

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

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# Why This Study?



## OPINION

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# Why is the Ports Modernization Review not transparent?

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By MARY R. BROOKS FEB. 25, 2019

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For Canadian ports to be competitive and best in class, the minister of transport needs to relinquish some measure of control over port boards, particularly with respect to board appointments, and expand

At the CTRF 2020 Plenary Session, we explored Canadian Port Authorities and the visibility of their governance and port information.

# Specific Conclusions on Port Governance in Canada Phase 1

Transparency could be improved in several CPA ports, which do not meet access or transparency tests already existing in legislation.

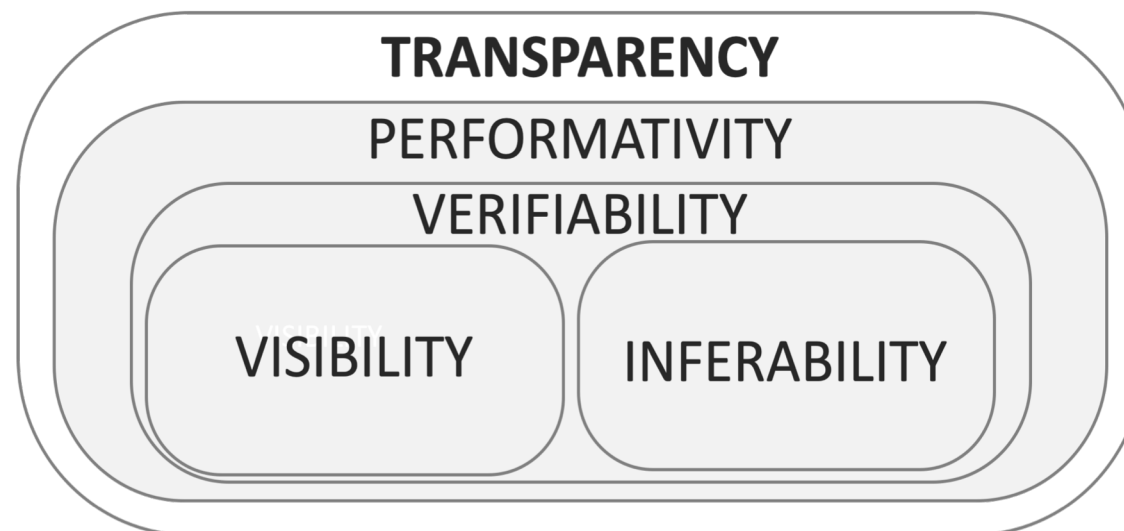
- **CMA Subsection 37 (1):** public to have access to **audited financial statements** at least 30 days prior to Annual Meeting. **Five CPAs played 'fast and loose'** (condensed statements, no auditor opinion, or both) in 2019.
- **CMA Subsection 37 (3):** statements to include total remuneration **paid to each person** (money or in-kind [fees, allowances and benefits]) by their role as directors, chief executive officer, or officers and employees exceeding a prescribed remuneration threshold. **Non-compliance by 7 CPAs.**

Compliance is the responsibility of Transport Canada. This global phase 2 study focused on what stakeholders expect, and **Canadian stakeholder results have been extracted** from the results of 36 countries.

# Reminder: Nested Dimensions of Transparency

(more than information disclosure)

- VERIFIABILITY - the quality and quantity of information permits to fully observe organizational action & provides a means of solving organizational and societal problems
- PERFORMATIVITY - a process with (un)intended dynamics that lead to the improvement of management in organizational settings.



- VISIBILITY- *visibility* of information, i.e. the degree to which information is complete and found with relative ease.
- INFERABILITY - the extent to which the disclosed information and/or data, in its form and content, can be used to draw accurate conclusions.

# Type of Respondent

	Canada		Rest of World (ROW)	
Role	%	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 country	8.0%	2	11.9%	13
Total	100%	25	100%	109

ROW=responses from 36 countries other than Canada.

# 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 disaggregated by role is in the paper.

# Importance of 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	

Table disaggregated by role is in the paper.

# 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%

Do the low ratings for stakeholder reports and summary financials relate to trust (verifiability)?



# 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%

# 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

Sorted in order of Importance to Canadian respondents, from high to low. The Gap is Importance–Trustworthiness. A **positive** GAP indicates the report is seen as less trustworthy than its importance; in these cases, **the larger the size of the positive gap, the more attention required.**

## Conclusions (1)

- 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.
- There is merit in making land use plans consistently available on CPA web sites, not just at the beginning of consultations with the community.

## Conclusions (2)

- Ports could consider how outside verification can improved perceived trustworthiness with their stakeholders, specifically using outside certification/verification for CSR and ESG.
- 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.
- 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.

# Access the 2020 Technical Report

**Technical Report: Porteconomics.eu**

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