

Visibility in Canadian Port Governance Transparency: What Do Stakeholders Expect?

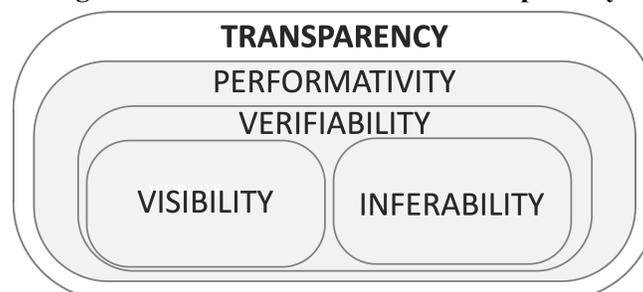
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Introduction

Transparency remains a remarkably under-analyzed notion in port studies internationally, and Canada is no exception. Over the last three decades, many governments globally have reformed port governance from central government management to more autonomous ports but their practices do not necessarily reflect 21st century public expectations for transparency. This research extends an earlier study (Brooks et al., 2020) that explored the availability of information available to the general public and port stakeholders through a port's most public face—its website. That study explored 59 separate items to identify transparency practices by ports, revealing uneven levels of port transparency as well as the need for further improvements in that transparency. The study found that, within each region, transparency levels in decision-making governance, the reporting of these decisions, and the consequent port activities were found to be inconsistent. Reporting on relations with stakeholders and public consultations were irregular. A summary of those findings was presented at a plenary panel on port modernization at CTRF in 2020, and essentially Canada Port Authorities (CPA) performed better on some items than on others.

This follow-up research focuses on what factors of transparency are important to Canadians, reflecting the views of various port professionals, users, and stakeholders. It takes a closer look at what needs to be made visible (and to whom), and what is seen as appropriate verification of what is reported: that is, two of four factors of transparency (Figure 1).

Figure 1: Nested Dimensions of Transparency



Source: Brooks et al. (2020).

Research on the first of these dimensions, 'visibility', has already gained some scholarly attention, with related efforts focusing on the content disclosed in Port Authority (PA) annual reports (Parola et al., 2013; Notteboom et al., 2015) or discussing it when evaluating port governance reforms (Brooks & Pallis, 2011; Verhoeven & Vanoutrive, 2012). In the Canadian context, Brooks (2017) identified substantial room for improvement with regards to the reporting by port managing entities in terms of web site content and meeting the disclosure requirements of the *Canada Marine Act, 1998*. As argued by Ubbels (2005), the levels of transparency stand as institutional barriers to the creation of a level playing field in the port

industry, while the realization of lower levels of transparency than expected might lead a regulator or government to undertake corrective actions as part of a ‘fixing the governance’ exercise (Knatz, 2017). If the question of what needs to be transparent can be answered, the goal of enhancing port accountability, inclusivity, legitimacy and social responsibility can be addressed, an action to be expected as an outcome of Canada’s on-going Port Modernization Review.

Methodology

Using the results of a globally circulated survey, this paper examines a subset of 27 governance variables from the earlier study. The data collection began 25 October and ended on 18 December 2020, and the survey used the Qualtrix survey capabilities. The survey was managed by porteconomics.eu, which provides global coverage of port issues, and is a freely accessible website. Surveys could be completed by only one person at a particular IP address and were anonymous.

The paper then places survey responses into context, by contrasting Canadian responses with those from other countries. In order to identify what a range of port stakeholders expect to be both visible and readily available, stakeholders were asked about their expectations in terms of board meeting openness, board director conflict of interest, board provided information and board reports/publications (the variables being reported in the Tables 2-6). Stakeholders also provided their perceptions of how trustworthy board reporting was perceived in order to explore perceptions about verification.

There were 134 usable responses, and this paper compares the responses of 25 Canadians and contrasts them to the responses received from the remaining 109 respondents, from 36 other countries, including 20 from the U.S., and 54 and 14 from European and South American countries, respectively. The remainder were widely dispersed throughout the rest of the world. The survey was available in English, Spanish and French, which limited responses from other parts of the world.

Research Findings

Respondents to the survey are profiled by role in Table 1. No responses were received by individuals employed by a regulatory authority in Canada. Globally, the largest single group of respondents was scholars, but in Canada, responses from port managers and port users were equally engaged. The study assessed whether perceptions differed by user group and so classifying who was responding to the survey became as important as where they were from (by country/region).

Table 1: Type of Respondent

| Role | Canada | | Rest of World (ROW) | |
|---|--------|----|---------------------|-----|
| | % | N= | % | N= |
| 1. A port manager, officer and/or director | 28.0% | 7 | 17.4% | 19 |
| 2. A port user (cargo owner, shipping line, trucking company, cargo interest or the like) | 28.0% | 7 | 5.5% | 6 |
| 3. A port services supplier (towage, pilotage, etc) | 8.0% | 2 | 1.8% | 2 |
| 4. A scholar or researcher | 28.0% | 7 | 51.4% | 56 |
| 5. Employed by a regulatory authority | 0.0% | 0 | 11.9% | 13 |
| 6. A citizen or taxpayer interested in ports in my | 8.0% | 2 | 11.9% | 13 |
| Total | 100% | 25 | 100% | 109 |

Openness of Decision-Making Meetings

In Canada, only the Annual Meeting of the Board of Directors is open to the public, while in other countries regular board meetings may also be open, or the annual meeting may just be one of the regular meetings. For the Canadian respondents, 76% responded to this question specific to those annual meetings. In Canada, having an open Annual Meeting along with prior notice is significantly more important than it is for the rest of the world. Table 2 indicates that the highest mean score with the lowest standard deviation for prior meeting notice reinforces this requirement by the *Canada Marine Act, 1998*. The same can be said for the rest of the respondents. Table 3 shows that Canadian expectations do differ by role type, with port users much more interested in prior notice, meeting minutes being available, and agendas in advance, and their expectations differed from those of port managers. While the sample size is too small to be definitive in these conclusions, it does suggest that what port managers may not always be aware of what is important to their stakeholders.

Table 2: Openness of Decision-Making Meetings

| Desired Importance of Meeting Openness (score 0-10, 10=extremely important) | Canada | | ROW | |
|---|--------|---------|------|---------|
| | Mean | St. Dev | Mean | St. Dev |
| The meeting is open to the public | 8.1 | 2.7 | 5.9 | 3.4 |
| The meeting is open to selected people by invitation only | 2.5 | 3.2 | 5.2 | 3.5 |
| The meeting is available via webcast | 7.2 | 3.1 | 6.3 | 3.6 |
| Prior notice of the meeting is given | 9.0 | 2.2 | 7.9 | 2.9 |
| Agenda is publicly available in advance | 8.0 | 3.1 | 7.9 | 3.1 |
| A list of meeting attendees is published | 4.6 | 3.8 | 6.9 | 3.4 |
| Minutes of the meeting are published | 7.7 | 3.4 | 7.8 | 3.2 |
| N= | 25 | | 109 | |

Table 3: Openness of Decision-Making Meetings by Role Type—Canada

| Openness of Decision-Making Meetings | Port Manager N=7 | Port User N=7 | Scholar N=7 |
|---|---------------------|------------------|----------------|
| The meeting is open to the public | 9.4 | 7.0 | 8.0 |
| The meeting is open to selected people by invitation only | 1.6 | 4.7 | 1.7 |
| The meeting is available via webcast | 5.7 | 8.1 | 6.9 |
| Prior notice of the meeting is given | 9.7 | 9.4 | 8.1 |
| Agenda is publicly available in advance | 7.1 | 9.1 | 7.1 |
| A list of meeting attendees is published | 3.0 | 5.4 | 4.9 |
| Minutes of the meeting are published | 6.4 | 9.4 | 7.4 |

Note: The responses of the three groups where numbers were 2 or less are not reported.

Visibility of Potential Conflicts of Interest

In many countries, governments want to ensure that the public has confidence that decision-makers have no conflict of interest. Therefore, there is a requirement to report salaries or and other activities and relationships that may influence decision outcomes. It is important for publicly listed companies at a number of stock exchanges for director's salaries and compensation to be reported, for their appointments to other boards to be noted, and for benefits and expenses to be reported. For public ports, practices vary

but, for Canada, are indicated in the Canada Marine Act, 1998. Canada Port Authority Board Directors are to have their individual salaries reported and it is common practice to identify their nominators. The question is: what else is expected by stakeholders and what should the best practice be?

Tables 4 and 5 indicate that Canadians expect that the Board will provide information on both Board and Committee members, but consider the reporting of executive salaries in total as less critical to their oversight by the public. It is the individual reporting of salaries that over-rides the reporting in total, e.g., it is not how much Board expertise costs as it is about the individual, and where/how they serve rather than in their particular expertise as noted in the bio reported on the website. This may be due to the local nature of CPA boards, and that members of the local community can locate the director bios from other sources if they know the name of the Board member and how they serve the port’s interests. In the rest of the world, the pattern is similar with the exception of salary/fee reporting, which is particularly important in some countries.

Table 4: Visibility of Potential Conflicts of Interest

| The Web Site or Annual Report ... (score 0-10, where 10=extremely important) | Canada | | ROW | |
|---|--------|----------|------|----------|
| | Mean | St. Dev. | Mean | St. Dev. |
| ... Provides bios of Board Members, which specify Board Member qualifications | 7.7 | 3.1 | 8.1 | 2.1 |
| ...Specifies the organizations represented by each Board Member | 7.4 | 3.3 | 8.4 | 2.2 |
| ...Provides information on other Board appointments held by each Board Member | 7.0 | 3.3 | 7.5 | 2.5 |
| ...Reports executive salaries in total | 5.4 | 3.5 | 6.5 | 3.2 |
| ...Reports executive salaries in individually | 6.5 | 3.5 | 5.9 | 3.5 |
| ...Identifies Board committees | 8.3 | 2.4 | 7.9 | 2.4 |
| ...Identifies both Board committees and members | 8.4 | 2.4 | 8.0 | 2.4 |
| N= | 24 | | 101 | |

Visibility of Information on Non-Board Committees and Port-Community Relations

Many ports share additional information about their activities and operations (beyond any mandated regulatory reports) with their port communities. All information listed in the survey, which is often found on a port’s website, is seen as very or extremely important to be visible. When asked about standing advice committees, ad hoc or project committees, notice of public community/ stakeholder meetings, reports on community investment, community or stakeholder links and/or reports (to read online or download), there was little differentiation by location or by type of information. Community investment information may appear to be most desired, but the difference is not statistically significant. Therefore, this paper does not report on any perceived differences on ‘the importance of visibility of community-facing committees and reports’ for Canadian ports. These practices are uniformly seen as very or extremely important in both Canada and the rest of the world.

Table 5: Visibility of Potential Conflicts of Interest by Role—Canada

| The Web Site or Annual Report ... (score 0-10, where 10=extremely important) | Port Manager N=7 | Port User N=7 | Scholar N=7 |
|---|------------------------|------------------|----------------|
| ... Provides bios of Board Members, which specify Board Member qualifications | 6.71 | 8.50 | 8.00 |
| ...Specifies the organizations represented by each Board Member | 5.86 | 8.83 | 8.00 |
| ...Provides information on other Board appointments held by each Board Member | 7.43 | 7.00 | 7.57 |
| ...Reports executive salaries in total | 5.71 | 5.33 | 5.57 |
| ...Reports executive salaries in individually | 6.57 | 5.67 | 7.00 |
| ...Identifies Board committees | 9.29 | 8.67 | 7.14 |
| ...Identifies both Board committees and members | 9.14 | 8.83 | 7.57 |

Visibility and Verifiability of Port Communications

While availability and visibility are important elements in port governance transparency, there is also a need for ports to provide information useful for a member of the public to understand the port's activities.

Table 6: Importance of the Visibility of Information in Annual Report or on Website

| Visibility of Port Communications | Canada (n=23) | | ROW (n=98-99) | |
|---|---------------------|----------------|---------------------|----------------|
| | Extremely important | Very important | Extremely important | Very important |
| Annual Report | 82.6% | 13.0% | 73.7% | 24.2% |
| Budget reports | 39.1% | 30.4% | 49.0% | 37.8% |
| Corporate Social Responsibility (CSR) reports | 26.1% | 52.2% | 50.0% | 35.7% |
| Environmental Social & Governance (ESG) reports | 34.8% | 60.9% | 59.2% | 30.6% |
| Master plans or land use plans | 47.8% | 39.1% | 61.6% | 26.3% |
| Audited financial reports | 65.2% | 21.7% | 59.2% | 27.6% |
| Summary financial reports (without auditor statement) | 21.7% | 43.5% | 31.3% | 35.4% |
| Stakeholder reports | 17.4% | 39.1% | 37.4% | 40.4% |

As noted in Table 6, the majority of respondents viewed port communications visibility as extremely or very important, but visibility priorities for Canadians rest with Annual Reports and audited financial statements, with CSR and ESG reports being of secondary priority. This is substantially different from attitudes elsewhere, where there is a greater emphasis on ESG and CSR reports being visible. It is not surprising that summary financial reports rate less important, as Canadians expect CPA ports to present the audited financial statements as required by law. Perhaps even more interesting is placing this finding into the context with the findings of the 2020 CTRF presentation (Brooks, 2020), which noted that five Canadian

ports did not provide audited financial statements to the public, including individual executive salaries, even though this is mandatory under the *Canada Marine Act, 1998*.

It is interesting to note that Canadians place much less importance on stakeholder reports than expected, while listing community investment information as ‘a most wanted’ content for port web sites.

The importance of verification by third parties could be an indicator of trustworthiness as audited financial reports with an auditor’s statement was clearly preferred over summary financials, despite the fact that summary financials are often prepared in as an “easy to understand” service for the general public. As summary financial statements are unaccompanied by an auditor’s opinion, the lower level of trustworthiness (see Table 7) is understandable. Canadians awarded higher trust scores to the Annual Report than to CSR and ESG reports, but appear to have less faith in stakeholder reports (unlike the rest of the world).

Table 7: Trust in the Accuracy of the Information

| Trustworthiness of Port Communications | Canada (n=23) | | ROW (n=97-98) | |
|---|--------------------|----------------------|--------------------|----------------------|
| | Highly trustworthy | Somewhat trustworthy | Highly trustworthy | Somewhat trustworthy |
| Annual Report | 73.9% | 21.7% | 50.0% | 46.9% |
| Budget reports | 39.1% | 52.2% | 39.8% | 46.9% |
| CSR reports | 34.8% | 52.2% | 19.4% | 59.2% |
| ESG reports | 39.1% | 43.5% | 27.6% | 51.0% |
| Master plans or land use plans | 34.8% | 47.8% | 44.9% | 39.8% |
| Audited financial reports | 82.6% | 13.0% | 67.0% | 27.8% |
| Summary financial reports (without auditor statement) | 34.8% | 39.1% | 22.7% | 53.6% |
| Stakeholder reports | 17.4% | 43.5% | 19.6% | 57.7% |

Perhaps most interesting of all is the intersection of importance and trustworthiness. If there is a third-party audit with audit report, the expectation would be that the importance of the visibility of the document and its trustworthiness would be aligned, while documents that are important but unaudited would feature a larger gap. Most critical of all would be those documents that are not trusted at all, and therefore their publication without audit would be an important element to discuss in the development of Canada’s Port Modernization Policy, as yet unreleased at the time of writing.

To create an importance–trustworthiness gap score for port communications (Table 8), the mean trustworthiness rating was subtracted from the mean importance rating. Those with a wide gap **and** positive gap deserve attention in port report development and consideration for a third-party audit.

There are a number of conclusions that can be drawn from the gap analysis. Uniformly, the Annual Report is the most important document to Canadians and to those in the rest of the world as suggested by Table 6. Key is that the importance–trustworthiness gap is small for both Annual Reports and ESG reports. Also key is that Canadians trust the verifiable audited financial report. Particularly interesting is that positive gaps demand attention but the majority of gaps for the Canadian data were negative, indicating that Canadian respondents were awarding a level of trust commensurate with the level of importance they attribute to the report. On the other hand, the gap analysis also reveals that with the exception of the audited financial statements in the rest of the world the levels of trust in what is reported by Port Authorities lag the levels

of importance attributed to these reports. Further regional analysis may prove instructive on the variations that might exist regarding the importance–trustworthiness gap for those countries with a sufficient number of respondents.

Table 8: Gap Analysis of Port Communications

| Port Communications (Scored 1-4 with 4 as best) | Canada | | | ROW | | |
|---|--------|-----------------|-------|-------|-----------------|-------|
| | Trust | Import- ance | GAP | Trust | Import- ance | GAP |
| Annual Report | 2.70 | 2.78 | 0.08 | 2.47 | 2.72 | 0.25 |
| Audited financial reports | 2.78 | 2.52 | -0.26 | 2.62 | 2.46 | -0.16 |
| Master plans or land use plans | 2.17 | 2.35 | 0.18 | 2.29 | 2.49 | 0.20 |
| ESG reports | 2.22 | 2.30 | 0.08 | 2.01 | 2.48 | 0.47 |
| CSR reports | 2.22 | 2.04 | -0.18 | 1.93 | 2.35 | 0.42 |
| Budget reports | 2.30 | 2.00 | -0.30 | 2.27 | 2.34 | 0.07 |
| Summary financial reports (without auditor statement) | 2.00 | 1.74 | -0.26 | 1.92 | 1.94 | 0.02 |
| Stakeholder reports | 1.74 | 1.70 | -0.04 | 1.93 | 2.12 | 0.19 |

Note: This table is sorted in order of Importance to Canadian respondents, from high to low. The Gap is Importance minus Trustworthiness. A positive score indicates the report is seen as less trustworthy than its importance; in these cases, the larger the size of the gap, the more attention required.

Conclusions

In general, it can be concluded that the *Canada Marine Act, 1998* requirements for open meetings, with advance notice, and the presentation of an Annual Report and Audited Financial Statements at that time are consistent with both good governance practice and Canadian expectations. Canadians are seeking to know which board committees Board Directors serve on but may not always get that information (Brooks, 2020). While respondents from the rest of the world were looking for bios of directors, this was not as critical to Canadians as committee composition information. Globally, the importance of audited financial statements to verifiability/trust and perceived transparency is clear.

Ports may not be putting their best foot forward when dealing with port users and other stakeholders. We have already seen that there are differing expectations by role type and when compared with the rest of the world. Ports could consider how outside verification can improved perceived trustworthiness with their stakeholders, specifically using outside certification/verification for CSR and ESG. For example, Canadians place less importance than those elsewhere on CSR and ESG reporting, but why? For publicly traded Canadian companies, these reports are becoming increasingly important to investors and it is only a matter of time before this trend spills over into citizen/taxpayer expectations of public ports. CSR and ESG reports can be verified by independent third parties. Many Canadian ports belong to Green Marine but Annual Reports and stakeholder reports do not always share the results of those Green Marine audits.

Finally, there is merit in making land use plans consistently available on CPA web sites, not just at the beginning of consultations with the community. The importance of these was found to be higher than the stakeholder reports. It appears that there is some potential for improvement by Canadian CPA ports in meeting the expectations of their various stakeholders. The findings also suggest that the Minister of Transport engage in compliance and enforcement of publicly available audited financial statements and other requirements already mandated in the existing legislation, with or without a Port Modernization Policy.

While greater participation in the study by Canadians would have enabled the authors to draw more definitive and statistically significant conclusions, these findings indicate that there are regional differences in port transparency practices, and that port managers do not always see the visibility and verifiability of information through the same lens as port users and scholars. Trust in port-provided information increases with verifiability and third-party audits of CSR, ESG and other types of reports by independent auditors like ISO Quality programs, Green Marine and Eco-ports (in Europe) will contribute to improved port governance transparency.

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