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Port security costs will hurt trade

TIM CHAPMAN

New regulations by Transport Canada to improve port security could cost Canada's maritime operators well over \$100-million and put the industry at a serious competitive disadvantage. While the U.S. government is heavily subsidizing its port security upgrades, Ottawa has come up with nothing. Without a substantial federal funding commitment, Canada's maritime industry and international trade will be at risk.

Canada's maritime operators fully support and are committed to implementing these new regulations aimed at increasing marine transportation security. Maritime operators are ready and willing to support Ottawa's efforts to protect Canada's borders with improved security; but in the face of competitive pressures from south of the border, they cannot be expected to foot the entire bill.

Tightening up security at ports, port facilities and vessels will require a heavy investment in surveillance cameras, monitoring devices, lighting, scanning equipment, fencing and gates, new security protocols and more personnel to patrol on land and sea. Canadian maritime operators have already incurred significant costs for security upgrades.

Although Ottawa has announced \$172-million over five years for six federal departments to carry out marine security projects, the money will not include the security compliance costs for private maritime operators or port authorities. The expectation that private sector maritime operators should pay the entire security bill is unfair, unrealistic and unmanageable.

Thus, Canada's maritime operators are asking Prime Minister Paul Martin and his government to help the industry implement the new security code and maintain international competitiveness by providing financial support in the upcoming federal budget. The new regulations come into effect on July 1, 2004.

The new security regulations oblige Canada's terminal operators and port authorities to comply with the International Ship and Security Code that establishes an international framework of co-operation to detect and take preventive action against security incidents affecting ships or port facilities.

The U.S. government understands that national security, trade and transportation are federal responsibilities that require federal investments and has already committed US\$9-billion for border protection. Of that, more than US\$500-million was dedicated to improve security for port authorities and facility operators, with the likelihood of an additional US\$400-million to come. Ottawa must also back up its security commitment with a funding line in next year's federal budget.

Downloading security costs on Canada's private sector maritime operators through a user fee system is counterproductive and unworkable. Unlike the airline industry, which charges a security tax to a captive passenger market, maritime operators are not able to pass along the costs of security upgrades because customers will simply move their business to ports south of the border.

Canada's maritime competitiveness and trade potential should not be sacrificed to a security perimeter. New security measures should help protect and enhance Canada's international maritime trade, valued at \$100-billion a year.

The decades of work to build Canada's maritime business and international trade will be eroded if customers avoid Canada in favour of U.S. ports.

As a result, some maritime businesses and jobs will be at risk if steps are not taken to compete with the United States on a level playing field. The negative economic impact would not be contained within the chain link fences of port facilities. It would have a domino effect across the country.

Importers, wholesalers and retailers would all be forced to raise prices. Exporters such as Ontario manufacturers, B.C. lumber companies and prairie farmers would have to lower the price of their goods to make an overseas sale. The ripple effect runs down the line of the businesses that transport these goods to and from ports and through the communities that depend on competitive industries.

Transport Canada is on the right track to develop a security code for our seaports. But the price of protecting our ports from terrorism should not destabilize Canada's marine competitiveness and international trade. The federal government must strike a balance between improving the country's national security with a funding commitment that pays the bills.

Tim Chapman is president of Western Stevedoring of Vancouver and chairman of the B.C. Maritime Employers Association.