A CASE STUDY OF THE APPLICATION OF DIVESTITURE LEGISLATION ON THREE SMALL QUÉBEC PORTS

Claude Rémillard

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Abstract

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By Claude Remillard

The transportation sector in Canada has historically been under federal government ownership and control. Over the years, however, the marine system has become over-built. It is unable to cover costs and overly dependent on government subsidies. The Canadian government recently enacted legislation to divest the bulk of its regional port and maritime facilities to the provinces, municipalities or private concerns.

Reducing the government's operating role in the marine sector reflects the principles of privatization, commercialization and competition already evident throughout Canada's transportation sector. This divestiture policy continues a growing trend among many nation states whereby monetarist policies of privatization, commercialization and deregulation of public goods and services are replacing Keynesian economic policies of active government involvement in the economy.

This thesis is a case study of the divestiture process. It focuses on three regional ports in Québec: Baie-Comeau, Tadoussac and Pointe au Pic. It explores the divergencies between the legislation and the reality of the process of divestiture. It also considers how these small communities are adjusting to this restructuring of government services.

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List of Acronyms

CAPBC: Corporation Administratif Portuaire de Baie-Comeau

CRAP: Corporation Régional Administratif Portuaire

CCG: Canadian Coast Guard

CODET: Corporation de développement économique et tourisitque région Baie-Comeau

CEPRO: Conception et élaboration de projet

CPA: Canada Ports Administration

CPC: Canada Ports Corporation

CQT: Corporation du Quai de Tadoussac

H&P: Harbours and Ports

HPD: Harbours and Ports Directorate

H&PDT: Harbours and Ports Divestiture Team

LPC: Local Ports Corporation

NHB: National Harbours Board

OSBL: Organization sans but lucratif

PWGS: Public Works and Government Services

PREFACE

The Region

The three ports in this case study are located on Québec's North Shore (Figure 1). The study region is located from 130 km to 440 km downstream from Québec City on the north shore of the St. Lawrence River. The region includes three Regional County Municipalities (MRC). They are Charlevoix-Est (Pointe au Pic), Haute-Cote-Nord (Tadoussac), and Manicouagan (Baie-Comeau). As of 1995, the population of the region was 60,107. These ports, as all public harbours, are under the authority of the Department of Transport and administered by the Canadian Coast Guard.

While each port is unique in terms of its present role in the region, employment at all three sites is dependent on the port. Port activities range from commercial to tourist. Baie-Comeau (Figure 2) is a commercial port with tourist potential. Tadoussac (Figure 3), is a tourist port providing whale watching cruises, while Pointe au Pic (Figure 4), features a mixture of both. These ports are currently facing a period of uncertainty due to political and economic factors out of their control.

The port of Tadoussac is located at the hub of a region that includes two parks: Saguenay Park and Saguenay Marine Park at the junction of the Saguenay and St. Lawrence Rivers in the bay of Anse Tadoussac. The federal wharf is used for whale watching and other types of river outings and for Canadian Coast Guard Rescue and Environmental Response activities. The cruise industry has grown considerably in this area in the past few years. The population of Tadoussac doubles to 1600 in the summer months in response to tourism[1]. Marine activities linked to the parks are often relocated to other port facilities due to the congestion on the federal wharf.

The Pointe au Pic Wharf serves domestic and foreign markets as a trans-shipment facility for newsprint and lumber. It provides shippers with intermodal transportation via road and railway systems. The port also has good recreational and tourism potential for cruise vessels

[1] Transport Canada Master Plan-Harbours and Ports 1996

and tour boats, which are drawn by the pleasant setting of the Charlevoix region, the Manoir Richelieu and the casino. The wharf is accessible year round.[2] Its major client is Donahue, which manufactures paper in nearby Clermont shipping it to foreign markets in Europe, South America and the United States.

Baie-Comeau's port features public and private facilities and is the largest and most diverse of the three. It is located on the north shore of the St. Lawrence River near the mouth of the Manicouagan River, approximately 440 km downstream from Québec City. There is a private railway servicing the area as well as a regional airport located 30km west in Pointe-Lebel. Highway 138 is accessible from the port.

A wide range of freight moves through the port of Baie-Comeau. There is a rail and passenger ferry wharf owned by SOPOR and Société des Traversiers du Québec making the port a gateway to the North Shore. Grain, aluminum, petroleum products and newsprint are handled by private facilities located within the federal limits of the port. Donahue owns a private installation for loading newsprint as do Cargill, (grain) and Reynolds (aluminum). Fishermen and recreational boaters use a marina located next to the federal wharf[3].

Grain from both the US and Canadian side of the Great Lakes is treated and then shipped to Europe, Mexico and Brazil. Alumina from Texas, Jamaica, The Virgin Islands and Australia is processed into aluminum, which is subsequently exported to the UK, the Netherlands, Italy and the United States. Petroleum coke, carbon anodes, firebrick, steel cathodes and bitumen must be imported from the United States for the aluminum manufacturing process. Bunker, gas and diesel fuel and natural gas from Saint-Romuald and Montreal, and salt from the Magdalen Islands, are used by nearby companies and municipalities. Waste paper, talc, clay, hyposulphite and wrapping paper imported from the US are used to manufacture newsprint, which is then exported back to the US as well as to the United Kingdom, South America, Italy and Germany. Lumber from Baie-Comeau mills is shipped to the US.

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[2] Transport Canada Master Plan-Harbours and Ports 1996.

[3] Ibid.

The Role of Small Ports

A recent study shows that 77% of Transport Canada's port traffic in Québec is concentrated among five regional ports led by Baie-Comeau[4]. However, the majority of Transport Canada's port traffic passes through private terminals. For example in 1998, 602 ships went through the private facilities at Baie-Comeau while only 65 used the public wharf. Generally, only about 20% of the traffic is handled by public ports. Nevertheless, small regional ports can play an important role in the shipment of regional traffic (Slack and Comtois 1996).

Ports make it less expensive for export based industries to operate out of areas from which they obtain their low value-added products Bird (1980) and Hoyle (1973). Thus, they are instrumental in attracting industry and jobs to hinterland regions. However, the economic benefits generated from regional ports have not been measured in detail nor is their role well understood (Slack et. al 1993). Despite this lack of knowledge, owing to recent policy changes and new legislation, Québec's public ports have to adjust to changing economic circumstances and take control of their own destiny without future government subsidies.

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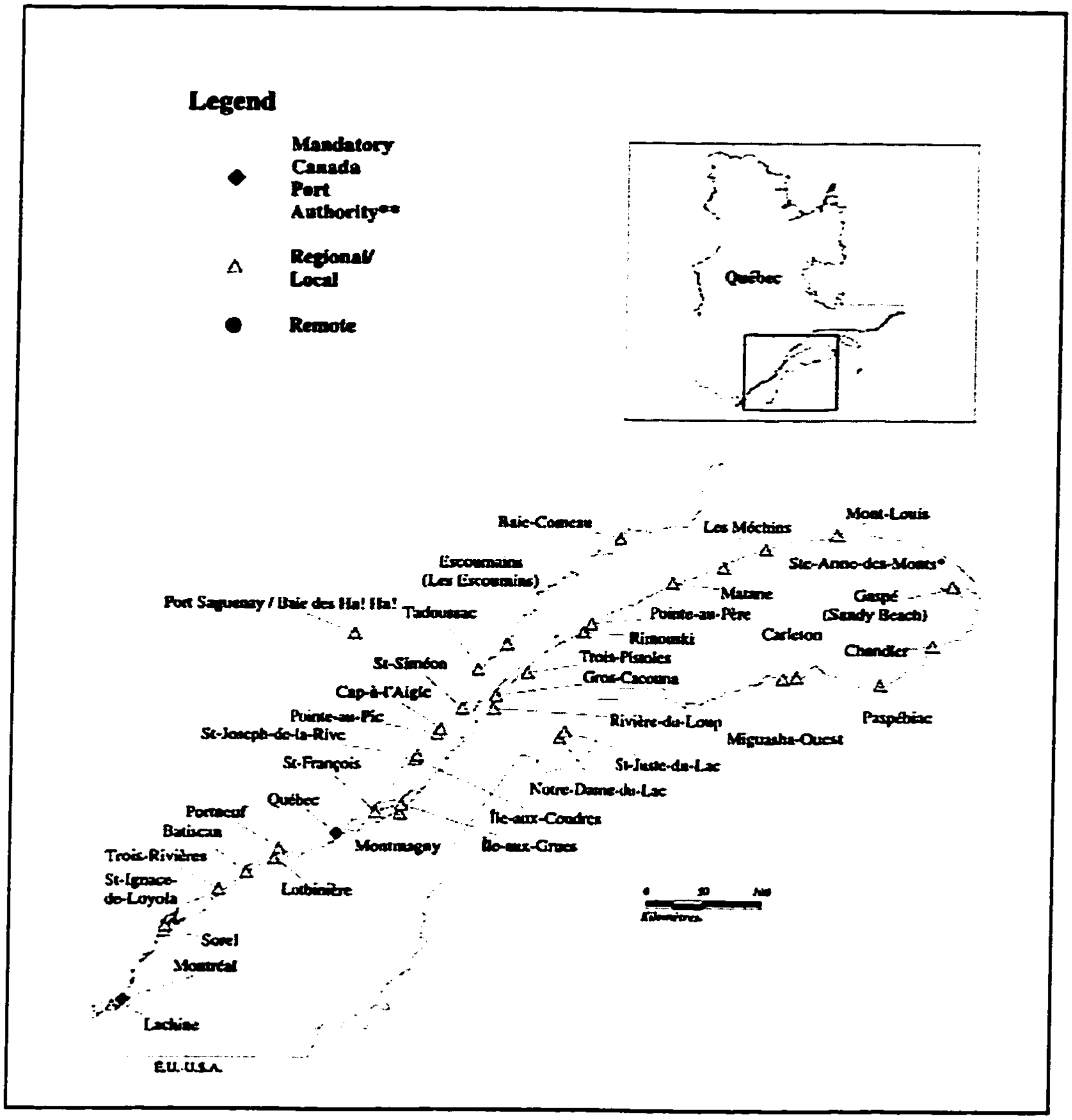
[4] Jacques Pelletier, Transport Québec; speech given at SODES conference November 26, 1998

Figure 1

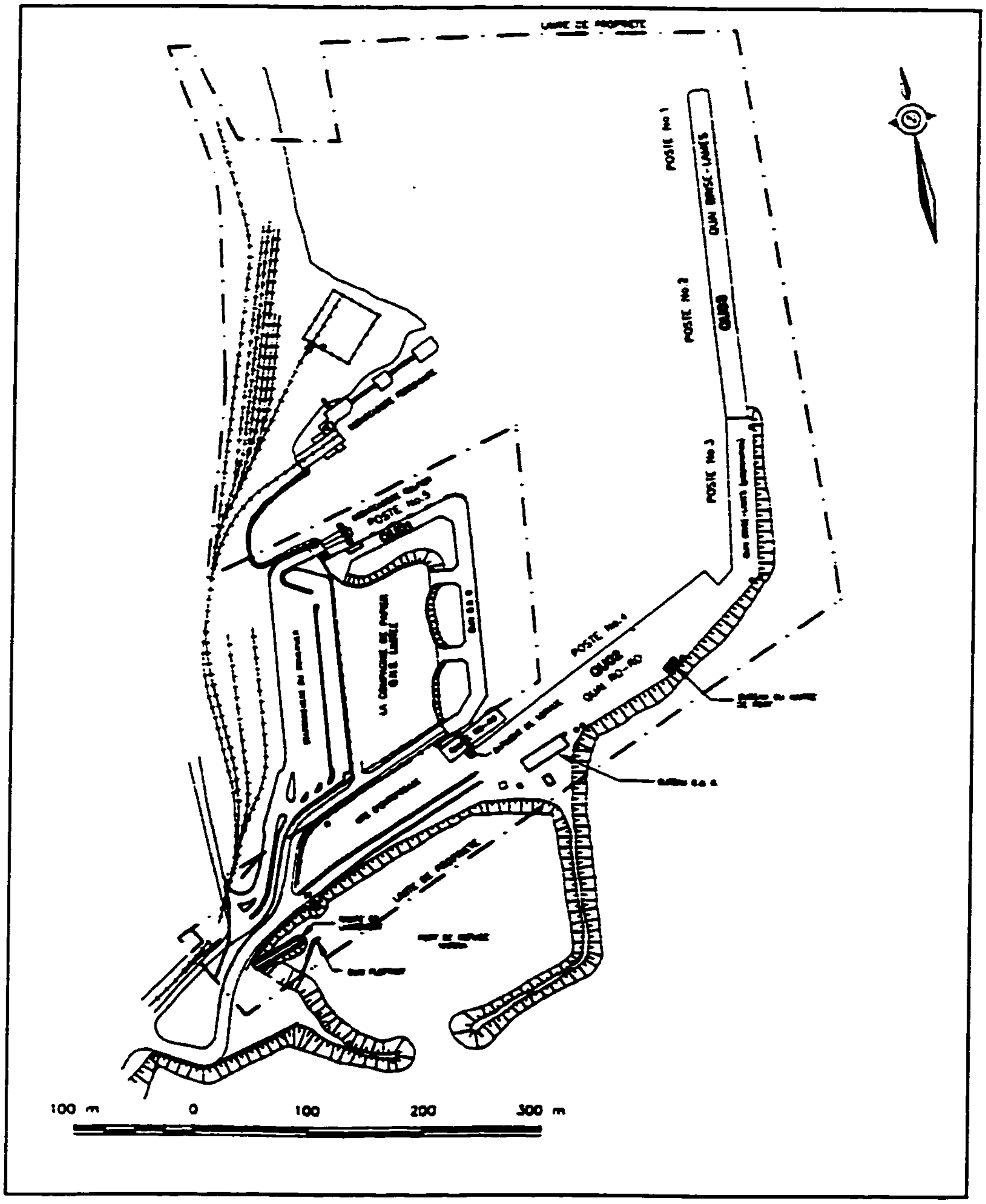
Study Region



Source: Canada Marine Policy 1996.

Figure 2

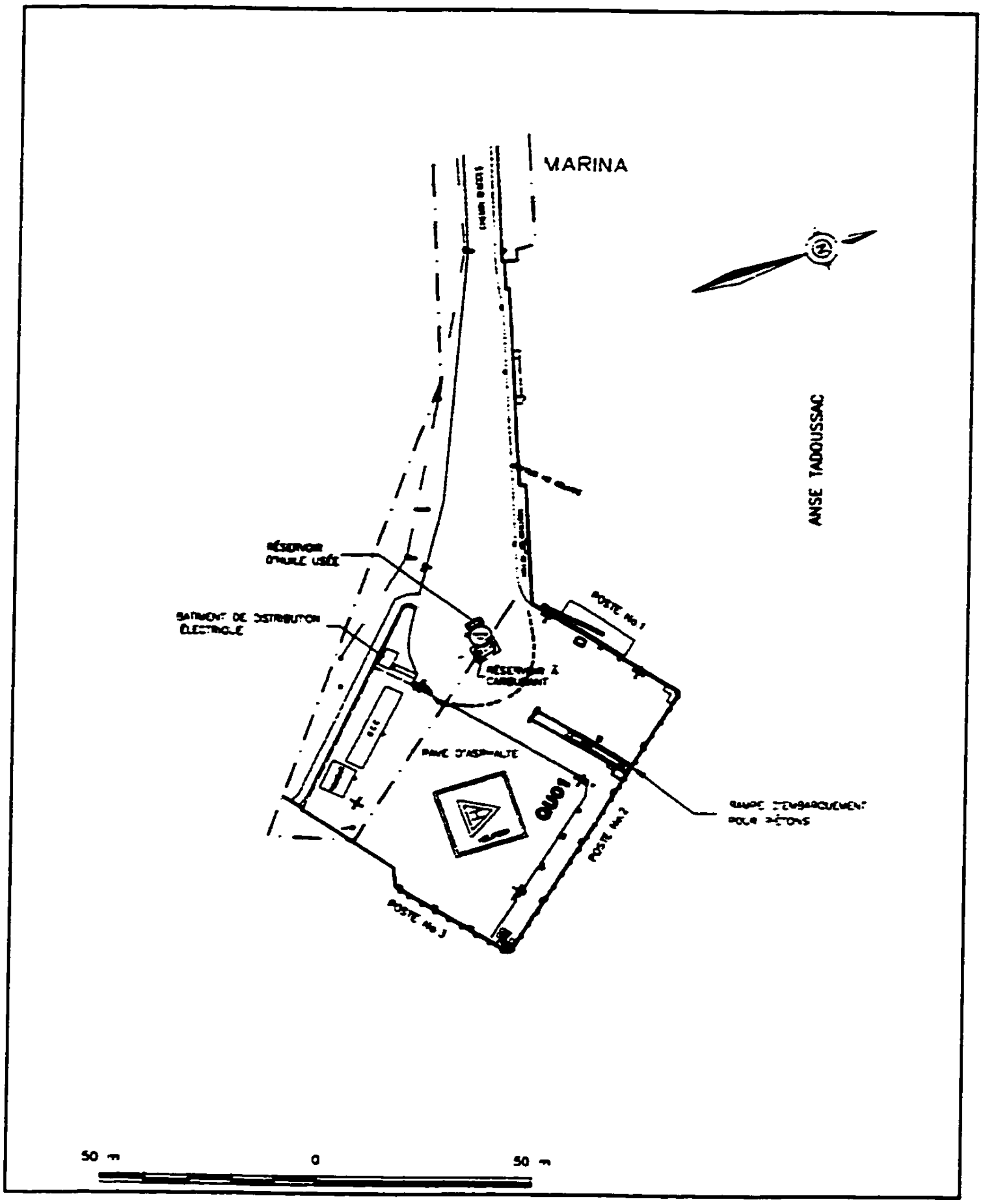
Port of Baie-Comeau



Source: Transport Canada Master Plan 1996.

Figure 3

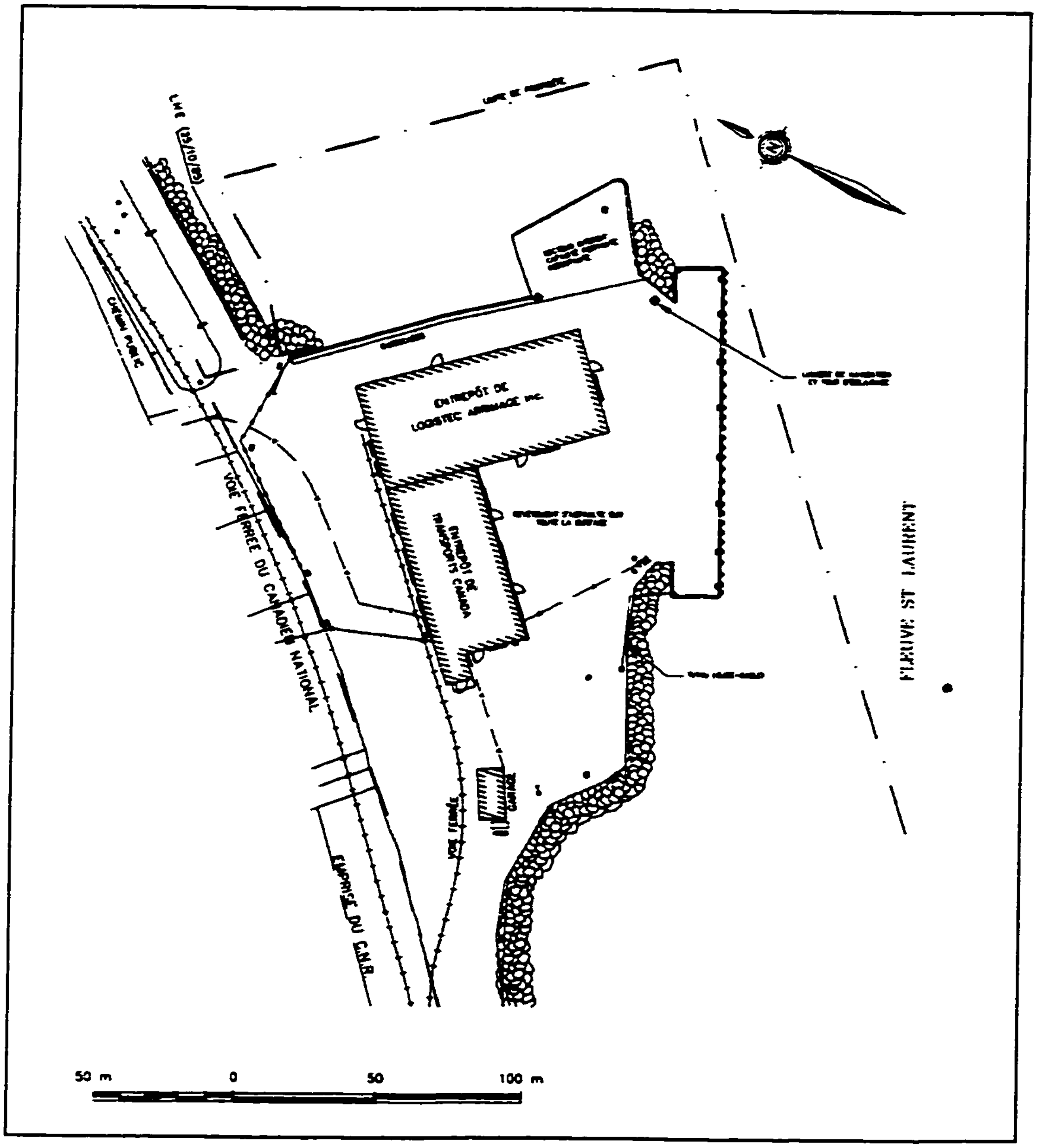
Port of Tadoussac



Source: Transport Canada Master Plan, 1996.

Figure 4

Port of Pointe au Pic



Source: Transport Canada Master Plan 1996.

CHAPTER 1

INTRODUCTION

1.1 Purpose of the Thesis

The focus of this thesis is the process by which the federal government is divesting control of publicly owned infrastructure and services. More specifically, it examines the divestiture process as it applies to three small Québec ports. It concentrates on the relationship between the rather straightforward legislation and the complex reality of the divestiture process. It also considers the level of preparedness of the small communities to run the ports in an era of decreased federal transfer payments and provincial cutbacks. The three chosen ports are among thirty-seven ports in Québec involved in this process. It is hoped that this thesis serves as a case study of the problems that can occur when governments undertake divestiture.

According to Prince (1987), the notion of government restraint is a broad concept that varies in scope, austerity and policy instruments. It can entail altering public and private attitudes and behavior in order to discourage reliance on the public purse. It can take the form of incremental restraint where budgets are frozen or the spending growth rate slowed. Retrenchment, termination and privatization are more austere forms of restraint and relate to 'downsizing' the public sector in absolute terms along with devolution or divestiture. The later two entail the transfer or delegation of authority from one order of government, here the federal state, to provincial or program clientele groups or municipal governments. Depending on one's perspective, privatization can also imply returning a function to its original and 'proper' place. The various policy instruments include changes in expenditure, revenue, regulation and public enterprise.

1.2 The Changing Role of Government

In Canada as in many western nations, the last twenty years have seen an increase in government restraint in various public sectors. Canada has also attempted to depoliticize the market economy in various sectors (Prince, 1987). Significantly, the burden of Canada's debt has led the federal government to decrease transfer payments to the provinces which subsequently have passed many of these cutbacks on to the municipalities (Phillips 1996).

These changes in the role of the government have been enabled, somewhat, by a move away from Keynesian fiscal policies, widely used since World War II, to monetary and free market policies. The Keynesian view was that fiscal policy[5] can fine-tune the economy to effect changes in aggregate demand[6]. Monetarists counter that the economy is inherently stable and requires an independent central bank to maintain stable growth in the money supply to affect aggregate demand. Both sides argue that their approach is superior in maintaining economic stability (Parken and Bade 1994).

The move away from Keynesian to monetarist economics began in the 1970's as inflation and unemployment both grew at the same time, something that was not supposed to happen in a Keynesian world (Doern, et al 1988).

Monetarism favours a liberalized approach aimed at removing impediments to the functioning of markets. A conservative ideology that tends to stress free markets and the 'invisible hand', is naturally attracted to this less interventionist view (Donner and Peters 1979). Monetarist ideology was embraced by Margaret Thatcher in the UK and Ronald Reagan in the US, as well as by governments in other countries. Restraint, deregulation and privatization actions taken by these countries have undoubtedly influenced policy makers in Canada.

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[5] Fiscal policy is the use of government purchases and taxes to achieve full employment and other economic goals.

[6] Aggregate demand is the sum of quantities of consumption goods and services households plan to buy, of investment goods firms plan to buy, of goods and services governments plan to buy, and of net exports foreigners plan to buy.

1.3 The Recent Canadian Experience

In the 1980's, the Mulroney government began an attempt to change public perceptions of the role of government. The 1987 budget put forth the central idea of the balanced society, which effectively meant a smaller government and less state intervention. A burgeoning neo-conservative ethos viewed government as 'the problem'. Restraint policies of that budget were geared to limiting and lessening the size and role of the public sector and for government programs to not distort or depress market signals, a clear move away from Keynesian spending.

In their second term, the Conservatives began to develop a framework idea that gained widespread acceptance because it seemed to offer a coherent view of how the world works. This is the notion of competitiveness (Phillips 1995). The notion of competitiveness offered a rationale for deficit reduction, cuts to social programs, deregulation, privatization, downsizing and improving productivity in the public service. The increasing size of the debt was a major factor in the Conservative agenda. Publicly, the Conservatives took a 'gradualist' approach hoping to control the growth of the debt in the short run and then reduce it during the 1990's (Prince 1987). This failed, leaving the current Liberal government to continue the Conservative's policies.

In 1993, the Chrétien Liberals entered office with the added stress of international lending agencies clamoring for reduction of the mounting deficit. Debt reduction became the prime imperative of the Liberal government. Early in their first term, the Liberals began to expound the idea of communitarianism, which stresses the individual responsibility of a citizen of the community. Through restraint policies couched within the 'small c-conservative' idea of communitarianism the debt was being tackled head on and the role of government was swiftly changing (Phillips 1995).

For example, a Program Review announced in the 1994 budget was not concerned with the details of program delivery. Rather it sought to answer the question as to whether services ought to be provided by the federal government at all (Phillips 1995). Nearly all programs were affected by drastic cuts. The Department of Transport's budget was cut in half, the largest reduction of all, as its role shifted from operating the transportation system to developing policy and enforcing safety standards. Plans called for the sale or transfer to the private sector of many federal agencies and operations. Another element of the Program Review was the elimination of 45,000 civil service jobs.

With a reduction of 37% in provincial transfers or $6 billion between 1996 and 1998, the provinces were forced to chop existing programs. At the same time, commercialization of some services has led to devolution of administrative duties to the provinces or municipalities. Decreased spending and devolution imply less federal involvement in provincial decision-making. This may also have an impact on the government's ability to develop national policies in the future. Furthermore, provincial and municipal governments may not have the infrastructure or accumulated bureaucratic knowledge that the federal government has, implying a lack of proper policy planning. Lastly, although the Liberals proffered a strategy of working through partnerships and local networks, thus prescribing a more limited role for the state in the economy, they have not followed through on it (Phillips 1995).

The last twenty years have seen a rise in neo-conservative government behavior in Canada. Privatization, deregulation and contracting out of previously government run services are all hallmarks of a new ethos of government involvement in the state. The new ethos has been enabled through policies of restraint, propelled by the increasing debt and receding influence of Keynesian economics. These policies imply a fundamental restructuring of the role of the state in Canada.

1.4 Restraint and Ports

The federal government has traditionally subsidized port infrastructure. This enabled the development of local, regional and international commerce and to ameliorate regional disparities. Ports can and have played a role in attracting industry to resource regions. However, shipping has changed over the years. Trucking, rail and particularly containerization have changed the way goods are distributed. Canadian ports cannot depend on throughput from a captured market within a defined hinterland region. Furthermore, the administrative structure of Canadian ports is fragmented. The various administrative structures include

Harbour Commissions, Port Corporations, Transport Canada Harbours and Ports and private and mixed ownership ports. The only common element is the fact they report to the Ministry of Transport (Ircha 1993). Thus, the port system in Canada is under pressure to be more efficient.

After numerous attempts at a national port policy, the federal government has opted for a process of divestiture. Government restraint has resulted in a process that will see the ports turned over to the provinces, municipalities or private owners. This study follows the divestiture process as it applies to three regional Québec ports. The three ports chosen perform different functions yet all are essential links in their respective regional economies. This study analyses the interaction between the local representatives of these three ports with the federal government, as well as among themselves, in working out a plan to acquire their respective ports. The study considers how prepared small communities are in their ability to deal with the federal government.

1.5 Methodology and Organization of the Thesis

Due to the ideological nature of privatization and its social economic ramifications, a policy of divestiture is multifaceted. Furthermore, this study concerns the ongoing implementation of a policy. Thus, this is a qualitative study. It will examine various aspects of the current Canadian Marine Policy Bill C-44, as it applies to three small communities. Discovering information that pertains directly to ongoing negotiations can be difficult. For this reason, many interviews of a subjective nature were conducted with various participants to get a sense of how this policy is being implemented.

In person and telephone interviews were conducted with a wide range of groups and individuals involved in the process. This includes representatives from Transport Canada, Transport Québec, municipal representatives, harbour masters, port users and representatives from non-profit organizations wishing to acquire the ports. Written information is in the form of various types of government documents released to the port communities.

The first part of this thesis consists of a Literature Review describing theories and methods of privatization from the economic and political science literature. It considers privatization policy from the viewpoint of its total effect on the economy. Fiscal, distributional, and efficiency considerations are discussed as they apply to the motives, implementation and potential results of privatization.

A brief narrative follows this on the history of Canada's port policy. Within this narrative, a summary of the way small ports have been administered is also presented. This will put the ensuing case studies within the perspective of the changing role of government in the marine transport sector.

Chapter Four is an overview of the divestiture policy. It begins with a brief description of the three port facilities, a chronology of the divestiture process at the three ports and a summary of the creation of the groups that organized to take over the port noting the objectives of the individual member groups. Chapter Five analyses the implementation of the policy and the response by the communities. The analysis is modeled after Hogwood and Gunn's (1984) 10-step model of policy implementation. This model permits a more systematic analysis of the different facets of implementation. The model identifies ten steps considered necessary for policy implementation. It is not that they expect perfect implementation is actually attainable, rather, we should expect policies to fail somewhat, since they will almost never be properly executed.

The ten steps are:

1. *No insurmountable external constraints:* This relates to forces beyond the policy makers' control such as the possibility that a policy is unconstitutional. In such a case, policy has to be redrawn.

2. *Adequate time and sufficient resources:* Adequate time is important in order not to run into a problem of unrealistic expectations. Sufficient financial resources are needed to effectively implement policies. In some cases, the resources are a necessity for continued application of a policy. An example would be free day care. In other cases, resources are needed

simply to get a program started. However, in times of restraint, attempting to do more with less may lead to not doing anything at all.

3. *Required combinations of resources are available:* In this case, resources refer to the necessary staff or physical resources.

4. *Policy is based on valid theory:* Every policy is a hypothesis about the factors at work and the most fruitful points of intervention. However, problem definition is also inherently a political process (Pal 1992). There is no formula that can tell us when a situation or a condition will be defined as a public problem or why it will rise on the public agenda (Dery 1984). It is assumed that some theory is at work in solving a policy problem but oftentimes, the theories are subjective. Public policy issues often come in cycles (Downs 1972). For example, at one time there was a perception that the government should supply certain transport infrastructures (e.g. roads, ports). Presently, everything under the government's control is being questioned as to whether this should continue. In this case, Keynesian versus monetarist theories are being tested.

5. *Cause and effect relationships are direct and uncluttered:* To have successful policy implementation the links between cause and effect should not be obscure. Thus, the theory behind the policy should be robust.

6. *Dependency relationships are minimal:* The more fragmented the authority (in charge of implementation) the more dependent an agency will be on others for clearances, and the more difficult implementation will be.

7. *Objectives are agreed upon and understood:* Often, objectives are obscure, even to policy makers. The more uniform the understanding of objectives, the greater the likelihood of successful implementation.

8. *Tasks are specified in correct sequence:* Implementation can be seen as a series of connected events from conception to result. If there is no logical sequence of tasks, implementation will fail.

9. *Perfect communication and coordination:* It is important that policy implementers are all operating with the same information base, which they perceive in the same way.

10. *Power and compliance:* Hogwood and Gunn admit this may be the least attainable condition for perfect implementation. The more perfectly the people involved in policy implementation obey the 'cleaner' the implementation process. If however, a policy is based on weak theory or imperfect information, then perfect compliance may lead to disaster. Thus, perfect compliance may disable those involved in implementation from learning from their environment.

Chapter Six provides a conclusion and suggestions for further research. Budgetary constraints forced a decision to limit the number of ports at three. The three ports were chosen based on their proximity to one another. This would not only be economical but it would also facilitate observation of any cooperation among these relatively small entities when dealing with the federal government. The ports also perform different functions. Tadoussac is a tourist port and the smallest of the three[7]; Baie-Comeau is the largest of the three and primarily commercial while Point Au Pic performs both functions. Thus, the study can analyze the effects of the implementation process on three different types of ports.

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[7] Size here refers to the amount of money collected through port charges.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This Literature Review discusses privatization literature from the perspective of economists and policy analysts. Because of the great scope of privatization, a complete review is impossible. Privatization in formerly communist states differs decisively from the sale of public enterprises in predominantly capitalistic economies (Bos 1991). On the other hand, much empirical literature is devoted to the UK privatization program. Since the first major wave of privatization occurred there, it had a great influence on other countries' programs. The aim of this chapter is to review privatization in order to focus on ports in Canada, therefore only the major theories and related themes from a Western perspective are considered.

This review begins with a discussion of allocative efficiency, regulation and public interest theory, forming a background for the ensuing privatization discussion. This background is important since many of the problems currently being dealt with are similar to those under nationalization, namely regulatory and competition issues. The next section reviews literature comparing the performance of public and private firms. This is followed by definitions of privatization which indicate the complexity of the discussion. Next is a typology of the different forms of privatization, introducing the reader to the many degrees of privatization through the array of mechanisms available to government.

Finally, the review narrows toward port privatization. Literature pertaining to port privatization is only just beginning to catch up to the actual amount of privatization occurring worldwide. Two short case studies of port privatization in the UK and India describe the particular circumstances of their privatization.

2.2 Allocative Efficiency and the Public Interest Theory

Privatization is a policy option associated with attempts to achieve allocative efficiency. The theoretical ideal for social welfare is assumed to be the optimum allocation of resources (Strick 1994). Maximizing efficiency through optimal allocation of resources is known as the 'Pareto optimum'. This is an economic concept wherein the optimum is reached when it is not possible to make one person better off without making another person worse off. Through perfect competition, Pareto efficiency can be attained. However, perfect competition requires perfection throughout the economic and social spectrum without externalities[1]. Since economists maintain that imperfect elements exist in the freely operating market place, optimization is difficult, if not impossible to attain.

Early this century, governments assumed an obligation to compensate or correct market failures and move the economy closer to Pareto optimality. Regulation was supposed to curb monopoly power and wasteful duplication that might result from excessive market competition. Thus, in the public interest, regulations were enacted to correct market failures, which prevent society from obtaining maximum welfare or satisfaction (Gujariti 1984).

The term regulation can be applied to any activity of government or its agencies that seeks to influence behavior through rules intended to guide or constrain economic decisions. In the context of market power, it aims to reduce the economic efficiencies associated with monopolies (Yarrow 1986). McFetridge (1985) and others (Stigler 1971) refer to this as planning regulation. This is regulation that restricts competition thus creating a 'budget' equal to the monopoly profits of the regulated firms. This budget is then spent on a political service. This is known as cross-subsidization and is most often associated with regulation (McFetridge 1985). The regulatory environment was to be implemented by disinterested experts operating in regulatory commissions independent of politics, to maximize the efficiency of the firm's operation.

Nationalization, the outright ownership of a firm by the government is an extreme form of regulation. The accepted wisdom was that this type of regulation (as with the others) was a necessary government policy. This line of thinking, referred to as public interest theory, was fueled by events of the New Deal in the US, and a similar ideology in Canada that rejected laissez faire in favour of liberal and Keynesian economics. Theorists and practitioners regarded regulation as guardian of the public trust (Peltzman 1981). As a theory, it was normative and prescriptive and widely held (Gujarati 1984, Strick 1994). It promoted and justified a transfer of power from ruling elites to independent regulatory bodies (Gerston et al 1988). Broadly defined, the theory holds that government may intervene in the market place to correct market failures that prevent society from obtaining maximum satisfaction or welfare (Gujarati 1984).

There are four general motivations for public ownership and these can also be considered as the purchase of political services. These consist of remedying market failures and inefficiencies; redistributing economic resources; providing consumption goods for politicians; achieving strategic goals (Yarrow 1996). Borins and Boothman (1985) say that economists allow for certain public goods such as defense and education to be nationalized. Often however, regulation (including nationalization) applies to industries that are characterized by naturally monopolistic tendencies such as hydroelectric power, water supply and transport. Firms in declining industries may also be extensively subsidized to protect employment in local economies or maintain research and development in certain sectors.

Achieving strategic goals also provides consumption goods for politicians. For example, governments purchase political services to fill social goals through distributive services. Other than nationalizing or cross subsidizing they can also directly subsidize a private firm to perform a political service such as encouraging the hiring of a socially disadvantaged group (McFetridge 1985). Thus, regulation plays an intrinsic role in government's overall policy making.

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[1] Externalities refer to negative consequences on others of a firms' or individuals' actions.

Consequently, regulation and nationalization policies address sectoral problems, regional development disparities and national security goals. These policies also assist in bailing out private sector firms and, especially in Canada, promote nation building by creating east-west links that counter the southern pull of the United States as in Air Canada and the CBC (Jorgensen and Hafsi 1993). It also enables often-grandiose projects sometimes favoured by politicians as well as other ways of redistributing resources to favoured groups (Yarrow 1996).

Based on these justifications, regulation in the public interest proceeded with little debate in the literature until the 1960's when students of regulation suggested that the advantages of regulation were not being realized (Joskow and Noll 1981). Nationalized industries, being part of the same regulatory environment, also came under attack for producing dead weight inefficiencies and politically influenced redistribution (DeAlessi 1987).

Empirical studies of utilities and nationalized industries showed that they were inefficient compared to private firms (Stigler 1962). One hypothesis to explain why was that regulation had become the protector of industry from competition (Stigler 1962, 1971, Posner 1974). Called the Capture Theory, it showed, through empirical studies how many industries had 'captured' regulators. For example, Keeler's (1984) study of restrictions on price competition and market entry due to US airline regulation showed how these restrictions protected established airlines to the detriment of clients, and eventually to the airlines themselves. It was forty years before it was realized that possible threats of cut throat competition, small market abandonment or safety were not nearly as strong as originally thought.

A related hypothesis, from the bureaucratic literature, was that regulators saw that it was in their self-interest to protect the industries they were supposed to be regulating in the public interest (Keeler 1984). The hypothesis is that bureaucracies will be captured over time. Bureaucrats may begin by serving the public with aggressive rule making, but over time, their policies will mirror the desires of those they regulate. Some observers maintain that they do this to protect their jobs since they rely on information provided by the industry that they are regulating (Kay and Vickers 1990).

A third hypothesis was that, although regulation often served as a vehicle for cross-subsidization (in the public interest), this came to be seen as politically influenced and moving toward private as opposed to public interests. It was in the government's interests to indirectly subsidize certain groups at the expense of others. The non-transparent nature of public ownership allowed the costs of wealth redistribution to be concealed from those who had to bear them. A hypothesis studying 'special interests' explained this phenomenon showing regulation as a commodity bought and sold in the political marketplace (Peltzman 1981). Ultimately, it was shown that income redistribution considerations in response to interest group pressure in return for votes took precedence over efficiency considerations resulting in further decreases in efficiency and increased costs on consumers (Linowes 1990).

Yarrow (1996) points out that it was not until relatively recently that this 'simplistic' treatment of ownership issues (as guardians of the public trust), in the literature began looking more realistically at the relevant economic trade-offs of different types of ownership. Public interest theory was primarily concerned with deciding which industries to regulate and how. Its normative and prescriptive nature caused study of the actual costs and benefits of regulation to be delayed (Stigler 1962).

One problem with a normative theory is that history has shown that changes in ownership tend to depend on changes in background circumstances (Yarrow and Jasinski 1986). Therefore, theories relating to changes in ownership should be dynamic rather than static. For example, experience gained from the two world wars also had a role in leading economists and politicians to believe that post-war reconstruction required a similar mobilization (Yarrow 1996). In addition, increasing demands on the political system for redistributive policies have been a major force in increasing the ratio of government expenditure to gross domestic product in liberal democracies.

2.3 Literature relating to the Comparative Performance of Public and Private Firms

Part of the enthusiasm associated with privatization is the general belief that private ownership is innately superior to public ownership (Bos 1991). Thus, the theoretical literature that enabled a rethinking of the benefits of publicly owned firms sought to explain the allocative efficiency differences between public and private firms. One way this is done is by comparing the incentive structure and monitoring or enterprise agency problems associated with both types of firms within their respective competitive and regulatory environments. This is done through property right analysis, (see DeAlessi 1980, Furubotn and Pejovich 1972, Trebilcock et al. 1982, Yarrow and Jasinski 1996, Courchene 1985, DeAlessi 1987, J.K.Galbraith 1973, Berle and Means 1932, Borins 1983, Yarrow 1986, Kay and Thompson 1986), political market theory, (see Posner 1971, Stigler 1971, Peltzman 1971, Wintrobe 1984, Shapiro and Willig 1990, McFetridge 1985, and managerial research, (see Tupper and Doern 1988, Borins and Boothman 1985, Anastassopoulos 1985 and Weaver 1985). Here I focus on direct empirical comparisons between public and private firms.

2.4 Direct Comparisons of Public and Private Firms

Directly comparing the efficiency of public and private firms begins with performance assumptions of the two types of firms. Owners of private firms are interested in the financial performance of the firm as reflected by profits or share price (Yarrow 1986). The respective objectives of public ownership are less clear. The assumption an economist will make is that social welfare should be maximized. Kay and Thompson (1986) note that public firms may have non-commercial objectives. They may also face different input prices; they may have access to cheap capital, but may be requested to purchase more expensive, domestically produced goods. This leads to the problem of defining social welfare.

A lack of consensus on distributional issues, (in other words, who gets what) causes public objectives to be narrowed to the promotion of economic efficiency. This is measured as the sum of consumer and producer surpluses, known as the Pareto Optimum. On a cautious note, McFetridge (1985) criticizes those who would rely too much on theories that attempt to describe the performance differences between public and private firms. Firms with heterogeneous and rapidly evolving products have, as their only benchmark, their rate of return. Yet, the political services a firm provides and the degree to which it is compensated for them affect profit rates. Neither will be known with any degree of accuracy. Furthermore, without explicit costing of each transaction it is difficult to determine if a low rate of return of the public firm is the result of costly political services or to managerial slack (Hindle 1984).

Until recently, the limited available empirical literature seemed to support the belief that public enterprise was inherently less efficient than private enterprise (Borcherding 1983). Contemporary research has cast doubt on the validity of the earlier studies and suggests that public ownership of productive resources under certain circumstances can be at least as efficient as its private counterpart (Denning 1982).

Borins and Boothman (1985) note that 'each type of efficiency measure entails significant problems of calculation or has serious limitations in explanatory power. Profitability is the least satisfactory form of measurement because it encompasses any and all determinants of efficiency, and simply may not be in accord with the designated social role of a public enterprise. Few empirical studies have approached the essence of an ideal measure, and many have produced results which are methodologically suspect.' Many economists maintain that it is difficult to compare private and public industries head-to head (Borins and Boothman 1985).

McFetridge (1997) notes that studies of cross sectional comparisons of private and state-owned enterprises have shown difficulty isolating the marginal effect of ownership on enterprise performance. In an earlier survey of government, mixed and private firms, McFetridge (1985) also notes that the very notion of efficiency must be carefully spelled out when dealing with government enterprises.

Yarrow (1996) postulates that competitive conditions and regulatory environment in tandem with monopolization or other types of market failure, are important determinants of the likely relative performances of different types of ownership. Other economists (Kay and Thompson 1986) echo this reasoning. In this vein, economists argue that the pattern of regulation and deregulation, the nature of competition, and the structure of incentives facing managers are more important determinants of performance than ownership (Tupper and Doern 1988). Research on competition and public ownership by Shepherd (1979) and Porter (1980) and in American literature, (Denning 1982) also notes that performance is conditional on the intensity and form of competition and regulation and upon the monitoring and incentive systems of public enterprise. Private ownership may be optimal, in efficiency terms, where there is competition since private monopoly conditions lead to unregulated profit-seeking behavior

(Jasinski and Yarrow 1996). However, public ownership of monopolies may lead to the same political agency problems.

Also concerning monitoring failures, Sappington and Stiglitz (1987) note that in both ownership forms, there is a significant delegation of authority; the difference lies in the transaction costs faced by the state when attempting to intervene in the delegated production activities. It is less costly for government to intervene in a public firm. Such ease of intervention can constitute a potential benefit and cost of public provision. It can be a cost because its ease of use can lead to ease of abuse. They conclude that neither public nor private provision can resolve the difficult incentive problems that arise when situations of imperfect information result in delegation of authority.

According to Yarrow (1986), it cannot be expected that one form of ownership will be superior to the other in all industries and in all countries. However, it might be argued that the evidence on comparative performance indicates that the weaknesses of public sector monitoring are so serious, and so pervasive, that a general presumption in favour of private ownership is justified. Baldwin (1985) shows how, prior its privatization, Air Canada exhibited elements which were responsive to political routing pressures, equipment sourcing and technology adaptation distortions, short haul cross-subsidization and to entrenched resistance to comparable US productivity and payroll initiatives. According to Gillies (1985), various inquiries into the business activities of other Canadian Crown corporations such as Polysar Corporation and Atomic Energy of Canada have also shown evidence of, 'allegations of conflict of interest, kickbacks secret commissions and ineffective oversight'. Gillies' point is that in the case of Canada, the population at large, while not necessarily against the principle of nationalized firms has developed a skepticism about direct intervention in the economy.

In contrast to Balwdin's study, when assessing empirical studies of Canadian Crown corporations, Borins and Boothman (1985) assert that there is no consistent evidence that public enterprise is inherently less efficient than private enterprise. Researches in mature industries, (rail, air transport, telecommunications and electricity), in Canada and abroad, have shown that on an industry by industry basis, public and private firms have comparable performance levels. Clear differences emerge where pricing and profitability are concerned but this is due to the social objectives of public corporations since they are expected to balance economic goals while operating at a near break-even basis.

In another review of the empirical literature Millward (1982), concluded that there appeared to be no general ground for believing that managerial efficiency was lower in public firms. Yarrow (1986) interprets the same data and argues that private sector monitoring is more efficient in cases where the relevant firm faces strong competition. Therefore, Yarrow proposes that the weakness in public monitoring is significant but not enough to establish a presumption in favour of private production in all circumstances.

Interestingly, although the research does not appear to be overtly biased against public ownership, there is little recommendation for a proliferation of public corporations. Langford (1985) notes that observers are not reluctant to interpret the data as they see fit. Courchene (1985) sees the data as conclusive insofar as it does not demonstrate any inherent or decisive superiority of public enterprise performance. Although Borins and Boothman (1985) explicitly offer no vote of confidence for public firms, they discuss the need for less rhetorical debate akin to that of Baldwin (1975) and Palmer, Quinn and Resendes (1983). They examine incentive systems of public sector enterprises showing the relevance of the predicted higher input prices and unit costs of public firms for labour and materials, and the lower costs of capital.

It is also necessary to trace historically how public corporation managers have responded to environmental changes. In particular, Kierans (1985) and others (Trebilcock and Prichard 1983 and Courchene 1985) maintain that although nationalized industries may have served well in the past, reform is needed at present. The longevity of some nationalized enterprises, such as Air Canada, were twenty to forty years removed from any discipline by any form of contemporary meaningful external stimuli – market or bureaucratic. With many documented instances of inefficient politically-influenced cross-subsidization it comes as no surprise that many firms may have acquired internalized institutional and bureaucratic attributes which are counter-productive to the smooth accommodation of change (McFetridge 1985).

Thus, there is also a need to isolate and examine the impact of social goals on public enterprise performance levels. There is currently little research attempting to measure systematically the costs of achieving policy objectives, and rarely have researchers taken such costs into account when assessing performance (Borins and Boothman 1985). Distinctions must be made between policies and practices derived from ownership forms or management goals and those that are imposed externally by government as policy objectives.

In concluding this section, it becomes apparent that, when comparing public and private enterprise performance, information costs relating to agency problems are significant. The problem becomes one of assuring that managers of public firms act as the government wishes and the government acts as the electorate or Parliament wishes. No less significant is the problem of measuring efficiency when comparing private and public firms.

2.5 Definitions and Types of Privatization

There are multiple definitions of privatization. While describing the UK privatization experience, Wiltshire (1987) sifted through over sixty attempts at a definition by economists and academics. He suggested one by Heald (1984) that was comprehensive and unambiguous.

- The privatization of financing a service that continues to be produced by the public sector (the old user-pay argument where charges rather than taxes are used to finance public services).
- The privatization of the production of a service that continues to be financed by the private sector (usually out of taxation), as in contracting out.
- Denationalization and load shedding, meaning respectively selling of public enterprises and transfer of state functions to the private sector.
- Liberalization, meaning relaxation of any statutory monopolies or licensing arrangements that prevent private sector firms from entering markets previously exclusively supplied by the public sector (Wiltshire 1987).

Heald's definition is useful because he outlines four major types of privatization: user pay, contracting out, divestiture and deregulation.

As defined earlier, privatization shifts activity from the public to private sector. However, there are many actions associated with the actual practice of privatization. Divestiture or sale of government firms is often the first thing that comes to the public's mind when privatization is mentioned. In fact, according to Yarrow, (1996), the most important methods of privatization that have been adopted include:

1. Sale of shares in a joint-stock company to the public

2. Sale of a state-owned enterprise to a private company.

3. Management/worker buyout.

4. Contracting-out of services at the local government level via competitive tendering systems.

There are other actions associated with privatization, often referred to as load shedding or divestiture. These include consumer cooperatives, co-production, variously structured public and private sector partnerships, state management contracts such as monopoly franchises for the private supply of public services (contracting out), user charges, lease-purchase arrangements, and even tax reduction intended to stimulate private sector investment and deregulation. In contracting out, the government is still providing the service but is no longer producing it. In the case of user pays, the government may or may not be providing the service but the user is responsible for paying for it. In deregulating, the government opens up an industry to competition and in the case of divestiture, the government is no longer providing the service.

Divestiture privatization is the most extreme and is the type of privatization that is of concern in this thesis. According to Andic (1990), divestiture can include the outright or partial sale of state holdings to private sector interests or the liquidation of assets of some public enterprise. The pure sale of share interests is the type of activity normally defined as privatization in the sense that what was formerly publicly produced and provided now becomes part of the private sector.

The different means of divesting state enterprises and their potential results are also a subject of debate. This is because the potential for distribution of income and wealth provide governments with the opportunity to be motivated by political objectives rather than public interest objectives. The previous discussion on comparative performance forms the basis of attempts at explaining the possible outcomes of these different means. The next section discusses some of the major objectives and motivations of privatization focussing on the concept of divestiture.

2.6 Motives and Objectives

The adoption of social welfare is the criterion most favoured by economists for evaluating the performance of public and private enterprise. This is matched by an equivalent tendency to treat welfare or efficiency maximization as the most appropriate motive for privatization (Jasinski and Yarrow 1996). Broadly speaking, efficiency is the main motivation behind privatization. Jasinski and Yarrow interpret this as relating to what might be called a public interest theory of privatization.

Similarly, Trebilcock and Prichard (1983) assume that one of the following must be at the root of the move to privatization:

1. The objectives once served by Crown Corporations (or any nationalized industry) are no longer dominant.

2. The instrument effectiveness has altered such that publicly owned enterprises are no longer the appropriate instrument to achieve the underlying goals.

They acknowledge that the environment of the 1980's and 1990's is much different than in the post World War era or even the 1960's. The global environment has changed significantly since the 1960's, when, in countries like Canada, a rich resource base provided a cushion for mounting comprehensive transfers to persons, businesses and governments (Courchene 1985).

Many countries, including Canada, cannot afford inefficient resource allocation. This is not necessarily an argument against nationalized industries. Most observers agree that the original reasons for nationalization may no longer be valid or there may be more effective government policies to achieve their goals (Trebilcock and Prichard 1983; Courchene 1985).

The study of privatization is hindered by the fact that the reasons for its implementation are not restricted to changing environments or an economist's perspective of welfare efficiency. According to Langford (1985), some advocates of privatization do not even consider why privatization should occur. It is simply obvious to them that government is too big and government owned enterprises are the 'grossest' manifestation of big government. Bos (1991) maintains that privatization is the precise opposite of nationalization, but he also notes that neither procedure is embarked upon primarily for economic reasons. However, there is often an attempt to include an economic rationale in the decision. Langford (1985) maintains that many economic rationales are simply ideology masquerading as economics. On the other hand, Kierans (1985) acknowledges that there is no reason why public performance should be inferior to private. However, he insists that situations such as that of Canadian telephone regulation, which he described as, 'a contest among vested interests seeking to make and maintain enormous hidden cross-subsidies,' not continue unchallenged.

According to Veljanovski (1990) industry and business decisions should be depoliticized while industry efficiency and competitiveness should be increased. The pricing of services should also reflect real costs. In areas where competition cannot be fostered, the industry should be regulated in a way that gives domestic and industrial customers genuine protection from monopoly abuses and predatory practices designed to prevent potential new competitors from entering the industry (Veljanovski 1990).

Yarrow (1986) elaborating on the public interest theory of privatization cites evidence that public interest theories do not fit the historical experiences of privatization very well. Put another way, like public ownership itself, privatization is a policy of the state and is determined by political decision-makers. The motives will be those of politicians and bureaucrats worked out through coalitions of different interests where agreement of objectives will not necessarily be arrived at (Jasinski and Yarrow 1996, Aharoni 1991).

2.7 Assessment

Although there are those who are ideologically against government involvement in the market, most observers feel that competition and regulation policies are more important than ownership *per se* (Yarrow 1986; McFetridge 1985). This is because the transfer of ownership has many pitfalls. Thus, most observers, whether for or against privatization, agree that the post privatization regulatory and competitive environments are key factors to be taken into consideration for the long-term viability of privatization from an efficiency and public interest standpoint. In short, a change in ownership without a change in market structure may not improve efficiency (Aharoni 1986; Domberger and Piggott 1986; Millward 1988; Pryke 1981; Yarrow 1986).

Yarrow (1986) and others, note that privatization may lead managers to place more emphasis on profit goals but whether this leads to economic efficiency depends upon a trade-off between market failures (i.e. potential monopoly situations through privatization) and deficiencies in government monitoring and control of public firms (the agency problem). Thus, the possibility of continuing market failures under privatization demands a regulatory environment promoting competition.

Most observers agree that where markets are reasonably competitive, with no significant market failures private ownership is preferred, owing mainly to monitoring or agency problems. Where there is natural monopoly, vigorous regulatory action is required in the public interest. In cases of monopoly, the choice between private or public firm ought to be evaluated on a case by case basis (Yarrow 1986; McFetridge 1986).

Competition is the key. According to Andic (1990) promotion of competition is at the heart of the privatization debate. Foster (1992) claims that the success of privatization rests on a strong regulatory environment. Shapiro and Willig (1990) concur, noting that if public firms are privatized without regulation they would simply maximize profits without consideration for any social goals. This is because, as Kierans (1985) notes, 'capitalism's claim to allocative efficiency rests on its capacity for destructive competition'. This was, of course, the purpose for establishing nationalized firms in the first place.

Thus, the success of the post privatization regulatory environment revolves around the need for regulation to curb monopoly power while promoting competition amidst the ensuing information problems between the government and private firms through regulatory bodies. These agency problems set up the paradox that the process of privatization is liable to be subject to the same kinds of inefficiencies as the state owned enterprises it seeks to eliminate.

2.8 Port Privatization Literature

Until the 1980's, port management and costs have traditionally been borne by government. A feature of the 1980's transport sector has been the promotion of policy reform by governments and international lending agencies. High costs of subsidizing port operations, changed macro-economic conditions, and in some cases the imposition of structural adjustment programs by the International Monetary Fund and World Bank in response to debt crisis, have led governments to reconsider transport policies (Thomas 1994).

These changes in the process of institutional reform take a variety of forms such as commercialization, privatization or deregulation. In some countries, like the UK, changes in policy are also made on ideological grounds in the belief that market forces are the most effective way of regulating port capacity and of stimulating business. Other countries use policy changes to give ports greater autonomy from government controls, or as in India, improve financial management and accountability or raise funds for new investment (Thomas 1994). Furthermore, the development of containerization has reduced the need for an abundance of ports and reduced the need for port labour. Since containerships rely more on technology than manpower to transfer cargo from ship to shore, labour needs changed rapidly in a short period.

Port privatization has lagged behind privatization of other industries. Despite the wealth of theoretical literature on privatization, there is only a handful of literature on port privatization.

Ports do not receive as much public scrutiny as, say, airports (Feldman and Milch 1983). This is probably because of issues of noise pollution, safety and land requirements. Nevertheless, there are two detailed studies concerning port privatization in the UK and India.

Despite some similarities in the port problems faced by the two countries, the policy reforms chosen reflected their inherent ideologies as well as their particular needs. In both countries, firmly entrenched unions created a surplus of labour. Dock labour strikes also created chaos for port managers and ship companies. Both countries faced pressures from international shipping to rationalize port operations.

The UK also had an over-capacity of ports. This resulted from the political nature of government spending as well as a fragmented administrative system (Turnbull and Weston 1992). Since the government directly subsidized most ports, it took the opportunity to divest them. The UK government sold ports outright to terminal operators and ship companies.

To make port sales more attractive, the UK government abolished a labour scheme whereby each employee of the UK ports had a guaranteed minimum amount of weekly hours (Turnbull and Weston 1993). They would use only the amount of employees necessary. Thus, the UK received money for the ports and saved money on labour costs. They also decimated the strong port labour union. According to some observers, behind the ideology of privatization, this was one of the unstated aims of the UK privatization movement.

In India, there were similar labour problems. Furthermore, they faced additional pressures by the International Monetary Fund due India's debt crisis. A ponderous bureaucracy also kept their ports from making the changes necessary to modernize and operate competitively. Furthermore, India's militant labour force, combined with obsolete terminals created a situation whereupon many ship lines avoided sending their larger ships to Indian ports (Farrell 1995). Improved port facilities, given the immense size of the potential Indian market would have a major impact on the competitive position and financial profitability of individual terminals (Farrell 1995). This would improve India's external trade as well as its overall economic development (DeMonie 1995).

The Indian government has little money to upgrade its port infrastructure to accommodate the needs of container ships. There is a profound need to modernize facilities. However, an outright sale of ports is not a politically acceptable option. To ameliorate this situation, the government adopted a system whereby terminal operators could lease the infrastructure for a number of years. The operator would be responsible for maintaining the infrastructure. The government also expected the operator to invest in modern facilities. The operator would only be responsible for the labour it needed. Thus, the government reduced labour costs while also attaining sophisticated port infrastructure and management. The government also maintained ownership of its ports. This method of privatization has been gradually developing at some of India's largest ports (Bennett 1995, Joshi 1995).

Conclusion: Port Privatization

In both instances, the need to save money and control labour was a major motivation for privatization. The Conservative government of Margaret Thatcher rode a wave of ideological fervor to privatize a multitude of government run companies at the same time as the ports. The UK quickly divested itself of expensive port infrastructure and solved its perceived labour problems. In India, partial privatization through licensing spurred much needed outside investment in port infrastructure.

Saving money was a key in both instances. However, both countries responded differently to their needs. Although these privatization exercises have little in common with the Canadian experience, port over-capacity and the need to save money are both evident in Canada.

2.9 Conclusion

Early literature that sought to explain how to achieve allocative efficiency using the public interest theory was normative and prescriptive in its approach. In the 1960's, empirical studies of government-owned industries led to criticism of the normative approach. Theories developed explaining agency problems at the political level versus the individual enterprise level. These argued that private firms are generally more efficient except in cases where monopolies are present while acknowledging that efficiency has no absolute measurement in society.

The problems that led to the rise of privatization initiatives were fiscal in origin. At times, the solutions are ideological in their execution. Political agency problems create a paradox in that politicians, with their need to retain power and popularity, are in charge of privatization programs. Furthermore, privatization puts governments in a position that limits their ability to extract information from the private company that is being regulated. This may encumber implementation of policy instruments.

Some privatization literature is almost normative in its ideological fervor. Its simplistic ideological bias all but negates the role of government, except in the case of monopolies. What is forgotten is that one of the roles of government is to mediate between different interests and implement policies in the public interest - despite the informational or fiscal difficulties. Although government failures are cited as a major reason for limiting its role in the market, the market is an artificial creation subject to its own failures. Therefore, government still has a role in the economy protecting the public interest. Furthermore, governments often get landed with the most difficult problems with which no one else has been able to cope (Bardach 1977). In these instances, the government can subsidize to compensate for deadweight losses in industries that generate positive externalities.

Aharoni (1991) notes that the success of privatization can only be measured by the objectives that motivated it, and those objectives are likely to be different for the different actors affected by privatization. From an economist's standpoint, political factors represent a constraint that must be overcome to achieve economic efficiency. For the politicians, the prospective political gains are the objectives, not the constraints, of a privatization exercise. Therefore, the public must be vigilant to protect what they determine is in their interest. With that in mind, the paucity of literature addressing port privatization indicates the need for a case study of the port divestiture process in Canada.

CHAPTER 3

AN EVOLVING PORT POLICY: FROM CENTRALIZATION TO DIVESTITURE

3.1.0 Attempts at a Port Policy in Canada

3.1.1 Evolution of Canadian Port Administration to the 1980's

This chapter outlines the history of Canada's port administration. It shows how, prior to the implementation of the divestiture legislation in Bill C-9, the Canadian government's port administrative structure was never operating within a coherent national port policy. Since a 1931 study, the port system has been moving slowly from a centralized to a decentralized structure featuring more local autonomy.

The Canadian government has responsibility for ports and governs them through a myriad of administrative structures. One constant feature of the ports system is the lack of a national port policy. This fractured administrative structure is a product of its historical roots. For example, some Harbour Commissions under statutory authority date from colonial times.

The British North America Act of 1867 placed navigation and shipping under the exclusive jurisdiction of the federal government. However, early attempts at administering these ports by the newly created Department of Marine and Fisheries, were hindered by limited staff and vast geographic distances between ports and Ottawa.

Due to a lack of resources, by the 1920's there were many port and harbour commission structures and systems (Ircha 1993). Some of these were under the direct control of the federal port administration while others were more independent and oriented to municipal administration. While the central Ottawa administration was hampered by a lack of staff, the commissions themselves, according to Sir Alexander Gibb's National Ports Survey of 1931-2, were hampered by political patronage. Financial irresponsibility also fell on the federal government. Besides overbuilding and over-capacity of the ports system Manning (1971) notes that, 'lack of sound or uniform accounting and auditing practices had led to the federal government becoming involved in uncontrollably escalating expenditures as maintenance costs were frequently represented as capital assets, which were then in turn made to serve as collateral for the raising of bank loans which somehow were regarded as being guaranteed by Ottawa.' The lack of a federal port policy led to some port authorities 'buying traffic' from other more business-like neighboring ports by more or less failing to levy port charges (Gibb 1932).

Sir Alexander Gibb's Port Survey of 1931-2 led to an attempt at creating a centralized ports system. The 1936 Department of Transport Act placed ports that were deemed federal in nature under the newly created National Harbours Board. Municipal ports operated under their original and varied autonomous local administrations. Gibb's report sought to reconcile the need for local input and the national interest. The idea was to create a coordinated policy focussing on ports that were national in stature, that served more than local interests. The National Harbours Board was made up of the seven largest Canadian ports.

The NHB had a centralized approach. All port rates were set by the NHB and were the same regardless of port costs or demand. There was also no local input (Goss 1990). According to Ircha (1993), the centralized nature of the NHB reflected the government's centralizing tendencies during the Depression era. The NHB ignored Gibb's recommendations concerning the need for local autonomy. Over time, the NHB became known for its rigid, centralized financial control system and isolation from any municipal and provincial input. This led to the growth of municipal port development resulting in competition with the federal ports. This situation, featuring a burgeoning over-capacity and different administrative structures, was indicative of a lack of a comprehensive port policy. This would continue for some years before any concrete action was undertaken to ameliorate the situation.

Recognizing that the environment that led to the NHB had changed, some advocated centralized control, but mostly over capital expenditures, public borrowing and user charges.

Otherwise, individual ports would now be autonomous in their day to day operations. They would be converted to a modified version of Harbour Commission Ports with the central authority responsible for harbour planning and providing advice on harbour policy.

What eventually transpired was that, by 1971, Local Port Authorities were established by appointment in an advisory capacity. The NHB began to decentralize their operations on a regional level. Local Port Authorities were established in Vancouver and Montreal and financial and administrative systems were streamlined. The chairmen of the Local Port Authorities actually recommended a national ports system based on the Crown Corporation model already in use by Canadian National Railways and Air Canada (Ircha 1993). This led to another attempt at placing all Canadian ports under a national ports system. However, a committee chaired by G.A. Scot in 1974 recommended a public service solution that centralized control of all Canadian ports within Transport Canada. Twenty ports (of national significance), would be administered by local and semi-autonomous port commissions featuring career civil servants reporting to a Canadian Ports Commissioner who, in turn, reported to the Marine Administrator, another civil servant who reported to the minister. These local port commissions would take over the tasks of the NHB. These included setting rates for services and establishing by-laws and regulations.

This recommendation almost made it to law but it was not passed by parliament. The fear was that under the civil service the port system would be too politicized. The minister would have too much discretionary power. Furthermore, according to Dosman (1978) despite the fact that the legislation had only been proposed in principle, many of the positions of the proposed Canadian Ports Commission had already been filled by Ottawa bureaucrats. This situation, whereupon Transport Canada officials eliminated NHB staff, reflected a 'public service takeover' (Dosman 1978).

In 1983 legislation was passed creating the Canada Ports Corporation (CPC) as a Crown Corporation with subsidiary operations at the local level. Again, only the larger of the NHB ports were considered. The aim of the legislation was to create a balance between national coordination and local responsiveness. Seven ports, again the largest, were granted Local Port

Corporation (LPC) status. They became incorporated with their own Boards of Directors whose members were appointed by the Minister. The appointments reflected national, regional and local interests. Overall, the CPC was responsible for fifteen ports. The CPC ports that did not attain LPC status were administered in Ottawa on a divisional basis with local advisory councils. Although CPC ports had more autonomy, they did not have any control over any financial surplus. Requests for expansion funds, or to sell unneeded land often took many months.

Although the Act spoke of a national port policy, it is silent on the role of small ports. There is no national coordination of Canadian ports (Ircha 1993). Transport Canada's mandate regarding ports is to assist commercial transportation. The government operates its ports with a landlord mentality featuring little in the way of national port planning (Slack, 1994). It provides the superstructures, and often the infrastructures such as the handling gear. Private stevedores carry out port operations. The government does not get directly involved in commercial operations or marketing.

There are also different accounting procedures for the various port administrations (Ircha 1997). This gives rise to complaints that some ports have a competitive advantage. For example, CPC ports have to be profitable while Transports Canada ports get subsidies. There is also competition between Canadian ports. The CPC port at Saint John faces competition from the Transport Canada port at Bayside. Considering that this competition is at the expense of government subsidized ports, this represents over-capacity as well as a politicized approach. This is one of the major problems with the Canadian ports system.

In 1985, all the diverse small ports under direct federal control were placed under Transport Canada's Harbours and Ports Directorate (HPD) in the Canadian Coast Guard as a result of the Public Harbours and Port Facilities Act of 1985. More than 500 ports are maintained for regional and local development reasons, at least in terms of their priority, rather than as a contribution to the national economy. Some serve as essential transportation links for isolated regions, while others serve the needs of local industry (Ircha 1993).

3.1.2 Administering Small Ports: Restraint and Planning Initiatives During The 1980's

The 1980's represented the final attempts at a national port policy. In 1986, the Ministry of Transport went through a reorganization to reflect the government's emphasis on efficiency and coordination, featuring, 'strong multi-modal, regional representation in planning, policy and coordination' (Canada, DOT 1992). The shift in emphasis toward efficiency was due to mounting criticism of a marine transport system whereupon 80% of the tonnage was handled by only 40 of 572 ports under the responsibility of the Minister of transport and only about 10% of investment (from H & PD Ports) was recouped by government (Canada DOT, H&P, 1984-1993). Annual losses amounted to some $50 million per year. Table 1 shows the costs and revenues for Canada's public ports and harbours over the years. It shows that these ports do not operate at a profit and have come to rely on the Canadian government to subsidize infrastructure maintenance and expansion costs.

Table 1

Costs Versus Revenues of Canadian Public Ports			
Year	**Expenditures**	**Net Revenues**	**Difference**
1983-84	43.8M	(7.6M)*	36.2M
1984-85	55.5M	6.9M	48.6M
1985-86	68.5M	6.8M	61.7M
1986-87	60.0M	(9.8M)*	50.2M
1987-88	46.3M	9.9M	36.4M
1988-89	72.7M	10.5M	62.2M
1990-91	67.3M	10.9M	56.4M
1991-92	71.0M	12.0M	59.0M
1992-93	50.9M	11.8M	39.1M
1993-94	48.3M	11.0M	37.3M

Source: Canada, DOT, H&P, 1984-1993. * Only Gross Revenue data available.

With an emphasis on financial restraint and cost recovery, the Minister of Transport and the HPD requested in the early 1980's that the five regions[8] conduct comprehensive studies of the system. The 1984 Budget required H&P to add $2 million per year to the Consolidated

[8] At that time marine activities were decentralized and administered by five regional offices: Newfoundland, Maritime, Laurentian, Central and Western.

Revenue Fund[9] (Canada, DOT, H&P 1990:7). Furthermore, a cost recovery has been incorporated into the planning process since 1986. However, it was difficult to implement owing to such exceptions as 'policy' projects to fulfill broad, social-economic objectives (Vallée 1994).

3.1.3 Moves Toward Divestiture by the Canadian Government

Since the 1970's, as budgets have shrunk, continued subsidization of transportation infrastructure has come under question. Due to the cost of maintaining a ports system that is not self sufficient, arrangements were being made to change this situation. As noted earlier, in 1984, cost recovery was a part of Department of Transport policy. In 1991, a second cost recovery initiative was again being considered. Due to the recession, it did not become a priority until 1993.

By the 1994 Budget, at a time when decreasing Canada's debt was high on the government's agenda, it initiated a review of the potential for the commercialization of the major activities of Transport Canada. This was part of the overall Program Review of all government programs initiated by the Chrétien Liberals. This program review was designed to improve efficiency, cut costs and find different ways of doing things. The aim was to reduce the dependence of the transportation industry on federal subsidies (Canada, DOT 1995-6 Estimates Part 3).

Originally, only major programs such as airlines, airports and subsidies were considered. The review of the marine sector began in late 1993 with a port reform seminar focussing on corporatization and privatization initiatives in New Zealand, the UK and a review of Canadian and US port systems. Undoubtedly influenced by these countries' conservative approach to port management, this seminar was followed by an internal evaluation of the Canadian ports system (Ircha 1997).

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[9] The Consolidated Revenue Fund of Canada is where all revenues (harbour dues, wharfage, berthage, storage, licenses, leases, etc.) received by ports are returned.

3.1.4 Moves To Reduce Port Expenditures

When the Canadian Coast Guard was responsible for ports,[10] its budget was one of the more significant at the Department of Transport. Port infrastructure and repair is very costly and as noted, ports seldom operate at a profit. Thus, maintenance and capital spending is an important indicator of the government's level of responsibility towards ports. The federal government has decreased port related spending considerably throughout the 1990's. Since 1992, port maintenance budgets have declined by more than 50 per cent (Info Ports 009, March 1997). Broader cuts initiated in the 1994 budget instituted a fifty per cent reduction in Transport Canada's total budget beginning in 1995[11]. In December 1995, Operations and Maintenance (within the H&PD) ceased port planning[12]. Planning initiatives ceased and the money available for port maintenance decreased dramatically with each passing year. Future port maintenance budgets were projected to fall from $4 million in 1998-99 to under a half a million dollars by 2001-2002 (Info Ports 12 September 1997). Thus, there is virtually no money set aside for port maintenance after 2002.

3.1.5 The Standing Committee on Transport, (SCOT)

The Parliamentary Standing Committee on Transport convened in March 1995 to conduct a broad review of Canada's marine sector. It solicited opinions of the parties who were interested in how ports were being administered. A second Standing Committee on Transport convened in 1996 to elicit reactions to a proposed, commercially based, National Marine Policy (Bill C-44). They toured the country eliciting opinions from port administrators and users as well as representatives from port communities. The results of this survey were that in most cases, respondents favoured the status quo (Ircha 1997). In other words, they favoured continued subsidization with more local autonomy. A submission by a group of port users and municipal leaders representing Baie-Comeau expressed concern over the possibility of a private port owner restricting use of the port[13]. In order to keep the port accessible to all

[10] In April 1995, the CCG transferred to Oceans and Fisheries; Harbours and Ports remained under Transport Canada.

[11] Interview with Daniel Leclerc of Transport Canada H&PDT, Québec.

[12] Interview: Bryan Fogerty, Senior Advisor, Harbours and Ports.

[13] Memo from CAPBC to the Standing Committee of Transport (SCOT), October 1996.

users, the group suggested they operate the port with the government retaining responsibility for its infrastructure. In this way, the port could continue to be a force for regional growth. This recommendation was typical of many port communities. Although the recommendations of the SCOT committee reflected these concerns, Transport Minister Doug Young put forth a National Marine Policy designed to cut back marine spending and administration and get the government out of marine operations.

3.1.6 Conclusion

Beginning with Alexander Gibb's 1931 survey, through the cost recovery and planning attempts of the 1980's, to the new neo-conservative ethos, the National Marine Policy is the most recent in a series of attempts at correcting the problems associated with port subsidization and multiple port administrative structures. The pattern had been one of slowly decentralizing control over particularly small regional ports. Now, the National Marine Policy officially ends Canada's participation in the ownership and operation of the vast majority of marine installations. A policy of divestiture takes responsibility for ports out of the hands of the federal government and into the hands of provincial, local, municipal or private concerns.

3.2.0 Divestiture

3.2.1 Government objectives and implementation of the port divestiture policy

For some years, a major objective of the Canadian government has been to maintain a policy of spending control and restraint in the transportation sector. The government has reduced subsidies that have led to inefficiency and over-capacity in the Canadian transport system. Aside from changes in port spending, the 1994 Program Review recommended the abolition of $600 million in subsidy payments under the Western Grain Transportation Act and Atlantic Region Freight Assistance Program (Canada, DOT 1995-96 Estimates Program Overview: 23). The government also announced plans to reduce annual subsidies to Marine Atlantic and Via Rail. Airports are also in the midst of a divestiture policy similar to that of the ports.

In addition to all these cost cutting measures, the National Marine Policy is a major component of the government's strategy to 'strengthen' Canada's transportation system.

Within six years of its inception, it will save the government approximately $80 million annually in total port infrastructure and administrative spending. This represents an important cut to marine facilities for their operating, maintenance and minor construction projects.

3.2.2 The Passing of Bill C-9: The National Marine Policy

The National Marine Policy legislation, Bill C-44, introduced in 1995 died on the order paper when Parliament dissolved in April 1997. The identical Bill C-9 replaced it, passing in 1998. Despite the delay, the policy began in December 1995. The government can sell port installations at any time. For example, some ports closed in the early 1980's during previous attempts at cost recovery, as they were unused or in a state of disrepair. Thus, local and regional port divestiture is, independent of Bill C-9 (Info Ports 016, March 1998).

The legislation is broken down into four sections. The first deals with the abolition of the Canada Ports Corporation, giving profitable ports more autonomy and control over their finances. The second deals with privatization of the St.Lawrence Seaway and the third deals with implementing a user-pay system for pilotage services and the Coast Guard. The fourth reduces the number of ports under direct federal control, allowing for the divestiture of small ports, henceforth referred to as Regional/Local Ports, over a six-year period. Ferry ports will be divested to the provinces. The Regional/Local Ports are first offered to other federal departments and then to provinces or to municipalities, often with the participation of users working together in local non-profit organizations. Failing that, private interests can acquire the ports. In case of a lack of interest, ports will close (Canada, National Marine Policy, December 1995). In addition, a $125 million divestiture fund was initiated to help cover costs. Other small ports located in remote regions, considered necessary for the survival of these same regions would continue to be under Transport Canada. By giving the profitable ports CPA status, the Canadian government is acknowledging that the regional ports are not profitable.

3.2.3 The Policy Objectives

The National Marine Policy will eliminate the Canadian government's direct operating role in the marine sector. While short on specifics, the National Marine Policy outlines several broad objectives:

- Ensure affordable, effective and safe marine transportation services;

- Encourage fair competition based on transparent rules applied consistently across the marine transportation system;

- Shift the financial burden for marine transportation from the Canadian taxpayer to the user;

- Reduce infrastructure and service levels where appropriate, based on user needs; and

- Continue the Canadian government's commitment to safe transportation, a clean environment, and service to designated remote communities. The government will also maintain its commitment to meeting constitutional obligations (Canada, National Marine Policy; December 1995).

Reflected throughout the National Marine Policy is the principle of commercialization. A user-pay system with new management structures and private sector delivery of certain services leading to cost reductions to taxpayers are the promises associated with this policy. The policy document acknowledges that the marine system is overbuilt and overly dependent on subsidies. The government's future role will be restricted to maintain safety, security and environmental protection. Thus, the stated goals of this legislation are to make the marine sector more efficient and less dependant on the government. It is hoped that local input can place the ports on a more viable, commercial footing. However, there will be no cohesive marine strategy to use small regional ports efficiently. The ports must fend for themselves.

3.2.4 Administrative Changes for Policy Implementation

The announcement of the Marine Act in December 1995 ended many pre-existing administrative structures and functions at Transport Canada. For example, Asset Management Planning ceased after the Marine Act began[14]. The overall structure at the DOT since 1996 came to reflect a new 'Business Line' approach. These 'Business Lines' denote the direction of the DOT away from direct involvement in the operation of the transportation system to a more commercially nuanced approach. For example, 'net expenditures' in the 1995-96 estimates, becomes 'capital spending by business line' in the 1998-99 estimates. Furthermore, after the divestiture process is complete, the Transport Department's role will be minimized to such an extent that all its job descriptions will have to be re-written[15].

The CCG and its operations[16] moved to Oceans and Fisheries in April 1995 and adopted a user-pay approach (DOT Estimates 1996-7:55). Programs and Divestiture, one of the four business lines, took over responsibility for ports and implementation of the divestiture process. Regionally, the Directors General of the Port Commercialization and Divestiture Directorates in each of the five regions apply the divestiture program in their regions. In 1996, the Minister of Transport also received an increase in his delegation of authority for the sale of property from $75,000 to $10 million, exempting the Minister from the Treasury Board Common Services Policy. This would help expedite the implementation of divestiture.

The result is that responsibility for regional/local port divestiture signings and announcements rests with each region. Harbours and Ports Divestiture Teams (H&PDT) negotiate for each facility and complete background tasks such as legal title searches, property surveys, asset appraisals and environmental assessments and audits. The regional divestiture team consists of a Regional Project Leader, Harbours and Ports staff, Public Works and Government Services (PWGS) staff, legal advisors and financial consultants. A $25 million Port Transfer Fund was

[14] Interview with Randy Morris of Transport Canada

[15] 1999: Transport Canada Website.

[16] These operations are icebreaking, marine navigation systems, pollution clean-up and marine search and rescue (DOT Estimates 1996-97:11).

set up to finance their work. This fund also covers some administrative expenses that may accrue to prospective port owners, such as the development of business plans.

3.2.5 Implementation of the Policy: Early Stages of The Basic Plan

This thesis examines the process of policy implementation by comparing the basic plan to the reality of this divestiture process. It should be pointed out that the process was begun before the policy and its implementation were even announced. Cost recovery and restraint had been occurring in some form since the 1980's. However, the 1993 federal budget provided a forewarning of large-scale changes in port administration and operation highlighting the financial constraints facing public ports (Info Ports 001, November 1994). Steps taken to prepare individual port communities for the impending changes include:

- News releases, backgrounders, policy books and port fact sheets were distributed to media, stakeholders and users;

- Advance notice and briefings were provided to provincial ministers and deputy ministers of Transport;

- Formal letters were sent and follow up calls were made to all provincial governments, affected municipalities, users harbour masters and wharfingers;

- Information meetings were held with these stakeholders (1999, Transport Canada Website).

3.2.6 Organizing Port Communities: The Vocation Des Ports

A federally organized regional initiative in Québec towards a restructuring of the marine sector began in June 1993 with the start of consultation forums entitled: The Vocation Des Ports. The Vocation Des Ports is a port-community-based approach to developing cooperation aimed at efficiency among port users, administrators and governments. The concept of the port community originated with the United Nations Conference on Trade and Development. It is defined as, 'a formal association of all organizations and individuals involved in the movement of goods through the port area'. It includes 'users, producers, cities, towns and anyone else with a stake in the port's economic integration and smooth operation' (Transport Canada Master Plan 1996: Part 1). For small public harbours, the port community, 'could be a combined concept incorporating a formal association of the various private, public or other organizations that play a role or have a stake in port activities'. The port community concept implies a shift from simply transporting goods toward providing handling and service centers thus enhancing local economic activities (Transport Canada Master Plan 1996: Part 1).

The Vocation Des Ports project was designed to, 'gradually devolve responsibility for the development of St. Lawrence marine and port traffic to local port communities. Its impetus was announced as, 'government downsizing', and the fact that the H&PD was, 'at a crossroads…and the status quo of the port system was unacceptable' (Info Ports 001, November 1994). Its aim was to, 'submit a joint recommendation to the government concerning services to be maintained and services to be developed' (Transport Canada Master Plan 1996: Part 1). Thus, the project was a preparation for divestiture.

The methodology of the project was to hold forums at different ports. Shortly thereafter, the plan was to, 'go beyond the consultation stage…to real participation in port affairs' (Info Ports, 001 November 1994). Thus, these forums were followed up through meetings with specific individual representative port committees. A few of which had already been convened at Baie-Comeau, Pointe au Pic, Matane, Gaspe, Rimouski, Havre St. Pierre, Gros-Cacouna, Portneuf and Sorel (Info Ports 002, March 1995).

The original participants in the consultation stage comprised any parties interested in the port network. This included representatives from the federal and provincial government, users, local municipal and regional administrators (public and para-public bodies and citizens groups), other ports, fishermen and marine officers, harbour masters and wharfingers (Transport Canada, Master Plan 1996: Part 1).

The first group of meetings occurred from June 1993 to March 1994 in communities whose ports are important trading centers. Consultants were used to aid in the organization and dissemination of forum discussions. The process was then expanded to the seven main commercial ports (which together handle 75% of annual tonnage), as well as a couple of other small ports where major port issues existed (Transport Canada Master Plan 1996: Part 1). These forums addressed general issues surrounding the future of the ports in Québec. All through this process, Transport Canada requested feedback from the port communities to aid the Minister to make an informed decision on the marine sector as the marine Policy had yet to be determined. Despite the government's attempt at a joint recommendation the general response at these meetings was for continued development of the ports (Vallée 1994).

3.2.7 'Info Ports'

The Harbours and Ports Directorate's InfoPorts Newsletter began publication in November 1994. It publicized, followed up and helped develop the divestiture process in Québec. Info Ports is used to keep all stakeholders in the port communities of Québec abreast and initiate feedback on developments that grew from the many forums that were occurring at this time. This initiative prefaced the Marine Policy's desire that the divestiture process would be transparent and uniform, regardless of the type of port. Info Ports' mandate was:

1. To help port stakeholders be more involved in the *Vocation Des Ports* project;

2. To help local groups (port committees and others) understand where their port fits into the big picture of transportation as it relates to economic development;

3. To provide information explaining the ports and harbours sector;

4. To facilitate discussion between stakeholders from different sectors;

5. To allow everyone to voice their suggestions for improving the management of the port system.

It is important to note that the future of small ports in Canada had not yet been officially decided. However, it was understood that the future role of government would radically change. The Info Ports Newsletter was a publication designed to help prepare the ports' community for impending change. The groups and their purpose in the Vocation Des Ports project are outlined in Table 2 below:

Table 2

Vocation Des Ports	
Participants	**Purpose**
Consultants	- To gather reactions from local communities on the different transfer possibilities
Standing Committee on Transport	- To receive and analyze briefs and make recommendations to the Minister for the marine and air sector
Canadian Marine Advisory Council	- To identify essential navigation services and propose ways of streamlining services
Ports Canada	- To identify and analyze the possible impacts of change - To prepare the major ports for greater autonomy
Senior officials at Transport Canada	- To classify ports according to their potential and identify those which appear to have the greatest impact on international trade
Harbours and Ports	- To make available information on its ports and to prepare for total or partial amalgamation with Fisheries and Oceans Canada in order to ensure a common management approach

Source: Info Ports 002, March 1995.

3.2.8 The Master Plan

In June 1995, Transport Minister Doug Young advocated a program of commercialization and rationalization for all Canada's ports. Within weeks, Transport Canada distributed a Master Plan containing profiles of the Public Ports under consideration for divestiture in January 1996. The purpose of the Master Plan was to provide basic information about the port system and port management for those interested in acquiring a port. The Master Plan contained a Public Ports Profile outlining the activities of the 37 ports in Québec marked for divestiture (Info Ports 017, May 1998). Under the proposed theme of 'Towards a Port Community Network Approach', the Master Plan included:

- An overview of the national port network;
- A statement on commercialization;
- A summary of consultation forum findings (Vocation Des Ports);
- Fact sheets on each port;
- An overall analysis of the network;
- Documents on various port management-related topics.

3.2.9 Guidelines and Directives for Port Divestiture

The policy implementation process is constantly being refined. At the inception of the National Marine Policy, the steps necessary to implement the Divestiture and Commercialization Program were not complete. Only in May 1996 was a set of Guidelines and Directives for Port Divestiture issued to the regional divestiture teams (Figure 5). They were not released to the public until March 1997. The basic steps for port divestitures are:

- Transport Canada regional officials (Harbours and Ports Divestiture Teams, H&PDT), with the assistance of marketing, legal, financial, survey, property valuation and other specialist support, initiate port divestiture discussions with local interests;
- The local entity signs a non-binding Letter of Intent and Disclosure of Information Agreement with Transport Canada to protect third-party information;
- Transport Canada provides the local entity with financial/statistical data and relevant information concerning environmental, technical/engineering, and property/leasing issues;

- The local entity conducts a due diligence process (this refers to pre-feasibility studies and the creation of business plans[17]);

- Transport Canada and the local entity negotiate financial and other conditions of transfer;

- Both parties sign a transfer agreement (1999: Transport Canada Web Site).

The Master Plan contained some limited advice on strategic planning for community based port owners. Transport Canada distributed 'A Guide to Preparing Business Plans' in November 1996. A business plan is a necessity for determining the most successful applicant for a port. When this Guide was distributed, its key objective was for government and taxpayers to benefit from port transfers and ensure a transfer process as open and beyond reproach as possible (Transport Canada, Guide to Preparing Business Plans 1996).

3.2.10 Port Divestiture Fund

To help in the port transfer, a $125 million Port Assistance Fund was set up. Ports compete for these funds on a first-come-first-served basis. This fund is separate from the Port Transfer Fund. This fund provides:

- Assistance in bringing existing port property up to a minimum safety or operating standard;

- Assistance in achieving port compliance with regulatory or insurance requirements and thus a reduction in the government's potential liability;

- A lump-sum, up-front payment to serve as a maintenance fund to encourage port take-overs;

- Incentive to private sector operators to take over ports that combine both public and private uses; and

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[17] Pre-feasibility studies help prospective owners understand all the issues involved in acquiring port facilities in order to prepare budgets, set specific objectives and adopt performance benchmarks to measure their progress.

- Cost-shared feasibility studies (1999, Transport Canada Web Site).

The policy stipulated that in a few cases the Crown would receive revenue from a divestiture. Otherwise, the ports would be transferred free of charge. One firm principle that guided the federal negotiators is that no offer that left the Crown financially worse off because of divestiture would be accepted.

3.2.11 Later Stages of the Basic Plan

In March and October 1996, requests were made by H&P through Info Ports for interested parties to submit Declarations of Intention to gain recognition as key spokespersons for their local communities (Info Ports 005, March 1996). In January 1997, the Harbours and Ports Divestiture group acknowledged that port transfer procedures would be tailor made to each port's particular situation (Info Ports 008, January 1997). In March 1997, a special issue of Info Ports addressed details of transfer, outlining the specific steps needed for divestiture (Info Ports 009, March 1997). This codified the steps listed in section 3.2.9.

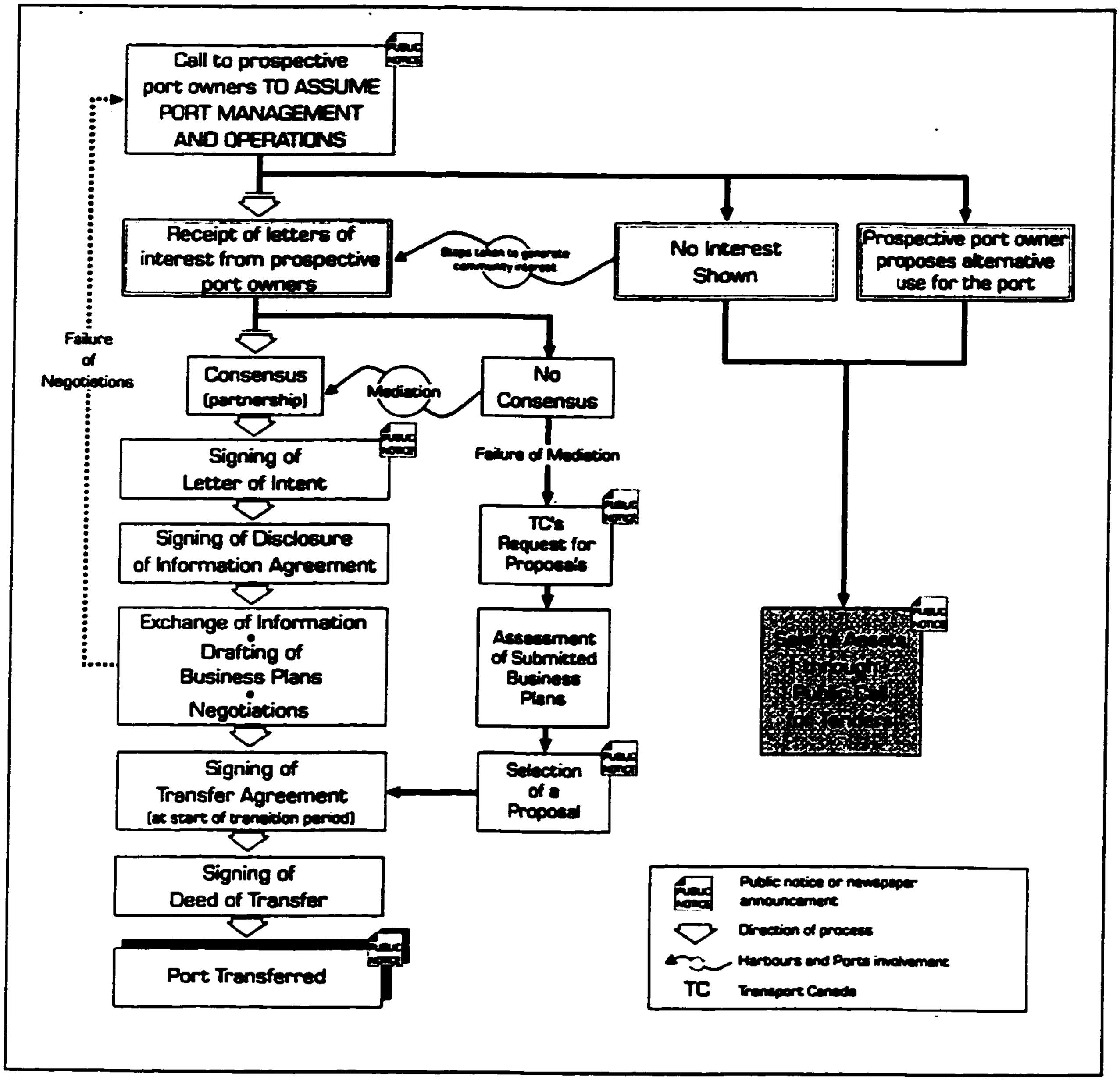
The steps for divestiture (Figure 5) are straightforward and describe a process whereupon all negotiations are between the individual prospective port owners and the federal government. No other levels of government figure in the process in its basic form. In the case of multiple applicants or the lack of a consensus over a port, the government reserves the right to choose the new owner.

Twenty-five meetings held throughout 1996 at various ports explained the Marine Policy and divestiture process. Beginning in 1997, the bulk of information on port transfers disseminated through local forums for prospective port owners and future port managers dealt with port-specific issues relating to divestiture (Info Ports 008, January 1997).

Figure 5

OUTLINE OF REGIONAL AND LOCAL PORT COMMERCIALIZATION AND DIVESTITURE ACTIVITIES

QUEBEC REGION



Source: Canada Info Ports 009 March 1997.

For example, seminar for commercial port managers in November 1997 had a theme of 'Port Governance and Procedures for Ports'. Another meeting held in Rivière du Loup in October 1997 clarified aspects of port management and the final transaction process for eleven prospective commercial port owners (Info Ports 12, September 1997). There was also a port related training program offered in 1998 (Info Ports 014, January 1998).

Large forums related to the Vocation Des Ports continued periodically. One in Moncton in June 1998 discussed many aspects of port management including port administration and property management, environment, communication and marketing, the financial and legal aspects of running a port, insurance, operations and maintenance programs as well as emergency plans (Info Ports 018, July 1998). Another general forum addressed the future of regional ports. Issues dealt with included competition among St. Lawrence ports and with other marine routes, divestiture, the impact of new fee structures, and the role of government and market trends for the major cargoes of regional ports.

As the first round of forums progressed the first port committees were established at Baie-Comeau, Pointe au Pic, Matane, Gaspe, Rimouski, Havre St. Pierre, Gros-Cacouna, Portneuf and Sorel (Info Ports 002, March 1995). By May 1998, most of the 37 Québec ports had acquired a representative port committee to deal with the divestiture process (Info Ports 17, May 1998). As of January 1998, the Harbours and Ports Teams expected to see 20 agreements to transfer regional and local ports under the Port Commercialization and Divestiture Program. The process will be completed by 2002.

As of March 1999, Public Harbour Deproclamation regulations (the actual regulations pertaining to the actual transfer of the ports) had yet to be completed. These regulations will mark the end of Transport Canada's application of the Public Harbours and Ports Facilities Act. This would imply for example, the abolition of port user fees, as Transport Canada's jurisdiction over the waters of the ports ends. New port owners would then be able to review fee schedules to ensure the profitability of their port.

Although deproclamation regulations have not been finalized there are 'transaction conditions' stated in the individual Port Prospectus' distributed in March 1998. The thrust of these general obligations includes keeping the port open for a minimum of two years (in the case of divestitures where the new owner has announced his intention to keep the port open). During this period, the government has final approval over the sale of any assets. The government may also monitor the purchaser's books and records. The transfer agreement also allows that provisions specific to the port installation, regarding leases, agreements, licenses, and other commitments in effect at the date of cession may apply. This last condition, along with the individual nature of port divestiture negotiations marks a move to a more port-specific approach.

3.2.12 Conclusion

In essence, the divestiture process began in 1993 with the Ports Vocation Project, initiated in the hope of realizing a St. Lawrence port network. Federal government sponsored community forums attempted to prepare the port communities for inevitable changes. Broadly speaking, the Harbours and Ports Team undertook to make marine transportation industry stakeholders and communities aware of the socio-economic issues at stake in the divestiture program. Specifically, the H&PT were preparing the port communities for divestiture.

With the announcement of the Marine Policy, consultations and preparations accelerated on both sides. The consultation process became more port specific as port communities began to assemble into committees to take a stronger role in the operations of their port. It appears that consultation and the exchange of ideas between the government and port communities have been a hallmark of the early stages of an evolving policy implementation process.

The guidelines for port transfer are straightforward and simple. At this point, port committees are well into the divestiture process. Public meetings now relate to issues pertinent to each port. The early idea of a port network on the St. Lawrence is no longer a priority. Port divestiture is evolving to be a port-specific problem. Therefore, the process of divestiture must be explained individually. There is no attempt by the H&PDT to differentiate ports that have a better chance of survival. Thus, the ports are on their own to deal with Transport Canada.

This study now turns to the divestiture process through the experience of three Québec ports located in Baie Commeau, Tadoussac and Pointe au Pic. In this section, specific problems and possible resolutions encountered by local port representatives of the three ports in this study are presented and analyzed.

What this nation must have is an integrated and affordable national transportation system. One that emphasizes safety and reliability. One that is efficient. And one that builds strong, viable companies in all modes.

Transport Minister Douglas Young

National Transportation Day, June 3, 1994

CHAPTER 4

PORT OBJECTIVES AND IMPLEMENTATION OF THE PORT DIVESTITURE POLICY: THREE QUÉBEC PORTS

4.1 Introduction: Policy Implementation

Policy implementation presents intriguing problems. Most policy initiatives are complex and challenging. According to Pal (1992), no policy can contain every conceivable outcome. In addition, in liberal democracies, policy-makers are not implementers. Policy makers have to rely on others to translate their proposals into action. In the case of this divestiture process, the policy maker is the government in power (the Liberal Party), and the 'others' include the Harbours and Ports Divestiture Team, the port communities and various players therein. Another problem in a liberal democracy is power. The cooperation of the private sector and even other governments is needed and compliance cannot be forced (Pal 1992).

The study will now analyze the implementation process taking each port in turn. The basic situation of each port is described first. This includes the ownership of the port installations and uses of the port. This is followed by a chronology of the divestiture process outlining those areas that caused conflicts and uncertainties when compared to the actual divestiture legislation. The next section discusses the objectives of the agency that is directly involved in the negotiations with the Harbours and Ports Divestiture Team, as well as a synopsis of the individual motives of each member of the agency. This is followed by a conclusion that separates the main factors that have come to bear on this policy implementation process into categories for analysis in Chapter Five.

4.2 Baie-Comeau

4.2.1 Ownership of Port Installations

The port of Baie-Comeau is unique in that parts of it are publicly owned while some terminals are privately owned. The federal structure includes three breakwaters, one ro-ro wharf and a passenger ferry wharf (Figure 2). The breakwater has the important role of protecting the other installations. A passenger ferry wharf operated by Traversiers du Québec is managed by the province as this company is para-public but Harbours and Ports is responsible for regular maintenance of the mobile ramp and docking wharf.

Private facilities include a rail ferry wharf owned by SOPOR, a non-profit group working with Canadian National and the Provincial government. There is also a private wharf belonging to Donahue/Quno. Reynolds Aluminum and Cargill Grain also own private wharves a short distance away but within the limits of the federal property. There is also a Marina controlled by Fisheries and Oceans. Thus, there are five federal installations and four other privately owned wharves in this harbour.

There are five numbered federal berths. Berths one and two are only used to 21% of their capacity and serve mostly as breakwaters (Transport Canada, Prospectus for Baie-Comeau). Berth number three has not been used since 1990 and is currently in need of $3 million in repairs (1995, Transport Canada, Master Plan Part 2). It was occasionally used to unload goods but due to its narrowness cannot be used very efficiently. The main federal installation is the ro-ro wharf (berth number 4). It is mostly used for loading newsprint or unloading salt. Since Donahue's private berth needs repairs it is using federal berth number four. Grain, aluminum and petroleum products are mostly handled by the private facilities although Cargill and Donahue are also clients of the main commercial wharf.

4.2.2 Chronology of Events

- 1988-1994: The federal government spends $26 million on wharf reconstruction and other maintenance. One berth is still in need of $5-10 million in repairs. The federal government suggests spending $1 million to render that berth redundant

- 1994-1999: Reynolds and Donahue engaged in ongoing litigation against Baie-Comeau over high municipal taxes at their port installations.

- December 1995: The National Marine Policy passes. The policy includes the implementation of a user-pay system for the CCG. This will increase the operational costs at some divested ports.

- December 1995: Working committee comprised of users and municipal and regional representatives applies for CPA status.

- 1995-1999 onward: The government has cut all port spending by 50% between 1995 and 1998 with more cuts to follow[18].

- Early 1996: Corporation Administrative Portuaire de Baie-Comeau (CAPBC) formed with aim of taking over the port and managing it as a CPA port. They are a non-profit group (OSBL[19]).

- Early 1996: In keeping with the H&PDT's basic steps for port divestiture, CAPBC signed a non-binding Letter of Intent and Disclosure of Information Agreement with Transport Canada to protect third-party information. Transport Canada then provided CAPBC with financial/statistical data and relevant information concerning environmental, technical/engineering, and property/leasing issues.

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[18] Interview: Daniel Leclerc, Transport Canada, H&PDT, Québec.

[19] Organization sans but lucratif.

- Early 1996: T-Can offers the port, 'retrocede' at a price assumed by CAPBC to be one dollar. Turns out to be a price, 'below market value'. CAPBC fears a sale price over $1 million. No specific price given until the value of the port is determined.

- 1996: Municipality of Baie-Comeau does not want to buy the port but is still interested in some form of participation in its management.

- 1996-1999: With help from Transport Canada, the Business plan is begun. CODET, a regionally and provincially funded economic development firm begins constructing the business plan. This comprises creating different future scenarios and determining possible resolutions. The business plan forecasts revenues and expenditures over twenty years as well as maintenance, infrastructure upgrades, and client base. The plan will also assist in determining market value of the port.

- Late 1996: Awareness of impending municipal taxes including a welcome tax and insurance costs, and loss of port fees. Concern over whom among partners will pay for any port losses or extraneous repairs.

- Late 1996: Concern over how optimistic business plan will affect the H&PDT's asking price for the port.

- 1997-1999: CAPBC concerned over impending repairs that would become its responsibility.

- 1997: CAPBC asks for $22 million from Port Divestiture Fund to cover current and future repair and refurbishment costs, the welcome tax and insurance costs.

- 1998: Municipality of Baie-Comeau temporarily leaves CAPBC over port valuation dispute.

- 1998: Municipality of Baie-Comeau returns to CAPBC.

- 1998: CEPRO, a private firm takes over the construction of the business plan.

- 1998: The federal government refuses this request.

- 1999: Provincial government begins taking a reactionary approach to the divestiture process. Concerns grow that they will be responsible for any unprofitable divestitures. The province plans to monitor and evaluate each divestiture on a case by case basis[20]. It announces that, in all cases ownership transfer of ports will require formal authorization from the Québec government through a decree[21].

- 1999: Negotiations at a standstill. CAPBC appears to be waiting out the federal government until 2002 when divestiture period ends. Donahue as the main user, is not interested in spending money for repairs if the government can somehow be made to pay for them.

- 1999: The federal government, aware that repairs can not be put off indefinitely, makes necessary infrastructure repairs.

- 1999: The H&PDT suggest that, considering the tax issue, the municipality should leave CAPBC. This creates the possibility for a partnership between CAPBC or Donahue and the municipality of Baie-Comeau. CAPBC or the more experienced Donahue would manage the port and the city would own it.

- 1999: H&PDT, within its right's, makes a request for Baie-Comeau to renegotiate taxation levels since, owing to previous and ongoing litigation, Baie-Comeau appears reluctant to a give tax break to users.

- May 1999: In process of creating seventh business plan.

- June 1999: Considered the worst case of all ports undergoing the divestiture process[22].

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[20] Jacques Pelletier, Transport Québec, presentation to St.Lawrence Economic Development Council, (SODES), November 26, 1998.

[21] Other information on Québec's evolving port policy comes from Michel Dignard at Transport Québec.

[22] Discussion with Daniel Leclerc, Transport Canada.

4.2.3 Individual and Group Objectives

Transport Canada representatives began divestiture discussions with the municipality of Baie Commeau in December 1995. By the end of the year, a working committee comprised of port users and regional and community representatives assembled to discuss options with the government. Because of the diversity of interests involved in the Port of Baie-Comeau, in 1995, a non-profit group called CAPBC (Corporation Administratif Portuaire Baie-Comeau) was organized to take over the port. It is headed by Pierre Caron of Reynolds. He is also in charge of the divestiture committee at Point au Pic where Reynolds is also a prominent user of that facility.

The membership comprises representatives from: the MRC of Manicouagan, the municipality of Baie-Comeau, Reynolds, Cargill, Donahue/Quno, SOPOR (rail ferry) and Traversieres du Québec (passenger ferry), the TBC Fournier, a local transport company that owns a warehouse near the wharf and is also part owner of the Chemin de Fer du Québec, a company that partly owns the rail ferry between Baie-Comeau and Matane, Tessier, a Baie-Comeau ship to shore crane operator and an observer from the Provincial government. The consulting firm creating the business plan is CEPRO.

In early 1996, the initial objective of CAPBC was to become part of the developing Canada Ports Authority[23]. With CPA status, the federal government would be responsible for repairs, insurance and taxes. CAPBC abandoned this idea when it became apparent that a prerequisite for CPA port status is profitability and international importance. The federal government considers Baie-Comeau to be a regional port. Table 3 shows Baie-Comeau's expenditures and revenues from 1986-1995. This chart does not include $26 million spent on wharf reconstruction and other maintenance and repairs between 1988-1994. Thus, the port is not profitable if maintenance costs are included.

[23] The information for this section derives from an interview with Jacques Rousseau, former Director General for the Mayor of Baie-Comeau, and many interviews with Veronique Gilain. She represented Baie-Comeau and the region in the design of the business plan during the early stages. Presently, as a consultant for CEPRO, she advises both Baie-Comeau and Tadoussac. For all three ports, Daniel Leclerc of Transport Canada provided insight into the government's role and perception of events.

Each participant-group has its own particular objective for being involved in CAPBC and, these reasons have led to the overall negotiating stance employed by the group. The region and municipality want the port to stay open because it provides many regional economic benefits. The bulk of regional employment is associated with the companies that own or use the installations. Another benefit for the region is the fact that the port is equipped to handle all three types of traffic: road, rail and marine. There is also room for more traffic to go through the federal wharves. Although it is underused, the federal wharf has more than doubled the amount of ships that have passed through it since 1991 (Baie-Comeau Port Prospectus, 1998).

Baie-Comeau is the port used to export regional manufactured products to international markets. Baie-Comeau is also the only city in Eastern Québec that provides access to the entire North American rail network via the rail ferry linking it to Matane. Shippers as far away as Sept-Isles use Baie-Comeau to transport their products by rail to Canadian and American markets. There is also the possibility of tourist potential through whale watching cruises.

The great majority of Baie-Comeau's traffic passes through its private installations. Donahue currently supplies almost all of the business at the public installations; particularly at berth number four[24]. However, this is only because the installation needs repair. Donahue is taking advantage of the proximity of the federal installations. Thus, one may question the utility of the federal installations, especially if for example, Donahue repairs its private wharf[25]. However, in an environment where ports will be closing and traffic becomes available, the potential for an increase in traffic is there and CAPBC hopes that the underused federal facilities can capture much of this soon to be available traffic.

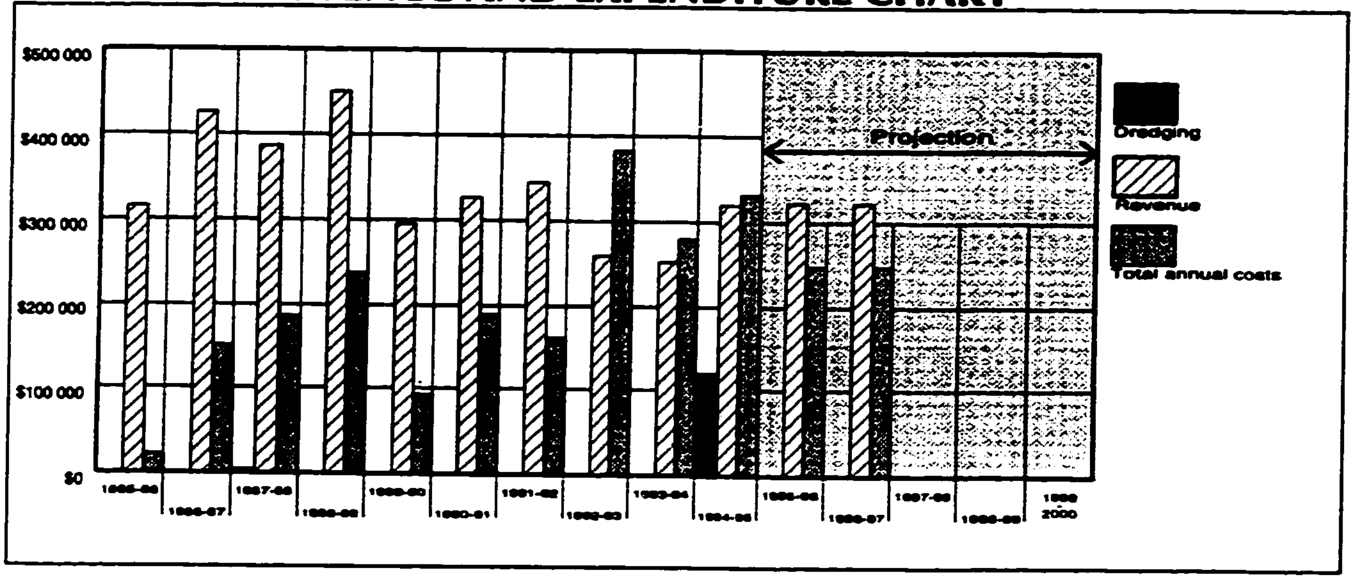
[24] Information on private installations was derived from interviews with representatives of these companies.

[25] A dozen attempts to reach Donahue's CAPBC representative were unsuccessful.

Table 3

Baie Comeau

REVENUE AND EXPENDITURE CHART



Source: Transport Canada Master Plan, 1995.

There are currently a number of private marine transport projects under way between the main North Shore cities; with Baie-Comeau playing a lead role as the main homeport. A project is being developed for a hook up with a private rail carrier, and the Baie-Comeau-Matane rail ferry has increased its services. There is also the possibility of extending this service to Sept-Isles - Port Cartier. A recent study by CfoRT[26] suggests there is a possibility for a profitable ro-ro network among North Shore ports to decrease truck traffic (Paquin et. al. 1995). In short, there are many opportunities for the future of the port of Baie-Comeau.

Another consideration is sustained regional economic growth which, since 1993, has resulted in a growth in highway traffic. There is only one national highway (Highway 138), linking the North Shore region to the rest of Québec. The ferry at Saguenay interrupts this highway. A

[26] Centre de formationet de researche en transport maritime et intermodal du Québec.

closure of the port would result in an increase in truck traffic, especially for the transport of newsprint, which requires many trucks[27].

Reynolds and Cargill both have private installations nearby that are part of the federal limits of the port. Thus, they pay a port fee for crossing the federal limits of the harbour. On occasion, they both use the federal wharf for ship repairs and fumigation. They are members of CAPBC in order to insure access to the port as well as to prevent any prohibitive rate increases. Cargill in particular wants to ensure that these port fees are not imposed on them once the port becomes divested.

Baie-Comeau's role as a regional load center for rail transport is key to SOPOR's strategy to expanding their rail ferry. In the early 1990's it actually considered taking over the management of the federal wharf with an eye towards expansion. Divestiture would transfer the passenger ferry wharf to Transports Québec, which would then transfer it back to the para-public Traversiers Québec (TQ). Transport Canada would also cede responsibility for repairs to TQ. Thus, the ferry companies, and by extension the province, are also interested in maintaining the federal breakwater. The TBC Fournier company wishes to keep the port open since it has interests in transportation, warehousing and the ferry rail link to Matane. The Tessier company wants the port open so it can continue their ship-to-shore crane service. Tessier also has hands on experience in managing loading and unloading operations.

All the users and private owners benefit from the breakwater as it protects the installations. Since the breakwater needs continuous upkeep, all the parties that depend on it will have a hand in its upkeep. The breakwater has special significance to Donahue and the ferry companies, as they own private installations within the limits of the breakwater. Although Québec is not officially part of CAPBC, its responsibility for Traversiers Québec implies that they have an interest in the transfer process. CAPBC is also counting on making a profit from berth number four. Thus, the current objective of the group is to take over the port as a

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[27] In 1995, the Federal wharf handled 186,375 metric tons of newsprint. If trucks carrying 7.5 tons each, transport this to another port, it would require approximately 27,335 additional trucks.

corporation with the intention of keeping it open, making it viable as a private enterprise, and managing it.

4.3 Tadoussac

4.3.1 Ownership of Port Installations

The port ownership situation at Tadoussac is much simpler than at Baie-Comeau. The port at Tadoussac consists of one wharf that is wholly owned by the federal government (Figure 3). Located 200 meters from the port is a privately owned marina within the limits of the federal harbour. The federal and private structures are used exclusively for tourist cruises. There are approximately 12 tour boat departures of four vessels daily transporting 80,000 people between June and October (1995, Transport Canada, Master Plan: Part 2). The marina also provides services for smaller cruise lines.

One of the three berths of the Tadoussac wharf is used exclusively by the Canadian Coast Guard for the 'Isle Rouge' Rescue and Environmental Response Vessel. One of the berths is for tour boats, while the other cannot be used for passenger boarding and landing.

4.3.2 Chronology of Events

- 1995: The federal government spends $5 million to rebuild the wharf. It will need replacement in 2022.

- Summer 1997: The town begins discussions with the H&PDT concerning the divestiture of the port. No official document of intent issued[28].

- 1997-1998: The town tries to form a non-profit group to take over and manage the port. Early attempts to get the cruise lines on board fail.

- 1997: The town recognizes municipal tax and insurance issues.

[28] Information on the stance of the town of Tadoussac is from interviews with the mayor's secretary of the treasury Jacques Bussieres in 1998 and 1999, Madelaine Lamarche who is in charge of the marina and represents the local cruise lines, and Veronique Gilain who is also in charge of their business plan.

- 1997: The government also requests money for the port.

- 1997: Fears mount that private cruise lines may be lobbying the government to acquire the port and run it privately.

- 1997: The federal government insists that municipality be on board of any group that wants to acquire the port.

- June 1998: Non profit corporation formed to represent the different local cruise lines that operate out of Tadoussac.

- June 1998 -June 1999: The non-profit corporation begins preparing business plan using the same team (CEPRO) as Baie-Comeau.

- September 1998: A non-profit corporation to represent local interests' forms.

- June 1999: The business plan assembled by CEPRO presented to the government.

4.3.3 Individual and Group Objectives

Initially, the town wanted to be sole owner of the port. The cruise lines also approached the H&PDT to acquire ownership. Eventually, with the intervention of the federal government, the cruise lines, town and marina decided to band together. The mayor of Tadoussac is the head of the port committee which is called CQT (Corporation du Quai de Tadoussac). There are three newly formed non-profit corporations in this group. The town of Tadoussac, Corporation de la Batelier du Saguenay (CBS), which is comprised of the local cruise lines, (AML, Croisières Express, Compagnie de la Baie, Croisières 2001, Croisières a la Baleine et au Sageunay and Otis Escursions) and the Corporation Développement Touristique de Tadoussac which is the group representing the private marina.

The benefits of the port to the town and most of the businesses located in and around Tadoussac are high. Eighty thousand tourists arrive on cruise ships every summer. Although the cruise lines pay only a small berthage fee, the tourists spend money in the town (1995:

Transport Canada Master Plan: Part 2). The municipal taxes received by the town through the tourist industry help it maintain and augment its infrastructure. This includes an aqueduct that has to supply enough water for a population that expands to 4000 during the summer from its regular population of 900.

There is great profit potential for cruise lines and the private marina. This is why cruise lines made an initial move to acquire the port. They would have benefited from restricting other cruise lines from using the port. One of the cruise line companies owns the largest hotel in Tadoussac. Nevertheless, they have joined the CQT to take joint control of the port. The private marina has a berth for smaller cruise ships. However, it is not really in competition with the public wharf as they handle smaller ships that can not use the larger federal wharf.

Between 1985 and 1995, there was a great disparity between costs and revenues. Like Baie-Comeau, the port does not make a profit. Unlike Baie-Comeau, it does not make a profit even if it excludes maintenance costs. The annual operating cost averages over $50,000 while the average revenue is under $10,000 (1995: Transport Canada Master Plan:, Part 2). The objectives here, as in Baie-Comeau, are to take over the port and manage it and the group appears united in its approach.

4.4 Pointe au Pic

4.4.1 Ownership of Port Installations

The port has one wharf owned in its entirety by the federal government (Figure 4). However, the province of Québec owns the water lots on which the port rests. This has allowed the province to attempt a more pro-active role in the divestiture process at Pointe au Pic.

4.4.2 Chronology of Events

- 1983-1988: The federal government spends $2 Million and Loto-Québec spends $1.5 million for reconstruction of the wharf[29].

[29] Information on Pointe au Pic was provided through interviews with Guy Neron, who is involved in most facets of the transfer process as head of CRAP, and Stephan Hamel of Logistec, VP of CRAP.

- 1996: A non-profit port corporation named Corporation Regional Administratif Portuaire Pointe au Pic (CRAP) is formed. Plan to acquire the port by June 1998.

- 1997: The federal government indicates a sale of the port similar to Baie-Comeau.

- 1997: Repairs are needed on the east wall of the port for the use of cruise ships.

- 1997-1998: Repairs done by Transport Canada on east wall of berth.

- 1997: CRAP is lacking certain financial data necessary to make a business plan and determine value of the port for the sale price.

- December 1997: Divestiture discussions initially blocked while municipal tax issue sorted out. Similar concerns as in Baie-Comeau voiced over how the ownership group will pay for future maintenance.

- December 1997: CRAP is waiting daily for some word from the provincial government on what policy stance the province will adopt.

- Summer 1998: Transport Canada arranges a leasing arrangement for one year allowing CRAP to manage the traffic (cruise lines) on the berth at the east wall.

- June 1999: The federal government indicates a sale price of $1 dollar. CRAP feels it is close to acquiring the port.

- June 1999: Transport Québec announces that they want a final say as to the economic feasibility of the business plan. Transport Québec requests that CRAP redesign a more 'aggressive' business plan entailing a larger request from the Port Divestiture Fund.

4.4.3 Individual and Group Objectives

The members of CRAP include Donahue, Chemins de Fer de Charlevoix, Logistec, the mayor of Malbaie/Pointe au Pic, their Chamber of Commerce, the Corporation Développement Touristique and Corporation Développement Industriel and the MRC of Charlevoix Est.

The wharf is occasionally used by cruise ships for a burgeoning cruise line-based tourist industry. Whale watching cruises stop at Pointe au Pic to allow passengers to stay at the luxury hotel and casino that is operated by Loto-Québec. Although the port makes little money from cruise lines, both the region and the municipality would benefit from the tourist potential of the area which is dependant on the port.

As in Baie-Comeau, Donahue provides 95% of the business of the port. Thus, the town and region are very dependent on Donahue for employment. The increase in truck use if the port is closed is a problem here as it is in Baie-Comeau. Logistec is concerned with maintaining its presence at the port as the principle stevedore. They are also concerned that competition among stevedores at all ports remains strong.

The non-profit port corporation at Pointe au Pic has a united approach, unlike Baie-Comeau. As a group, their objective was to acquire the port by June 1998. That date has been moved to June 1999 although it appears unlikely that the process will be completed anytime soon.

4.5 Conclusion: Similarities and Differences among the Three Ports

The divestiture process has become more complicated than would be indicated by the actual legislation. A wide range of obstacles hinders the divestiture process at the three ports. These delays include municipal tax and insurance questions, repair and maintenance responsibilities, and the establishment of a sale price for the ports.

The situation is more complicated at Baie-Comeau than at the other two ports since the process has evolved the furthest there. However, at all three ports, the divestiture process is under way and both sides appear to have dug their heels in for a long series of negotiations. In the next section, the problems related to this divestiture process are analyzed in detail from the perspective of the steps necessary to achieve successful policy implementation.

CHAPTER 5

A TEN STEP ANALYSIS OF THE IMPLEMENTATION OF THE NATIONAL MARINE POLICY

Introduction

In this chapter, the evolution of the implementation process is analyzed using the ten steps to successful policy implementation proposed by Hogwood and Gunn (1984). This analysis reveals the simplistic nature of the divestiture process at its inception in contrast with the very complex reality of its implementation. Each of the ten steps of Hogwood and Gunn's model is dealt with separately. Together they anchor this detailed analysis. A majority of the examples are drawn from Baie-Comeau because it is the largest port and the process there is furthest along. Some observers feel the process at that port is a test of the divestiture process as a whole[30].

5.1 No Insurmountable Constraints

Hogwood and Gunn suggest that there should be no insurmountable or external constraints. These include legal or other constraints out of the policy-maker's control. Unresolved legal issues relating to property ownership at the provincial and local scale at Baie-Comeau, Tadoussac and Pointe au Pic could cause delays in implementation of the port divestiture policy. This section will show how some disregarded legal matters evolved to slow the divestiture process.

The National Marine Policy clearly states that ports will be offered to the provinces before the municipalities. Although Québec has been involved from the start by granting permission to the municipalities to conduct feasibility studies to acquire the ports, the province has shown no

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[30] Interview with Daniel Leclerc June 1999.

official interest in owning any ports. However, it has taken a more forceful role in negotiations to protect their, and by extension, the OSBLs' interests. The federal government is perfectly within its right's to divest itself of any of its holdings. However, the scale of the divestiture of the National Marine Policy has compelled the provincial government to state that it will not allow any port transfers without its approval[31]. In other words, Québec will veto any business plan or federally approved transfer that puts a port at a disadvantage. Quebec's right to veto transfers rests on ownership of the water lots that the ports rest on[32]. The province does not want to have to rescue the ports in a few years when their infrastructure needs rebuilding. It also does not want responsibility for destroying any ports that do close and returning the waterfront to its original state.

Interviews with a member of the Transport Canada legal department revealed a disposition towards port transfers that are acceptable to all parties[33]. He did suggest however, that full title to the water lots was an option on the part of the new owner. The new owner could, 'take a chance' and acquire a port without full title[34] to the lots. However, what this 'chance' entails is unknown, but it likely has to do with future cooperation between the new owner and the province. This is an example of the laxity inherent in the design of the divestiture process. Info-Ports and the Master Plan both describe an implementation process that is rigid in the sense that all transfers are final and based on sound business practices. They do not mention 'taking chances' or partial port transfers that may lead to jurisdictional problems with the provinces. Thus, the water lots may become a focus for battles among the federal and provincial government and the potential port owners.

Another example of a property rights problem exists at Tadoussac. In July 1999, four years into the divestiture process, there was a dispute over the ownership of the Coast Guard buildings and helipad located on the wharf. The OSBL at Tadoussac assumed that, as a private installation, it would own the whole wharf. It intended to rent these buildings and

[31] Jacques Pelletier of Transport Québec; speech given at SODES conference November 26,1998.

[32] Paul-Émile Drapeau Transport Canada; .speech given at SODES conference November 26,1998

[33] Interview with Claude Marcotte, Transport Canada Legal advisor.

[34] Ibid.

helipad to the Coast Guard. This is because in 1995, the CCG transferred to Oceans and Fisheries. This may have not been an issue but for the fact, that the Canadian Coast Guard has recently implemented a user-pay system. As a private port having to pay for coast guard services such as ice breaking and search and rescue operations, the OSBL assumed that the Coast Guard would have to accept Tadoussac's user pay approach as well. This matter is still unresolved. The fact that this happened so long after the policy was announced made many OSBL members critical of the process.

At Baie-Comeau, there are private installations operating within the federal port. Thus, it is likely that different property rights questions will arise at some point in the near future. Presently, no one is even sure what these questions are. Transport Canada's legal department revealed that no property rights questions have arisen. These examples illustrate how Transport Canada policy makers did not consider all the potential problems with transferring ports.

Ultimately, untangling these legal constraints imply that the transfer process in general will have to go through at least two levels of government and the OSBLs for all three ports to find solutions. The lack of simple one-on-one negotiations between the OSBL and federal government may create further delays and cause the process to become political. Issues related to multiple negotiating bodies are analyzed in more detail in section 6.2.6, which discusses the need to minimize dependency relationships.

5.2 Adequate Time and Sufficient Financial Resources

The model proposes that adequate time and sufficient financial resources are necessary to move a policy to its objective. Sometimes, implementation may fail because too much is expected too soon. Both elements are treated in this policy. A six-year period for port transfer is proposed and a $125 million Port Divestiture Fund is the resource to aid in the transition from public to private ownership.

This section analyses the time and resource problems that are accumulating to delay the transfer process. This section also shows how differently the Harbours and Ports Divestiture Team and the OSBLs perceive financial matters germane to the ports.

It is the government's contention that a commercial orientation by the OSBLs will be far superior to the 'landlord' mentality that the government traditional imbues in each port. Thus, the ports should make more money than the government did. The objective of the marine policy is precisely to allow the communities to take advantage of their proximity to the port. On the other hand, the OSBLs feel that they need assistance in paying for repairs and maintenance.

Under private ownership however, the ports face higher annual expenses than the federal government paid. For example, the federal government paid a small grant to the municipalities instead of taxes.[35] The government did not pay for insurance and has a large pool of financial resources on which to draw for repairs or any capital intensive expansion or refurbishment[36]. Each of the new port owners will be responsible for these expenses.

Private port owners will not be able to charge a port fee previously levied by Transport Canada. This fee, which is actually a surtax, is levied on all ships that cross the boundary of the federal limits of the harbour. Thus, at Baie-Comeau, even ships going to the private installations have to pay the surtax to the federal government. These monies disappear into the Consolidated Fund. When a port becomes private, the new owners will be unable to levy this port fee on ships[37]. They would have to increase their wharfage fees if they wanted to recoup any of this money. Of course, they cannot levy any fees on ships going to private installations. Thus, new port owners have to account for new costs and lost revenues in their business plans.

The financial resources used to aid in the divestiture process include the $125 million Port Divestiture Fund as well as a smaller fund to aid in the creation of business plans. Three

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35 At Baie-Comeau, the grant is approximately $20,000 per year.

36 Generally, port infrastructure must to be replaced every twenty years.

37 At Baie-Comeau, this fee is $225,000 per year.

hundred ports are eligible for this money. It will be dispensed through competition. With so many ports across the country slated for divestiture, the fund will likely be spread rather thin. It is also noteworthy that this policy is proceeding while the federal government is cutting $6 billion in transfer payments to the provinces. To complicate matters further, the exact uses of the Port Divestiture Fund are ambiguous.

Established to, 'ease the transition to divestiture,' the Fund can also provide assistance in 'upgrading existing port property to a minimum safety or operating standard[38]', or 'upgrading essential facilities where necessary', it also provides an, 'up-front payment to serve as a maintenance fund to encourage port takeovers'. It even allows for, 'facilitating the takeover of a port combining both public and private uses by a private sector operator[39]'.

However, what constitutes 'easing the transition to divestiture' depends on which side of the process is considered. Since port expenses are ongoing, the OSBLs give equal value to both short and long term obligations. The OSBLs have attempted to make claims on the fund to compensate for the increased expenses they must incur as a private port. These expenses are for municipal taxes, insurance, and maintenance, repairs and future projects. This approach is evident in their business plan proposals,[40] which consider all these expenses in their fund requests. From the very beginning of the Marine Policy, all three ports in this study made claims on the Divestiture Fund. Indeed, Québec is encouraging the three OSBLs to make even larger claims on the Fund.

Transport Canada must decide how to allocate resources from this Fund. The Fund's open mandate gives the government little choice but to analyze each request on a port by port basis to determine which ports need the money the most. However, with the federal government getting the final say, it is in fact attempting to determine which ports have the best chance of survival so the money is not wasted.

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[38] The Marine Policy uses the 'essential facilities' phrase, which may imply a bias toward safety, as opposed to commercial concerns while the Transport Canada Web Site, in 1999 utilizes, the 'existing port property' phrase, which is more open ended.

[39] 1995, National Marine Policy:16

[40] The business plans constitute proprietary information that can only be alluded to in general terms.

A port requesting money could be seen to be lacking a forward looking business plan or a realistic chance of survival in a competitive environment, or just seeking to take a cash grab. Evaluating all the requests is time consuming and stressful to say the least. Examples of maintenance and repair costs, tax and insurance problems as well as the government's early attempt to sell the ports illustrate the time and resource problems involved in transferring ports.

5.2.1 Repairs and Maintenance

The costs of repairs and maintenance are a major cause of large requests from the Fund that cause delays and difficulties. One example is at Baie-Comeau, the only port of the three where there are outstanding repair problems over and above routine annual maintenance. The other two ports have recently refurbished wharves with a life span of approximately twenty years.

At Baie-Comeau, repairs are needed at berth number three. One side of the wharf operates as a breakwater. The other side has a berth, which is rarely used[41]. Both sides need repair. Repair costs total approximately $5-10 million. In 1996 at the onset of negotiations, CAPBC requested that the government use money from the Fund to repair it. The government refused to pay this expense[42]. It was, after all, divesting the port. The OSBL responded by refusing to acquire that wharf. It proposed only taking the other infrastructures. Since the wharf is instrumental to the safe functioning of the port, this was an attempt to put the government in an awkward position, forcing it to pay for the repairs. The government suggested closing the little-used berth side of the wharf for $1 million. However, there remained the $5 million breakwater repair. The OSBL countered that it could not afford this. A waiting game ensued. The longer the OSBL waited, the more important, for safety reasons, it became for the government to perform its duty as port owner and fix it. Over the following three years, the breakwater side deteriorated further. The OSBL planned to wait until the 2002 deadline if it had to. This situation resolved itself somewhat in early 1999 when the federal government agreed to spend approximately $260,000 on repairs. This amount, a fraction of

[41] The berth was actually too narrow to ever have been of much use for ships. It therefore was of no interest to the OSBL except as a breakwater.

[42] Transport Canada cut all port spending by 50% beginning in 1995.

the total repair cost, implies that the government is simply adhering to a minimum safety standard[43].

Expenditures for other major repairs amount to approximately $800,000 between 1995-2005. With a divestiture deadline of 2002, the OSBL at Baie-Comeau intends to wait until the last minute to acquire the port in order to avoid spending any money before it absolutely has to.

Lastly, ferry wharves will divest to the provinces. This means that the provinces must also compete with the ports for money from the Fund. For example, more than half of the $800,000 for major repairs alluded above, is for the ferry wharf. Furthermore, Québec is also making a $20 million request on the Fund for major repairs at the Rivière-du-Loup ferry wharf. This will leave very little for the rest of Québec's ports (not to mention the rest of Canada). Furthermore, as in Baie-Comeau, it is also in Québec's interest to delay the transfer of the ferry wharves so the federal government continues to be responsible for their upkeep. Thus, the province is competing with regional ports for money from the Fund as well as delaying the transfers to save money. These comprise only some of the reasons that participants and observers of the Baie-Comeau divestiture consider it the most problematic in Canada.

5.2.2 Municipal Tax

Of all the annual costs faced by the three ports, the prohibitive cost of municipal tax is the biggest financial constraint facing the OSBLs. All three ports feel that their chances of survival increase greatly if the municipal tax burden decreases substantially. Furthermore, the ownership structure of a port affects the payments or benefits of municipal taxes and this has complicated negotiations.

If an OSBL owns the port, with or without the municipality as a member, the OSBL would have to pay full municipal tax to the city. If, on the other hand, the municipality owns the port with the OSBL as operator, the city would only pay itself a small grant instead of taxes similar, to the grants that the federal government pays. However, the municipality would be

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[43] Interview with Daniel Leclerc, H&PDT Québec, June 1999.

responsible for all port expenses. If the province acquires the port, it too would pay only a grant to the municipality. The province would then be responsible for the port expenses. If an MRC owned a port the method of taxation is unknown. At this point, no municipalities, MRCs or the province wants to acquire a port.

The potential evaluation of the port infrastructure for municipal taxation purposes is the crucial issue. A high valuation puts port owners (OSBLs) under pressure of having to pay high municipal taxes. A low evaluation implies the municipality will lose taxation income. This is compounded by the fact that since the federal government pays a very small grant instead of taxes, municipal leaders are likely anxiously awaiting a windfall in taxation income. The flexibility of the evaluation encourages the OSBLs to renegotiate, which puts the municipalities in a difficult position if they are OSBL members.

Currently, the OSBL at Baie-Comeau argues that the port is overvalued, especially since nobody wants to take it. It argues that no one can afford to operate the port if the municipal evaluation is too high. Since private infrastructure values depend on the market, the OSBLs are using this in their negotiations. In other words, they are assuming that if the tax is too high no one will take it. If the market causes the price to go down, they will offer to acquire the port.

There is a consensus among all three OSBLs that they will not acquire the ports if the municipal tax issue is not addressed in their favour. They feel that if they can get a break on municipal taxes, they can operate the port and at least break even over the long run. From the government's viewpoint, the municipalities have to renegotiate the tax levels so the OSBLs can survive. However, it is uncertain how they can do this in a simple manner without unnecessary delays. The city does not have the right to change the tax laws, as this is a provincial matter.

At Baie-Comeau, where evaluations are now complete and the municipal tax is $1 million, the H&PDT suggested that, to avoid the high tax, the current composition of CAPBC might not be the best to acquire the port. The H&PDT proposed having the city own the port while CAPBC (minus the city), operate it. However, various legal actions over tax evaluations against the city of Baie-Comeau are underway by those members of the OSBL who own private installations[44]. This has complicated negotiations as well as created a sense of distrust within CAPBC.

The government also considered having the municipality own the port with Donahue operating it. It already owns a terminal and has experience in port operations; it is also responsible for 95% of the business at the federal terminal. However, the level of friction between Donahue and the municipality over private tax evaluations prohibits this level of cooperation. In addition, Donahue, as a private corporation cannot share its proprietary information with the municipality or the federal government for the construction of business plans. In any event, the city does not want sole ownership of the port[45].

The suggestion to have the city own the port also indicates the government's interest in exercising its right to determine the best owner when there is no consensus among the applicants for port ownership. The combination of public and private installations at Baie-Comeau makes negotiations more complicated for both sides. Furthermore, if the members of CAPBC are not united, it is in neither the government nor the public interest for this group to own the port.

The municipal tax levels at Tadoussac and Pointe au Pic, are unknown. The situation has not yet evolved to that point. However, both these OSBLs fear a high tax. This will jeopardize setting aside money for future wharf rebuilding. Matters are worst at Tadoussac, which cannot afford to pay any tax. At this port, expenditures for maintenance greatly exceed revenues due to the fact that berthage fees for cruise lines are significantly lower than storage or wharfage charges associated with the transport of goods. Pointe au Pic may be the only one of the three in a position to afford the municipal tax. Nevertheless, the time and effort at the three ports over the port evaluation has caused enormous delays and at Baie-Comeau, ill will within the OSBL.

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[44] This litigation is between Baie-Comeau, Donahue, and Reynolds. It has nothing to do with divestiture but the results may bear on the situation later.

[45] Interview with Daniel Leclerc: H&PDT Quebec, June 1999.

5.2.3 Insurance

Determining insurance rates became a problem because there is little experience in the field of evaluating ports for insurance purposes. The federal government does not insure its holdings individually. Originally, the insurance premiums quoted for the ports in 1995 and 1996 were so varied a real concern developed over how this issue may be resolved. When the uncertainty of the cost of insurance delayed the completion of the business plans, the federal government in 1998 arranged for an underwriter to apply consistent valuations to all ports. The question of evaluating ports for insurance purposes is now under control.

At Baie-Comeau, the cost of insurance is insignificant. At Tadoussac, very little money comes in from wharfage so the premium is burdensome. At Pointe au Pic, the insurance question takes on a different shape, as there is the possibility of damage from ice flowing downstream. Damage caused by ice in this manner is considered an 'act of God' for insurance purposes and is not covered. The port would need to have money set aside at all times, above and beyond the annual repair and tax necessities to deal with this potential danger. Thus, at two of the three ports the cost of insurance is burdensome.

5.2.4 Port Sales

In 1996 as the first round of negotiations got underway, Transport Canada announced that it wanted to sell the ports. At Pointe au Pic and Tadoussac the amount, although undetermined, was to be less than market value, but a substantial amount nonetheless. At Baie-Comeau, $1 million was mentioned as a possible price. The immediate response of CAPBC was to make a large request on the Port Divestiture Fund. Transport Canada refused this request but, recognizing the impossibility of receiving money from the ownership groups, they removed the idea of selling the ports for awhile. Thus, the next round of business plans made lower requests on the fund. However, as recently as June 1999, the government informed the OSBL at Baie-Comeau that it is still looking to sell the port for a price below market value.

5.2.5 Conclusion

For the three OSBLs, major constraints to completing successful business plans to acquire the ports and run them profitably are the payment of municipal tax, insurance, annual maintenance costs and the eventual replacement cost of installations. Delays in acquiring insurance estimates also delayed the creation of the three business plans and future port planning in general.

The high cost of operating a port and, at times, a lack of information has created a stressful field for negotiations for the OSBLs. The OSBLs feel there is too much to do in too little time. Furthermore, this situation illustrates that, despite all the information the H&PDT provided, the OSBLs are on their own. Finally, there is also a great demand on the Port Divestiture Fund. With Québec making demands on it in competition with the ports, the federal government will be hard pressed to please anybody with its spending decisions.

5.3 Required Combinations of Resources are Available

In Hogwood and Gunn's model an example of a free day-care policy shows that combinations of resources are needed to get a policy started. At the inception of the policy, it would be expected that an adequate number of day-care centers with an adequate number of staff would exist in the necessary locations. Thus, the combination of resources represents the staff and the day-care centers. In the case of port divestiture, part of this resource consists of the H&PDT staff placed, ostensibly, at the disposal of the OSBLs during the early stages of the process. The other part of the resource comprises the OSBL members themselves who must operate the port alone in the near future. The last element is a functioning port.

5.3.1 The Staff

The OSBLs are creatures of the divestiture process. Their members have been thrown together through common direct and indirect dependence on a federal port. Most members of these small port communities do not possess any expertise in port management. The OSBLs have to learn what is required to own and operate a port. In order to acquire this expertise, they have had to hire outside consultants to prepare business plans and learn what is involved in port operation. The consultants work closely with port users and other members of the OSBLs. These consulting firms are not experienced in port management per se, though they are experienced in preparing business plans.

The federal government's Port Assistance Fund along with some small grants by Québec has covered many of the expenses here[46]. Members of the OSBLs volunteer their time. The activities of the members of the OSBLs are not paid for out of these government subsidies. Upon divestiture, the OSBLs will hire a professional manager to provide experienced commercial management of the port. However, this represents an annual expense that is included in the business plans but is also not covered by Transport Canada.

It is also important for an OSBL to present a common front when negotiating with the federal government. At Baie-Comeau, this has not been evident. Dissension related to the municipal tax issue has contributed greatly to the current impasse in negotiations at this port. It has also put the government in the position of choosing how CAPBC should function.

At Baie-Comeau, friction between the municipality and the owners of private port installations began before the birth of CAPBC. Donahue and Reynolds, both members of CAPBC, had contested the valuations of their private installations in 1997. Their hopes were buoyed by a similar litigation resulting in a decrease of $81 million on the value of the port of Sept-Isles. Their cases are still in the courts but the results will certainly affect the Baie-Comeau divestiture. If Donahue and Reynolds win, it will set a local precedent that may lead to a lower evaluation.

In 1998, CAPBC requested a re-evaluation of the port. It felt that the most recent evaluation of $32 million is too high. This would lead to a tax of $1 million per year plus an additional $360,000 one time 'welcome tax'. This, for a port with annual revenue of only $340,000, and average annual maintenance costs of $246,000[47].

[46] The Québec Government has made payments to some port communities of approximately $2000.

[47] Transport Canada Prospectus for Baie-Comeau Port Facility.

Since Baie-Comeau stood to lose tax revenue, the municipality did not agree that CAPBC should contest the valuation of the port. Since it is also a partner on CAPBC, it removed itself from the group temporarily. Although the valuations of the port did not change, this action by CAPBC caused more dissension within the group.

Next, in 1998, the H&PDT asked all municipalities to re-evaluate all the ports in Québec. The OSBLs questioned why the federal government contested the valuation in the first place. After all, a high valuation would upset the OSBLs, while a low valuation would have upset the municipalities. At any rate, the evaluations remained. The next option was for the OSBLs and the H&PDT to challenge the evaluations in court. Both parties declined to go this route, but for different reasons. The federal government did not want to have a precedent of low port valuations set by the courts. The OSBLs view was that, since they do not own a port, there is no reason to contest the evaluation further. If the port evaluations remain high, they will not attempt to acquire it. By letting the market determine the value of the port they are assuming that in time the value of the port will fall. Ultimately, in the case of Baie-Comeau, it is the government's contention that there is too much friction within CAPBC to attain a smooth transfer of the port.

5.3.2 The Physical Resource

Maintaining a port is expensive. At all three ports in this study, the prospect of replacing port infrastructure over the next ten to fifteen years is a daunting one to say the least. Predicting traffic levels is also a risky endeavor. As Thomas (1994) notes, port performance depends on trading patterns over which managers have no power and little influence. Thus, new port owners must balance traffic predictions with the need to have an adequate infrastructure. There is the added element of instability through a divestiture process whose future result is uncertain. For example, one can assume that if the divestiture process reduces the number of ports in Québec, the remaining ports may benefit, but it is impossible to say which ones these will be.

The three ports in this study all have similar financial needs for future maintenance. They also have similar financial constraints. Table 4 shows anticipated revenue and average expenditures at the three ports. Only Pointe au Pic appears to be profitable. With an annual surplus of \$160,000, it might be able to replace its infrastructure in twenty years. However, if the potential municipal tax is included it would be a very different story. To give an indication of the effect of municipal tax at Pointe au Pic, the following estimates are used. If it is assumed that the municipality evaluates the port at little more than half Transport Canada's evaluation and then taxes it at 1/32 of that value[48], the tax could be \$250,000. This would place the port at a deficit. Even if the assumed tax is halved to \$125,000 the port would still not be able to meet its future infrastructure replacement needs. It would have approximately only \$40,000 annually to replace a wharf that, according to Transport Canada, has a replacement value of \$10,000,000 in the year 2034. Even if the \$40,000 is invested, and doubles in value every five years for 35 years, the port would still have only \$5,000,000.

Table 4 : Anticipated Port Revenues and Expenditures

(Annual Figures)	Baie-Comeau	Tadoussac	Pointe au Pic
Anticipated Revenues (1992-97)	\$380,000	\$10,000*	\$240,000
Average Expenditures (1992-97)	\$246,000	\$66,000	\$80,000
Difference	+\$134,000	-56,000	+\$160,000
Revenues include Harbour Dues, Berthage, Leases and Storage, Wharfage. Expenditures include Operations, Maintenance Minor Projects.			
Potential Tax	\$1,000,000	\$?	\$?
Major Repairs	\$6,000,000	0	0
Value of Port Infrastructure	\$56,075,000[49]	\$5,000,000	\$16,700,000[50]
*Leases and Wharfage are not collected at Tadoussac.			

Source: Transport Canada, Master Plan: 1995.

Tadoussac and Baie-Comeau are in worse positions. Tadoussac is losing money without even considering the amount of municipal tax. It relies on cruise ships that do not pay wharfage, leases or storage. Tadoussac needs money to finance municipal infrastructure expansion, particularly to its aqueduct, to accommodate the tourists from the cruise ships. While it receives a tax on cruise tickets, it was also hoping to use some of the port tax income.

[48] This is approximately the proportion at Baie-Comeau.

[49] At Baie-Comeau, the municipality has evaluated the port at \$32 million with the tax projected at \$1 million. Corresponding figures for the other two ports are unknown at time of writing.

[50] This includes the main wharf (\$10,000,000), the east wall (\$5,000,000) and a shed and garage (1,700,000).

However, not only is the port unable to pay any tax, the amount it would be asked to pay would likely be too low to finance substantial municipal infrastructure anyway.

At Baie-Comeau, the tax may be as high as $1 million. The Baie-Comeau OSBL also argues that even without the tax it would only have $134,000 to set aside annually to replace the breakwater wharf.[51] Transport Canada values this wharf at $28,000,000 in the year 2020. If they invested that money as at Pointe au Pic, they would have only $1,500,000 in the year 2020.

The OSBLs must find a way to finance future infrastructure. One possibility is to make large requests from the Port Divestiture Fund to invest for long term repairs. However, from the government's perspective, the possible repercussions of a large request on the Fund include spending the fund at the wrong ports. The Fund is available on a first come first served basis. Yet the government is prioritizing spending, in effect helping decide which ports will stay open.

The fund has been criticized by Jacques Pelletier of Transport Québec, who maintains the fund is being used simply to provide minimal aid to the transfer process as opposed to encouraging infrastructure programs[52]. The Fund does not make any provision for infrastructure investment but it does provide for maintenance. The ambiguity of what is implied by this was discussed earlier. Nevertheless, owing to the large number of ports, the monies may be meted out in increments too small to aid ports in the long term.

Due to a new policy of user-pay for Canadian Coast Guard services, ports will also become responsible for paying for these services. This increased cost will only affect those ports that need those services offered by the CCG such as ice breaking. This may be a problem at Pointe au Pic but not at Baie-Comeau. Thus, this expense will also be contained in the business plans.

Transport Canada has so far refused all large requests. It contends that a sound business plan geared to increasing business at the ports will earn enough money to cover all expenses. However, it provides no specific information to the OSBLs on where this traffic will come

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[51] This does not include the current breakwater repair. There are three breakwaters.

[52] Jacques Pelletier, Transport Québec; speech given at SODES conference November 26, 1998.

from. Future traffic scenarios are difficult to predict because the aim of the divestiture program is to close ports that cannot make money. If the ports do not know for sure what extra traffic if any will be coming their way, they can only implement very guarded assumptions into their business plans.

At Baie-Comeau, as at the other ports, business plans are constructed with three different scenarios. One plan assumes the status quo scenario, one is pessimistic while the third is optimistic. These are based on assumptions concerning competing ports and the traffic predictions out of their control. The only common thread is that they all depend on receiving a large amount of money from the Fund. This implies that the future independence of these ports is doubtful under current conditions.

All the ports have had to alter or redo their business plans many times as new information is made available[53]. Worse still, some of this information is based on rumor. For example, there was a rumor that Québec would take some of the best ports and construct a marine network around them. Regardless of its veracity, it affects the strategy of both sides of the divestiture process and likely leads to confusion as well. Other than the municipal tax, funding maintenance is the chief reason that all port divestitures are currently stalled while the OSBLs await developments from the federal and/or provincial governments.

5.3.3 Conclusion

All three ports intend to hire outside managers for day to day port operation. Port operations may be a problem at Baie-Comeau since the municipality and OSBL are at odds. The unavailability of information on the status of other ports in Québec hinders planning.

More importantly however, the ports need adequate capital to ensure future infrastructure replacement. These costs have reduced the OSBLs to hoping that they get a large sum from the Port Divestiture Fund. Since the government is committed to divesting all responsibility for ports precisely because it does not want to continue subsidizing them, it would likely take a change in policy to solve this impasse.

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[53] They are currently on their seventh business plan.

5.4 Policy is Based on Valid Theory of Cause and Effect

Hogwood and Gunn propose that some policies are ineffective simply because they are bad policies, regardless of the quality of implementation. The policy, in this case a form of privatization, may be based on an inadequate understanding of a problem to be solved, its causes and its cure. Pressman and Wildavsky (1973) describe any policy as a hypothesis containing initial conditions and predicted consequences. Generally, the reasoning of a policy-maker is, 'if X is done at time t(1) then Y will result at time t(2)'. Thus, every policy incorporates a theory of cause and effect which, according to Hogwood and Gunn, is rarely stated in practice. This section contrasts some basic tenets of privatization with the reality of the process. It reveals the government has a simplistic view of privatization, which belies an ideological interpretation of the problem.

The problem is clearly stated in the National Marine Policy. It acknowledges that the marine system is 'overbuilt and overly dependent on government subsidies'[54]. In Québec, the bulk of the traffic goes through only five ports. The government does not discuss the causes of over-capacity. However, Vallée (1994) and Goss (1990) have already demonstrated how transportation spending decisions in Canada have been politically motivated and not based on sound business practices that have led to unproductive competition among ports located too close to each other. The solution proposed by the government is privatization through divestiture.

Although proponents of privatization cite efficiency gains as the major reason for privatization, measurements are not absolute and often do not consider the public interest. Specifically, there is little theoretical knowledge from which to draw firm conclusions about what distinguishes efficient and successful ports from others (Thomas 1994). The OSBLs all consider their ports successful by virtue of the externalities they generate such as employment and taxes. In fact, a recent Transport Québec study did show that the Québec maritime sector

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[54] 1995, National Marine Policy:3

was responsible for $350 million in taxable revenue.[55] However, the federal government's primary concern is that on a port by port basis they are inefficient since they all lose money.

Many privatization programs are fiscal in origin and ideological in their execution. The divestiture policy is certainly fiscal in origin as noted in the Marine Policy. The extreme nature of divestiture suggests an ideological fervor. Moreover, the divestiture policy is a way for the government to close many surplus ports at 'arms length'. The government can take political credit for streamlining the port system and saving money with the added benefit of not appearing directly responsible for any port closures.

Privatization is not the best or only instrument in all cases. For example, remote ports, that provide few positive externalities, could not survive in Canada if they needed to be self-sufficient. Since it is in the public's interest to maintain these ports, the government continues to subsidize them. The history of port investment in Canada has also reflected a public interest mentality. According to Ruppenthal (1975), transportation in Canada has always been regarded as the key to economic expansion. Consequently, many regional ports exist because the government thought the potential for regional development was sufficient to invest in them. Presently, the government is turning its back on this route.

Considering the extreme nature of the divestiture policy, the government believes privatization ideology but pays little heed to the caveats in the literature. This is typical of recent Canadian experience. It follows then that it believes that the free market will solve the over-capacity problem of ports and result in a perfect distribution of profitable ports.

However, the policy is stalled because no one wants the ports. If it were obvious that regional ports could generate significant profits, as the recently privatized airports are able to do, they would have divested quickly. Rather than take a direct approach and close those regional ports that contribute few positive externalities and make the best use of the remaining ports, the government has opted for a hands-off approach hoping the situation will work itself out. The policy ignores the local benefits of subsidized regional ports. Certainly, the government's

[55] $204M for Québec and $140M for Canada, (Jacques Pelletier, Transport Québec; SODES conference November 26,1998).

interpretation of privatization as a remedy for the problem of port over-capacity is invalid in the eyes of the OSBLs. The current snail-like pace of port divestiture exemplifies the result of this divergence.

5.5 Cause and Effect Relationships are Direct and Uncluttered

Pressman and Wildavsky (1973) argue that policies which depend upon a long sequence of cause and effect relationships have a particular tendency to break down, since the longer the chain of causality, the more numerous and reciprocal relationships among the links and the more complex implementation becomes. In other words, the more links in the chain, the greater the risk that some of them will prove to be poorly conceived or badly executed. In the instance of port divestiture, the process is based on assumptions that contain cause and effect links. Two basic assumptions of the Marine Policy are:

- The communities are capable of operating ports;

- Surviving ports will be perfectly placed in relation to transportation needs.

These assumptions are not valid.

5.5.1 Communities Are Capable of Operating Ports

The first assumption is that the communities are capable of handling the extra responsibility of owning and operating a port. This kind of assumption is typical when governments download (Lithwick and Coolthard 1993). When governments download functions to the municipal level, there are seldom any matching revenues or infrastructure necessary to handle the increased responsibilities.

The municipalities are a part of the process, (as part of the OSBLs), only because they have no choice if they want a regional port. As the SCOT Committee noted, regional port communities want no part of port divestiture. Furthermore, the Marine Policy does not present any theoretical basis to explain how small communities can operate a port efficiently. With a limited budget and other responsibilities, the OSBLs need time to develop experience.

The new port owners will need to hire professional port managers that the government does not want to compensate them for. They also have to prepare business plans amidst uncertainties surrounding whom their competition will be. As well, impending changes to municipal tax laws and a port policy are forthcoming from Québec. Although the OSBLs have been asked for suggestions, they are unaware of how these impending policies will affect them.

One of the main concerns expressed by some OSBL members is that they are learning about port operation at the same time as they are learning how to deal with the federal government. They have expressed concern that they had put their trust in the expert advice of Transport Canada only to find it taking a tough-negotiating stance toward the OSBLs.

5.5.2 Surviving Ports Will Be Perfectly Placed In Relation To Transportation Needs

The second assumption is an ideologically driven interpretation of privatization. By divesting ports, the government assumes the market will determine the best distribution of ports. In other words, an efficient and integrated marine transportation system will derive from divestiture.

This is a simplistic assumption because the OSBL business plans are based on assumptions of a future marine environment over which ports and the government (that will judge the feasibility of the business plan) have no control. It is important to recognize that the market will not actually determine an 'efficient' distribution of ports until after the divestiture process is complete. All Québec ports other than those marked for CPA status are unprofitable because there are too many. Yet, the policy forces each individual port to make assumptions on what the future port environment will be. Furthermore, these assumptions are based on the ports potential to make a profit. However, each port divestiture will have a pronounced effect on the next divestiture.

As a port is divested, it changes the outlook for the remaining ports. Ultimately, the final number of ports and their location are unknown. The ports have no sure way of knowing where profit opportunities will come from. Thus, the government's belief in privatization as a panacea for port over-capacity is poorly thought out.

5.6 Dependency Relationships are Minimal

Hogwood and Gunn note that a policy is unlikely to succeed if there are too many actors involved in the decision-making chain. Perfect implementation requires a single implementing agency. When there is a series of linkages or assumptions, often there is also an agreement required at each stage of the link. Where there are many acts of agreement (or decision points), in order for the program to continue the chances of a successful or predictable outcome decrease.

This seemingly straightforward policy involves negotiations between Transport Canada and whoever is interested in a port. However, the province has become more involved, albeit unofficially. In essence, it is blocking the business plans to ensure that the OSBLs request as much money from the Fund as possible. At the same time, the OSBLs are hindered by a lack of cooperation between the federal and provincial governments. The Marine Policy did not anticipate OSBLs having to deal with this federal-provincial issue.

The OSBLs are in the precarious financial position of attempting to operate ports that have rarely if ever, been profitable under federal ownership. They must do this under the burden of expenses discussed earlier. Most of the parties involved in acquiring ports feel that there is insufficient time and financial resources to divest the ports properly. The high degree of negotiations that require cooperation among different governments and the OSBLs is also an obstacle to implementing divestiture. As new or unique situations arise the process becomes even more complicated and lengthens the time it takes to create business plans. An example of this is the Canadian Coast Guard property at Tadoussac. Developments must be incorporated into revised business plans, which are then presented to the government, often to be returned for further adjustments. These changes also have to go through the members of the OSBLs. Negotiations among members of the OSBLs add to the time already spent on business plans. There is also a time lag involved as the H&PDT works its way from port to port to negotiate.

There is no marine policy in Québec. One of the problems with this and with the unofficial nature of Québec's involvement in the divestiture process is that the port corporations do not know what the Québec government's position is on the future of provincial ports. Either one government or the other can refuse any progress made by the OSBLs in the construction of their business plans. Transport Canada does not want negative publicity over how the policy plays out, while Québec does not want to be financially responsible for unsuccessful transfers. Québec has also claimed that Transport Canada would have to pay to destroy any ports that do not transfer. Thus, while the ports are awaiting some indication of a provincial policy, the negotiations between the ports and the federal government have slowed to a crawl. Resolutions of this nature take time.

There are also specific instances where the province has a direct stake in a federal port. For example, money spent by Loto-Québec at Pointe au Pic gives the province a reason to be involved in keeping that port open and influencing its future operations.

In essence, the OSBLs have become, in the words of one corporation member, 'the mailbox between two governments'. The OSBL must shuttle back and forth between the provincial and federal governments. The OSBLs have recently suggested that if the government does not deal with the outstanding issues surrounding port transfers sooner rather than later, their interest may fade.

5.7 Objectives are Agreed Upon and Understood

Hogwood and Gunn argue that policy objectives must be agreed upon and understood throughout the duration of the process. However, they note that many objectives underlying policies are often misunderstood or difficult to identify. Sometimes official objectives may not be compatible with one another. More confusion can arise when professional or other groups develop their own 'unofficial' goals within a program.

As has already been discussed in Chapter 4, there are many stated objectives in the Marine Policy. It is intended to provide Canada with the 'marine infrastructure that it needs and that offers effective support for the achievement of local, regional and national social and economic objectives and will promote and safeguard Canada's competitiveness and trade objectives'[56]. Other objectives include promoting fair competition, user pay, elimination of over-capacity and the restriction of the role of the federal government to safety and environmental issues. Before the Marine Policy, the Transport Minister stated that Canada needed an, 'affordable and integrated transportation system'. However, the integrated system that is supposed to help achieve local, regional and national social and economic objectives relates more to the CPA ports that are profitable. For the regional ports, the general objective of the government is to divest responsibility as quickly as possible

The policy has led to the formation of non-profit port corporations to acquire the ports. The existence of these creatures of the divestiture process does not imply agreement with the government's objectives. On the one hand, the government simply can not afford to keep 36 Québec ports that presently handle only a small fraction of traffic. On the other hand, the OSBLs do not want to lose the potential financial gain of having a 'surviving' port to capture increased traffic as other ports close. Although the local communities are not legally obliged to acquire the ports, the option of losing a port is a great risk to most. It is also a political risk to the local mayors or MPs if the municipalities and regions do not appear to be fighting to keep the local port open. Thus, the objectives of the OSBLs are forced upon them by the objectives of the federal government.

5.8 Tasks Specified in Correct Sequence

Here the condition is that in moving towards agreed objectives it is possible to specify, in complete detail and perfect sequence, the tasks to be performed by each participant. In this case, there is an established sequence of tasks as given in Figure 5. This list was released two years after the process had actually begun and the ports were already well into the negotiation stage. For the most part, it is a straightforward document of the steps necessary to transfer government assets.

However, many unforeseen problems are delaying the completion of the sequence. The sequence of tasks belies the competitive reality of negotiations underlying the process. This is

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[56] 1999: Transport Canada Website.

not to say the planned sequence is completely ineffective. For example, the government did mediate among the members of CAPBC in an attempt to form a consensus over the tax issue. Yet many problems are concentrated in one area, the 'negotiating' stage of the sequence.

There are unique and general problems occurring at this stage of the transfer process. Uncertainty displayed by the federal government over how to deal with certain situations has delayed the transfer process. The problem of the CCG installations at Tadoussac is an example. General negotiations had been going on for at least three years before this issue was even addressed. From the government's perspective, the issue had not risen before. However, the OSBL put a great deal of effort into preparing its business plan, only to have it held up by the government's lack of attention to the potential implementation details of a policy they created. In the eyes of some OSBL members, the CCG situation at Tadoussac is typical of a lack of foresight that has followed this implementation process. Most of the problems cited thus far demonstrate the government's lack of foresight.

The government must have been aware that the rate of municipal tax would be prohibitive. Transport Canada also did not consider the legal right of Québec to halt any port transfer. Furthermore, the impending Québec marine policy may cause changes to the federal policy and by extension, the sequence leading to divestiture. The problems related to acquiring port evaluations for insurance purposes caused about two years of delay early in the process. The government only stepped in after many ports reported inconsistent port evaluations.

Moreover, it was a year into the process before the OSBLs acquired the Guide to Preparing Business Plans. Although the Guide indicated the existence of municipal tax and the necessity of insurance, it provided no details explaining what these obligations entail. At that point, the OSBLs began working with Transport Canada's H&PDT, only to find themselves involved in tough negotiations with them. There was no indication among the OSBLs that negotiations would be so intense. Lastly, the realization that the government wanted to sell these ports provided a constraint before negotiations even began.

The problems holding up the transfer of ports all appear during the 'Exchange of Information; Drafting of Business Plans and Negotiations' stage. This stage is where the transfer process really begins. This is the stage where problems unforeseen by Transport Canada have rendered the process more improvised than planned. While the other steps are discreet and comprise mostly functional issues such as arranging for letters of intent and signing disclosure of information agreements, this stage comprises three essential areas, all grouped together, upon which the transfer process depends. Since all the delays in the transfer process occur at this point, it is possible to state that the government did not completely specify, in complete detail and perfect sequence, the tasks to be performed by each participant. Essentially, the sequence of tasks that the OSBLs had to adhere to, while plainly stated, simply disguises the level of intensity of the negotiating process.

5.9 Perfect Communication and Coordination

The precondition here is that there must be perfect communication and coordination among the various elements or agencies involved in the program. Hogwood and Gunn argue that perfect implementation would require a completely unitary administrative system like, 'a huge army with a single line of authority'. Although they recognize the impracticality of such a system, communication is a necessary element to smooth coordination and implementation. It is also important that policy implementers are all operating with the same information base that they perceive in the same way. Here, there are instances of poor communication. Some of these are structural in the sense that there are different departments or groups that should have been consulted before the policy was presented. Other instances relate to a different perspective of the port over-capacity problem.

Some of the problems associated with the sequence of tasks needed to implement a port transfer could have been avoided if there was more communication by different federal departments. For example, the CCG departmental transfer to Oceans and Fisheries in 1995 severed its line of communication with Transport Canada. Thus, the status of its installations at Tadoussac was unknown to Transport Canada.

A major problem holding up smooth communication in this process is the fact that the policy itself represents a unilateral act by the government to solve a problem of its own making. Usually a policy is a response to lobbying by interested parties over some grievance. The government created the policy in response to a federal debt burden it felt had to be eliminated at all costs. It ultimately acted contrary to the interests of the affected parties by going ahead despite the port communities' consensus that they could not operate the ports without government aid.

Furthermore, although the federal debt still exists, the annual deficit has disappeared, replaced by an annual surplus. The ports are eyeing this surplus to resolve their financial problems, as other groups most certainly are. Québec has already suggested that these surpluses should be used to aid in the divestiture[57] process.

From the start, the divestiture process has featured two sides operating with a different perception of the problem and its resolution. The government is divesting financial responsibility for ports while the OSBLs are assuming this responsibility. The port transfer process is dependent on the involvement of the OSBLs. They are being asked to implement a policy they did not ask for to solve a problem they did not create. Thus, it is not surprising that communications between the OSBLs and the government is imperfect.

5.10 Power and Compliance

This final requirement is perhaps the least attainable condition of perfect implementation, especially in a democracy. It requires that those in authority are also those with power to secure total compliance from those internal and external to the agency whose consent and cooperation are required for the success of the program. In practice, there may be compartmentalism within an agency. Between agencies, there may be conflicts of interest and status disputes and those with the formal authority to demand cooperation may lack the power to back up those demands or the will to exercise it.

In this situation, as the process has dragged on, the level of compliance has diminished to the point where there is currently a standoff. Whether the OSBLs can force the government to address their grievances remains to be seen.

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[57] Jacques Pelletier, op.cit.

Acquiring a port is optional on the part of the OSBLs. However, the ports are important to the municipalities. Therefore, the port communities, through their OSBLs must comply with the divestiture program if they want to obtain a port. Individually, they have very little power to exert influence to change any of the parameters established by Transport Canada regarding port transfers. However, the government of Québec, with its experience dealing with the federal government, has begun aiding the OSBLs in its negotiations with the federal government. This led to a June 1999, meeting with the federal and provincial government and the OSBL at Pointe au Pic in an attempt to work out a business plan for the port. Although similar meetings at the other three ports may follow, the federal government has made it clear that in 2002 they will cease all port funding. The ports will be on their own whether they like it or not.

Lastly, there have been indications that, in a last ditch attempt to resolve the stalemate the government may divest some ports to CPA ports[58]. The CPA Port of Québec could feasibly own Point au Pic. Interestingly, owing to labour strife at the port of Québec, much of its business has moved to other ports. Some firms purposefully truck their goods elsewhere, bypassing the Port of Québec[59]. If the Port of Québec took over Pointe au Pic, it could then turn around and divert its pulpwood traffic to the Port of Québec. Thus, Québec's port could take Pointe au Pic's traffic and close the port. The OSBLs regard this kind of strategy as a pressure tactic by the federal government.

5.11 Conclusion

The policy has stalled due to many constraints operating on the process. Different perceptions of the policy by the government and the OSBLs have weakened communication between the two sides. The OSBLs see their ports as economically viable, while the government is only looking at the bottom line. The major stumbling block towards implementation of the policy is money. The municipal tax issue is a major expense hindering the transfer process. Also, no one wants to pay for port maintenance while the federal government is still responsible for

[58] Interview with Stephane Hamel, Vice President of the Pointe au Pic OSBL (CRAP).

[59] The Daishowa Corp. trucks their goods to the port of Gros-Cacouna. Labour is also cheaper at regional ports.

ports. The OSBLs are waiting until the last minute of the divestiture process to take over the ports.

The OSBLs feel they have done everything they reasonably can to comply with the divestiture directives. They must comply with the Marine Policy or risk losing their port. They are being pressured by two governments. Each of whom is flexing its muscles to resolve this implementation stalemate in their favour. This policy will likely remain a political battle for some time, with the port communities in the middle.

CHAPTER 6

CONCLUSION

6.1 Implementation Failure

Chapter 5 described how the implementation of an apparently straightforward port divestiture process is stalled due to many complications unforeseen by policy-makers. All the participants have dug their heels in. The government is waiting for the OSBLs to give in and take the ports on the government's terms. The OSBLs are waiting for anything that might improve their future prospects. They are awaiting a combination of information on the location of the remaining ports, money; or even a change in the federal policy. Finally, they are waiting for the province to develop a port policy. All three OSBLs are out of their element negotiating between the federal and provincial governments. The government's assumption of the ability of small communities to take over federal ports under these circumstances is overly optimistic. Furthermore, the implementation of this policy has entered the political arena. The situation at Baie-Comeau is being addressed in Ottawa. The fact that one of the largest of the regional ports is having so much trouble transferring does not bode well for the completion of this policy.

The government's criteria for determining successful business plans is profit potential. This creates a paradox when implementing this policy. Since the ports are unprofitable, profit potential is dependant on the amount and location of the ports that remain after divestiture. This demonstrates how the policy is poorly thought out. It is under these less than ideal conditions that the government is deciding which ports will get money from the Fund. Furthermore, the policy makes no allowance for ports that are regionally important. Since the government has a great say as to which ports will stay open, it is possible that ports that may be regionally important like Pointe au Pic, Tadoussac, or Baie-Comeau will close.

6.2 Theory and Methodology

At the onset of this research, I assumed that there would be a significant conceptual relationship between the implementation of the divestiture policy and the privatization literature. Generally, this has not been the case. The bulk of the literature is a critique of previously held beliefs in public ownership. It concentrates on the reasons to privatize more than the methods. The studies of the methods that do exist apply mostly to case studies of individual privatization exercises. These studies show that privatization exercises are unique to the enterprise and the country involved. This case is no exception. However, the analysis has shown that attaining economic efficiency and saving money, the stated theoretical basis for privatization, applies to this policy. More significantly, the ideological underpinnings inherent in many privatizations are also visible in this choice of policy instruments.

On the other hand, Hogwood and Gunn's approach has proven to be useful. Although idealistic, in a multiple case study of this nature, it enables a systematic study of those areas germane to the analysis of policy implementation. The model enables analysis of similar information within different contexts. For example, it considered the financial resources necessary to propel a policy as well as to maintain it after its implementation. Thus, it noted the limits of the $125 million Fund as separate from the long term expense of maintaining a port.

It is significant that their model begins with the need for financial resources and ends with the need for power. This study has demonstrated that this policy is about money and power. The ports need money and have little power. The government also needs money. More importantly, the government did not feel it had the power to unilaterally close any ports it wanted to, hence the policy.

6.3 Possible Outcomes

While policies can change, it is certain that in the near future, there will be fewer ports in Québec. The federal government may alter the implementation of the policy. When it decides to do this or what it will do is unknown. One option might be for the government to simply retain legal title to the ports. This would alleviate the pressure of the municipal tax cost.

Currently, CAPBC is requesting a concept similar to that used for airport privatization. An OSBL would operate the port with the government responsible for the infrastructure. This is an unlikely scenario. The fact that the policy exists signifies that the government does not see regional ports generating the same profit as airports.

There is a growing consensus that the port of Baie-Comeau will not close due to its distance from the port at Québec (which would be the likely alternate port). In the case of the other two ports, regional importance is cited by many participants as a reason why they may not close. If this is so, it implies negotiating that is not dependent on the marine policy's private criteria. Nevertheless, it is still possible that in 2002, all three ports will be on their own.

A major impact on the implementation process will be Québec's provincial marine policy, due in September. This policy may take some of the largest regional ports such as Baie-Comeau and create a port network. This would be a provincial version of the Canada Marine Policy. The province would be choosing ports it deems useful while neglecting others. The future of the ports that do not fit into the network, such as Tadoussac would remain uncertain. At the very least, the situation will likely become more complicated and political in the near future.

6.4 Future Research

It would be useful to study this policy after the deadline in 2002. A clearer assessment of Hogwood and Gunn's last step on power and compliance would complete the study. However, since the policy has stalled with no resolution in sight, a study of the role of small regional ports in Québec would be timely. It may influence future decision making. Because of the political ramifications of closing a port the study would have to develop clear parameters for measuring the importance of a port. A mechanism would have to be developed to measure the combined effects of value of goods handled, local employment, effects on truck traffic, efficiency, profitability and overall regional importance. This information could be used toward establishing a port network.

When the Transport Minister spoke of the importance for Canada of an, 'integrated national transportation system.[60] this statement appeared to allow for government involvement since a system of independently run ports cannot be integrated without some overarching organization overseeing the port system. Although Goss (1990) notes that the history of Canadian attempts at a national port policy have all met with failure, a regionally based port system with a minimum of ports is not out of the question.

In fact, recent studies are optimistic for the future of some small ports in Québec (Slack and Comtois 1996, Paquin et.al 1995). Since their small size allows them to adjust rapidly to change, these ports can establish niche functions and low cost alternatives to the largest ports Slack and Comtois also note the importance of a regionally based administrative approach. A regional port authority that integrates the port system in regional planning while rationalizing services and sharing promotional costs can help regional ports survive. To take advantage of the opportunities, they must adapt to the needs of their regions. Therefore, further studies along these lines are necessary.

The best aspect of the National Marine Policy is that it forces port communities to realize that their future will no longer be subsidized blindly. This will, in the long run, lead to efficiency. The worst aspect is that the government placed too much of a burden on small communities.

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[60] 1995, National Marine Policy.

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