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## Port Modernization Review

**Policy Matters Panel:  
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### **Purpose of the Port Modernization Review**

The review will focus on how CPA ports can best advance five key objectives:

- Supporting the competitiveness of Canada's economy by facilitating the movement of goods and passengers
- Strengthening relationships with Indigenous peoples and local communities
- Promoting environmentally sustainable infrastructure and operations
- Enhancing port safety and security
- **Optimizing governance and accountability, including with respect to financial management**



## Goss' Principles for Port Management (1990)

- Primary purpose is to serve trade interests (with the knock-on effects on per capita wealth creation for citizens)
- Creating a competitive environment ensures efficiency gains are passed on, and serves a country better than tight regulation.
- Port reform needs to reflect differences in history and geography; there is no one right model for port governance. (His examples: Hong Kong & Singapore)
- Therefore, some countries are better served by landlord models while others will find that public service strategies or private sector approaches work best.

Today, many countries follow the landlord model, but there are successful examples of other approaches. (Think Savannah as a public operating (not landlord) port using own employees for all but minimum ILA labour.)

3



## The Canadian Typology of Ports\* is Coherent and Suits Canada (1998)

CPAs (18)

- National strategic importance (8 in 1998)
- Non-recourse, non-share capital entities
- Eligible to apply for 'gateway' funding

Local/Regional (327)\*\*

- Devolved to local governments, municipalities, other government dept.
- No financial support from Gov of Canada

Remote (21)

- Communities dependent on marine services for provisioning and resupply
- Social obligation; managed by Transport Canada

\* Does not include private ports \*\* Some ports still not devolved



## Backgrounder Data on Number of CPAs (2016)

- The Port of Vancouver accounted for just over 38% of total Canada Port Authorities revenue, Montreal 17% and Prince Rupert 11% per cent. Six Canada Port Authorities (Vancouver, Montreal, Prince Rupert, Toronto, Halifax, and Quebec City) combined, accounted for nearly:
  - 88% of Canada Port Authorities' revenues; and
  - 85% of Canada Port Authorities' expenditures.
- Question: Why are there 18 CPAs? The Port of Oshawa was not even in the Top 50 in traffic volume in 2011 (the last year Statistics Canada collected data).



## Backgrounder Data on Director Appointments

“Directors are appointed stewards, and must act in the best interests of the Canada Port Authority. Board members include: one municipal appointee; one provincial appointee; one Governor in Council appointee; and four to seven Governor in Council appointees on the recommendation of the Minister of Transport in consultation with port users.”

Earlier governance at airports had less potential for political interference:

Halifax International Airport Authority (HIAA) Board consists of 13 directors, 10 appointed by nominating entities (Federal [1], Provincial [2], and Municipal Governments [4]) and the Metro Halifax Chamber of Commerce [3] and three appointed by the Board itself.



## Brooks (2017) Data on Governance Performance

Governance reporting standards are inconsistently met:

- Only 1 CPA meets governance committee reporting standards for director relatedness required of TSX-listed companies (Vancouver).
- 8/18 CPAs do not provide lists of committees and the members of those committees.
- 2 do not provide publicly accessible Annual Report or financial information.
- Poor enforcement by the Government: Not all ports report individual Board Member fees as required by the *Canada Marine Act*.
- About half of Canada's CPAs have not adopted good governance principles as would be expected under private equity circumstances.



## Brooks (2017) Data on Community Engagement Performance

“a casual approach to stakeholder engagement is taken by a minority of ports” (6/18).

Community consultation committees are required of airports but not ports. Why?



## Areas Where Port Governance Still Needs Work

- Good governance has moved way beyond the traditional strategic leadership in financial management, risk and security responsibilities facing boards of traded companies—Environmental and social issues are pressing and recognized in the PMR Discussion Paper.
- Port performance measurement remains poorly done for the most part. It does not have to be publicly reported, but it needs doing.
- Government of Canada needs a publicly understood monitoring, enforcement, and compliance plan.
- Globally, political interference is still common and widespread. It does not have to be that way in Canada.
- Many governments see cash flow to be harvested for other infrastructure (asset recycling) without contemplating national interest holistically. Our policy is a good start but continuous improvement is needed.

9



## Questions and Concerns

- Why only CPAs and not the whole of Canada's port policy?
- Concern: Why is the Minister maintaining political control via Board appointments? That is so 1970s.
- What criteria should be used to grant CPA status (gives access to gateway financial support)?
- Concern: Why is there not a focus on how CPAs should report to the Minister, to citizens and consult with communities?
- What are the social and environmental factors we want to see ports report?