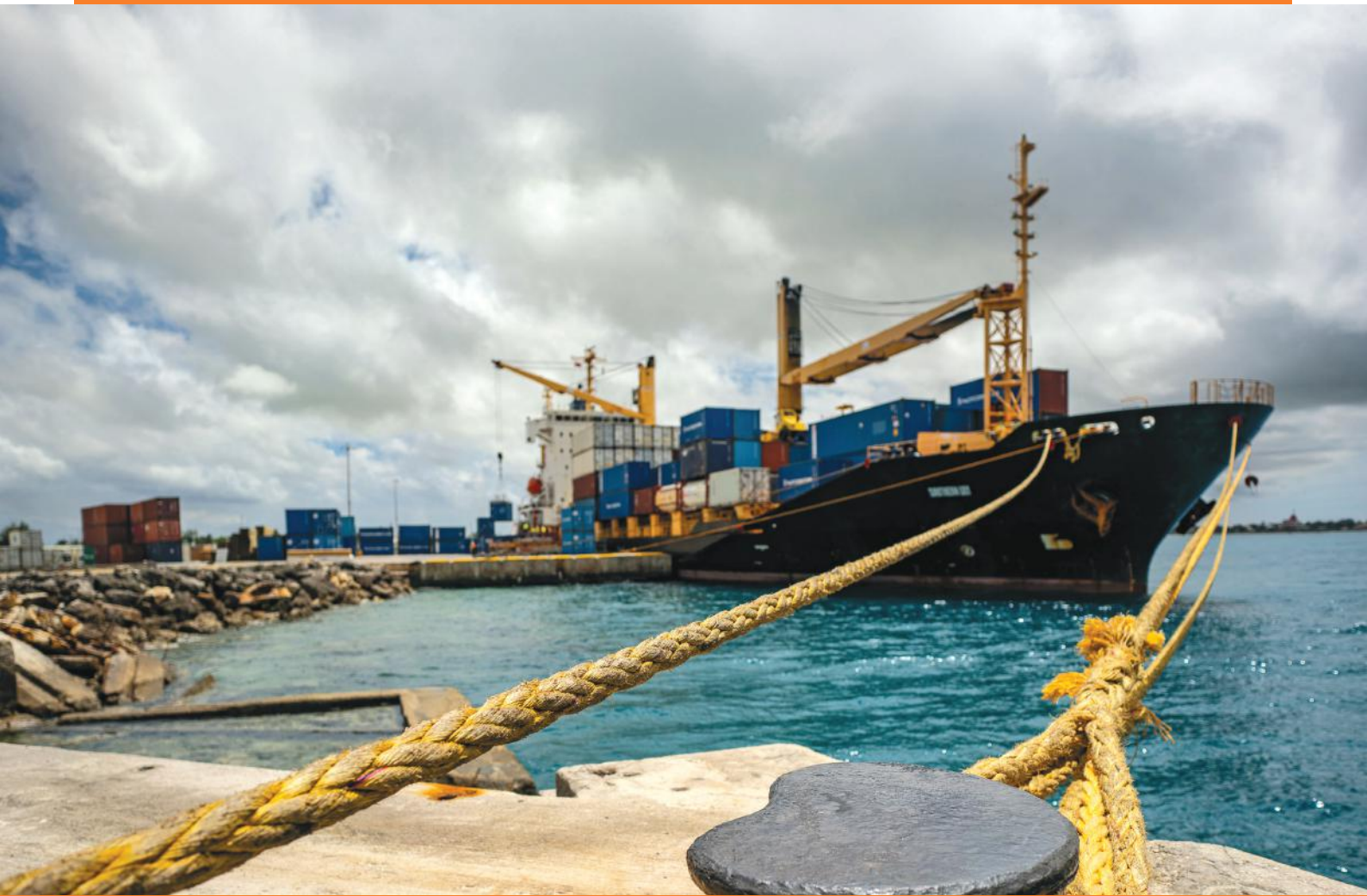


# How a PSDI-Supported PPP is Strengthening Tonga's Ports

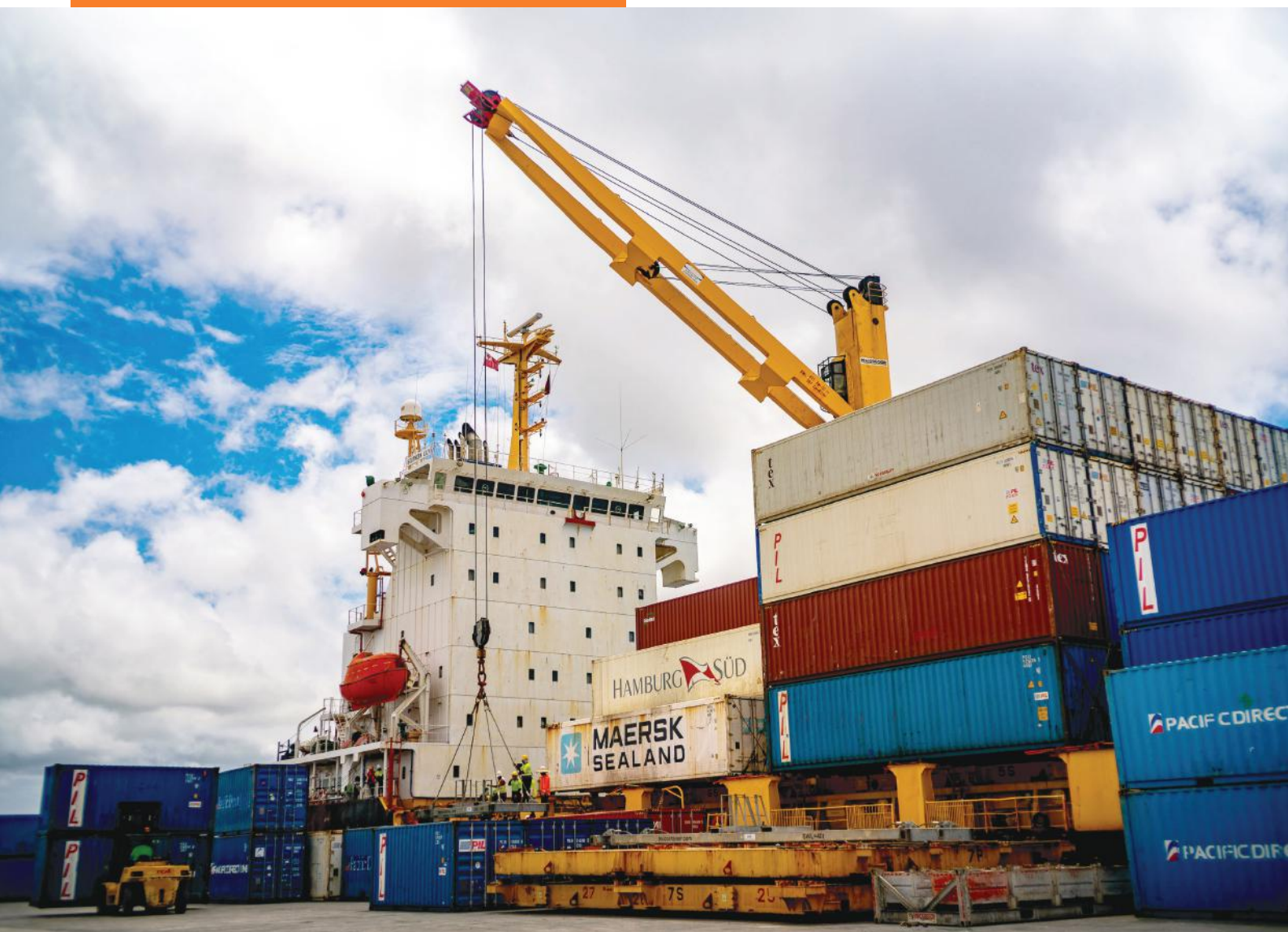


A new public-private partnership, supported by the Pacific Private Sector Development Initiative during its fourth funding phase (Phase IV, 2020-2026), is improving cargo handling processes at Tonga's Queen Salote International Wharf, while freeing up Ports Authority resources for safety and security initiatives.

# BACKGROUND

As a geographically isolated country heavily reliant on imports, Tonga depends on efficient port infrastructure to ensure access to essential goods. Operated by the Ports Authority of Tonga (PAT), Queen Salote International Wharf (QSIW) in Nuku’Alofa is the largest international gateway for nearly all physical freight movements in and out of the country.

Cargo handling services at the QSIW were previously provided in a segmented manner, with PAT having responsibility for delivering cargo from shipside to inspection, to outside the wharf. Four small private stevedoring companies unloaded cargo from the ship to the wharf (shipside), on short term contracts with shipping lines. This structure led to inefficiencies and economic losses. The uncertainty of the short-term contracts disincentivized the stevedoring companies from investing in equipment and training, while having four companies compete for work reduced their negotiating power with the major shipping companies. After careful analysis, the Government of Tonga concluded that streamlining these services through a public-private partnership would help overcome the inefficiencies of the fragmented system, reduce costs for all port users, reduce the operational burden on PAT, and create private sector investment opportunities.



# PUBLIC-PRIVATE PARTNERSHIP REFORM

PSDI has since 2007 provided support and advice to governments on preparing and tendering PPPs. PSDI's experience and international best practices have shown how successful PPPs can expand the capacity of state-owned enterprises to deliver services and increase efficiency by allowing governments to contract directly with the private sector.

The Government of Tonga outlined its pursuit of public private partnerships in its most recent national development strategy, the Tonga Strategic Development Framework (TSDF) 2015-2025. The framework's Organizational Outcome 1.2 calls for

“Closer, more effective public/private partnerships with business, consumers, and other community groups across the Kingdom to help better identify and address constraints to more inclusive, sustainable, and resilient economic growth.”

In alignment with the TSDF, PSDI began working with the Ministry of Public Enterprises in 2018 to develop a performance improvement strategy for the Ports Authority of Tonga that identified opportunities to mobilize private sector capital and expertise. As part of this work, PSDI developed the Port Strategic Review, which identified opportunities to improve PAT's operating efficiency, service delivery, and financial sustainability. The Strategic Review was endorsed by the Cabinet of Tonga in November 2018.

This led to a request from the Ministry of Public Enterprises for support from PSDI to prepare and execute a competitive tender for a cargo-handling concession at the port of Nuku'Alofa, Tonga in late 2018. The aim was to contract a sole provider to integrate all cargo-handling services at the Queen Salote International Wharf, including marshalling; cargo storage; unpacking and packing of containers; and container washing and repair. The company would also be responsible for procurement and operation of all stevedoring equipment and meeting important standards on safety, operational speed, and productivity.

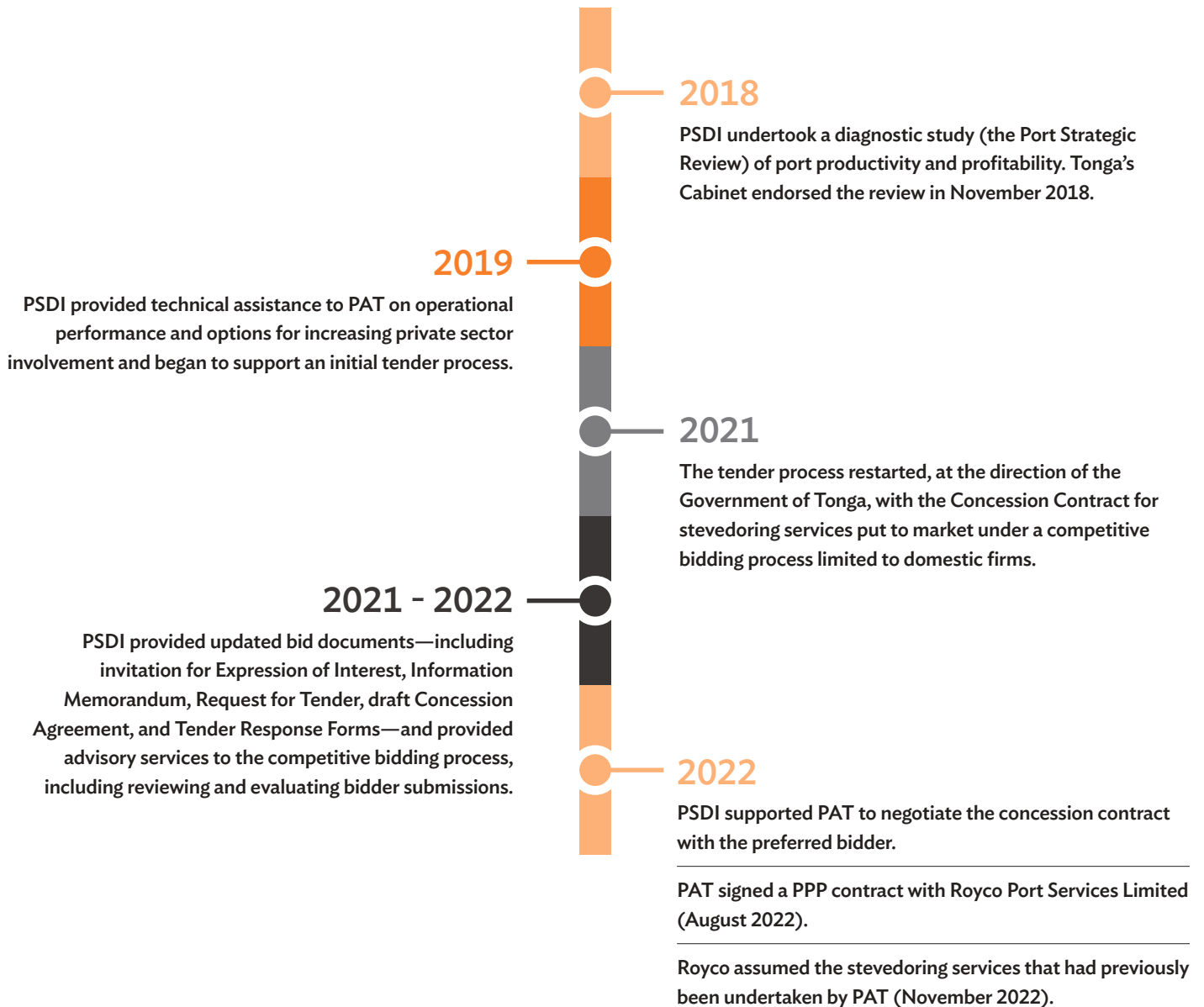
The public-private partnership (PPP) aimed to:

- **Increase operating efficiency** in cargo handling.
- **Strengthen the stevedores' negotiating position** with shipping lines.
- **Reduce PAT's financial burden**, including capital and maintenance expenditure, and operating risk.
- Develop a **professional stevedore sector**.
- Enable PAT to focus on its core functions, including **wharf upgrades, maintenance, and security**.

After an initial pause during the COVID-19 pandemic at the request of the Government of Tonga, the tender process was implemented during 2021 and 2022. The process resulted in four bidders, and in August 2022, PAT signed a 10-year stevedoring PPP contract with the successful bidder, Royco Port Services Limited (RPSL). RPSL purchased the PAT's cargo handling equipment, engaged its staff, and assumed stevedoring services at the QSIW on 11 November 2022. Due to ongoing litigation, the contract currently covers only the cargo handling services previously provided by the PAT, rather than all the cargo handling functions at the port.



# TIMELINE OF PSDI SUPPORT



# OUTCOMES AND RESULTS

Despite the PPP remaining only partially implemented, it has already delivered significant benefits, including increasing efficiency at the wharf, reducing the burden of wharf operations on the government, and freeing up Ports Authority resources for other initiatives. The success of the PPP has also created a shift in how Tonga's public sector leaders view private sector collaboration.

## Increased Efficiencies

Since Royco took over operations, many time-saving processes have been introduced.

*“We have developed our own automated system, it's called RTOS, so everything is systemized from scanning the barcode at the gate.”*

Ms. Charlotte Cocker, Chief Executive Officer of RPSL

This system is contributing to faster truck turnaround times, which have dropped from around 1–2 hours to under 30 minutes. The turnaround time for issuing invoices to shipping agents has also reduced from around a week to 48 hours.



## Reduced Burden on Government

The PPP provides the Port Authority of Tonga with concession income while reducing the operating costs and risks associated with direct port operations.

Prior to the PPP, costs such as equipment repairs were a financial strain on Ports Authority resources, leaving PAT with limited capacity to invest in staff or purchase additional equipment. By outsourcing stevedoring services, the PAT has eliminated the financial strain of the cargo handling services it previously provided.

*“The biggest challenge was investment, repairs, and maintenance. Normally, in December, it's a very busy time for us, and we always take the risk of the machine breaking down and we have to rush and try to find spare parts. But the first December that we outsourced was a peaceful year for us.”*

Mr. Alo Maileseni, Chief Executive Officer, PAT

The PPP is also reducing the operating risks involved with port operations for the PAT.

*“PSDI was trying to convince us to pass the risk on to the private sector, but back then we did not fully understand the idea and were reluctant, but now we can really see the benefits. I can still remember the big risk we were taking with the stevedoring and handling; it was lots of work for us to do. Sharing this workload [and risk] with the private sector, it really helped us a lot.”*

Mr. Alo Maileseni, Chief Executive Officer, PAT



## A Focus on Safety

Since the PPP contract began, Royco has invested in new safety, training, and monitoring procedures.

“We had safety training for our stevedores at the wharf, we also had first aid and health training for everyone from the warehouse to the front of the wharf and forklift drivers. We have our policies all set—human resources, safety, operations. Before every vessel, we have a safety brief.”

Ms. Charlotte Cocker, Chief Executive Officer of RPSL

The cost savings from the PPP have also enabled the PAT to invest in a new security camera system along the waterfront.

“With the extra funds [from cost savings], we have started working on some other projects. We have more funds available now to do repairs and maintenance... And CCTV to improve the ports security.”

Mr. Alo Maileseni, Chief Executive Officer, PAT



## Increasing Women’s Participation

Once the full contract comes into effect, Royco—a women-owned firm—plans to attract and train women stevedores. Currently, despite women constituting 21% of employees at Royco, there are no women stevedores working at the port. This would create well-paid employment opportunities for women.

“Once the contract is in full, I want to have women stevedores. It’s not just a man’s world.”

Ms. Charlotte Cocker, Chief Executive Officer of RPSL



## Encouraging Future PPPs

The success of this PPP has caused a shift in attitudes among Tonga’s public sector leaders towards partnering with the private sector. PAT leadership described having an initial skepticism about the ability of a PPP to address the port’s challenges. However, the tangible benefits that have already been delivered by the PPP have changed their minds. The CEO of PAT is now an enthusiastic advocate for PPPs to other Government of Tonga organizations and to ports authorities across the Pacific, citing reduced risk and improved efficiency as key benefits.

“I think there are other projects [in Tonga] that really need to have a PPP, especially some of the services that are not financially viable and rely on government funding.”

Mr. Alo Maileseni, Chief Executive Officer, PAT

Mr. Sione ‘Akau’ola, the CEO of the Ministry of Public Enterprise during the PPP process, views this PPP as a learning experience to take forward to future PPPs, describing it as a “very good reform” that confirms that outsourcing to the private sector can reduce risk for government and improve operations of essential services.

“For me, PPPs are a beneficial approach to engaging the private sector in what we do.”

Mr. Sione ‘Akau’ola, Chief Executive Officer of the Ministry of Public Enterprise

The PPP has not only addressed the immediate operational and financial challenges faced by the PAT but has also set a precedent for leveraging private sector expertise to enhance public service delivery.



Mr. Sione ‘Akau’ola, Chief Executive Officer of the Ministry of Public Enterprise

# LESSONS LEARNED



**The presence of a trusted, long-term partner creates an environment for reforms to progress when the time is right.**

PSDI's long-standing relationship with government entities in Tonga, and its history of successful PPPs in the country, was a crucial factor in the success of this reform. PSDI's flexible structure allowed the program to maintain a continuous dialogue with the government and navigate setbacks—including a pause in the process and the COVID-19 pandemic—while maintaining trust and building stakeholder confidence in the PPP model.



**Transferring operational and financial risks to the private sector reduces the public sector's burden and improves efficiencies.**

The success of the Tonga Ports PPP bolsters PSDI advocacy for increasing partnerships with the private sector to enhance the ability of Pacific state-owned enterprises to deliver a wide range of public infrastructure and services. For the PAT, transferring responsibility for equipment, training, and safety to the private sector reduced its financial risk, while also allowing Royco to make investments to improve overall service quality, such as modernized systems, workforce development, and safety measures, that would not have been feasible under the previous fragmented contract system.



**A clear and transparent PPP procurement process enhances credibility and ensures competition, which attracts qualified private partners.**

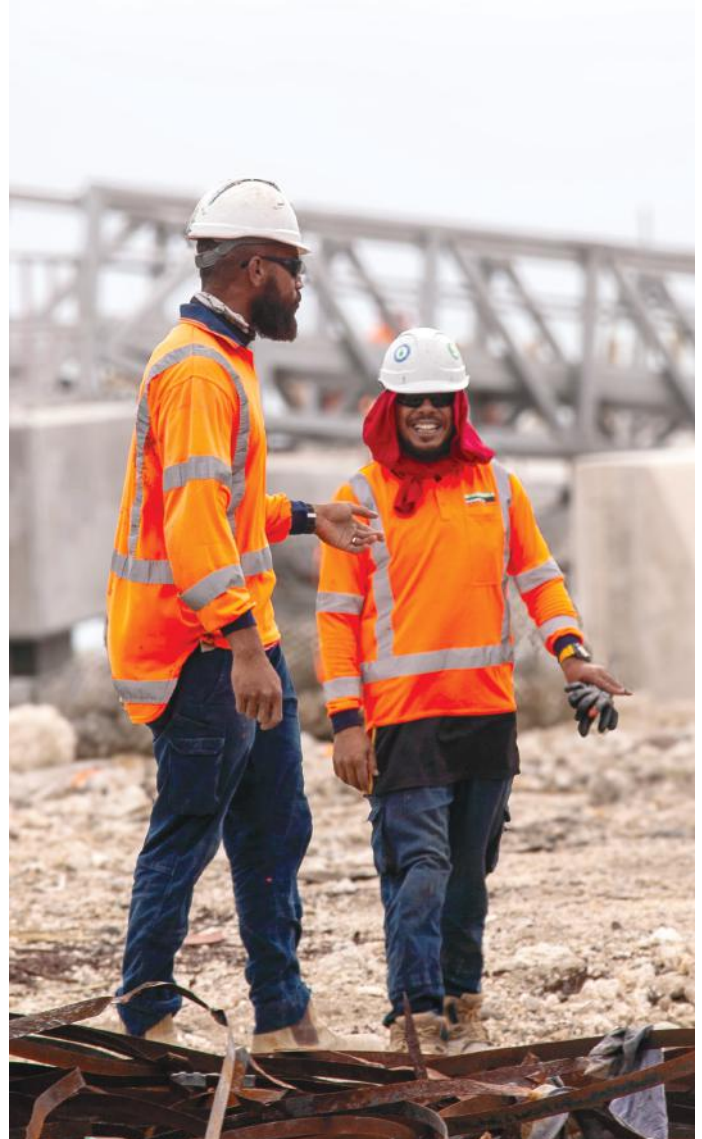
A well-structured and transparent PPP procurement process is essential for ensuring credibility, fostering competition, and attracting qualified private sector partners. Clearly defined tendering procedures, fair evaluation criteria, and open communication drive private sector interest and participation in the process. Tonga's structured approach to PPP procurement, supported by PSDI technical assistance, is demonstrating the benefits of leveraging private sector expertise and investment and strengthening the country's confidence to partner with the private sector. As a result, Tonga is emerging as a regional leader in adopting PPPs as a tool for economic and infrastructure development.

# CONCLUSION

PSDI's support for a robust, competitive, and transparent PPP process has supported improved service delivery and increased efficiencies at Tonga's Queen Salote International Wharf, while also reducing the Port Authority of Tonga's operational costs and risks. The PPP is an example of the power of public-private collaboration to address public service delivery challenges in the Pacific and has bolstered support for PPPs throughout Tonga's public and private sectors, helping pave the way for future reforms.


*"I preach it. I preach it to [the] government; I preach it to my private sector colleagues. It's great."*


Ms. Charlotte Cocker, Chief Executive Officer of RPSL



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