

# Funding Port Security: A Canadian Perspective

AAPA Finance Seminar Baltimore, May 2006



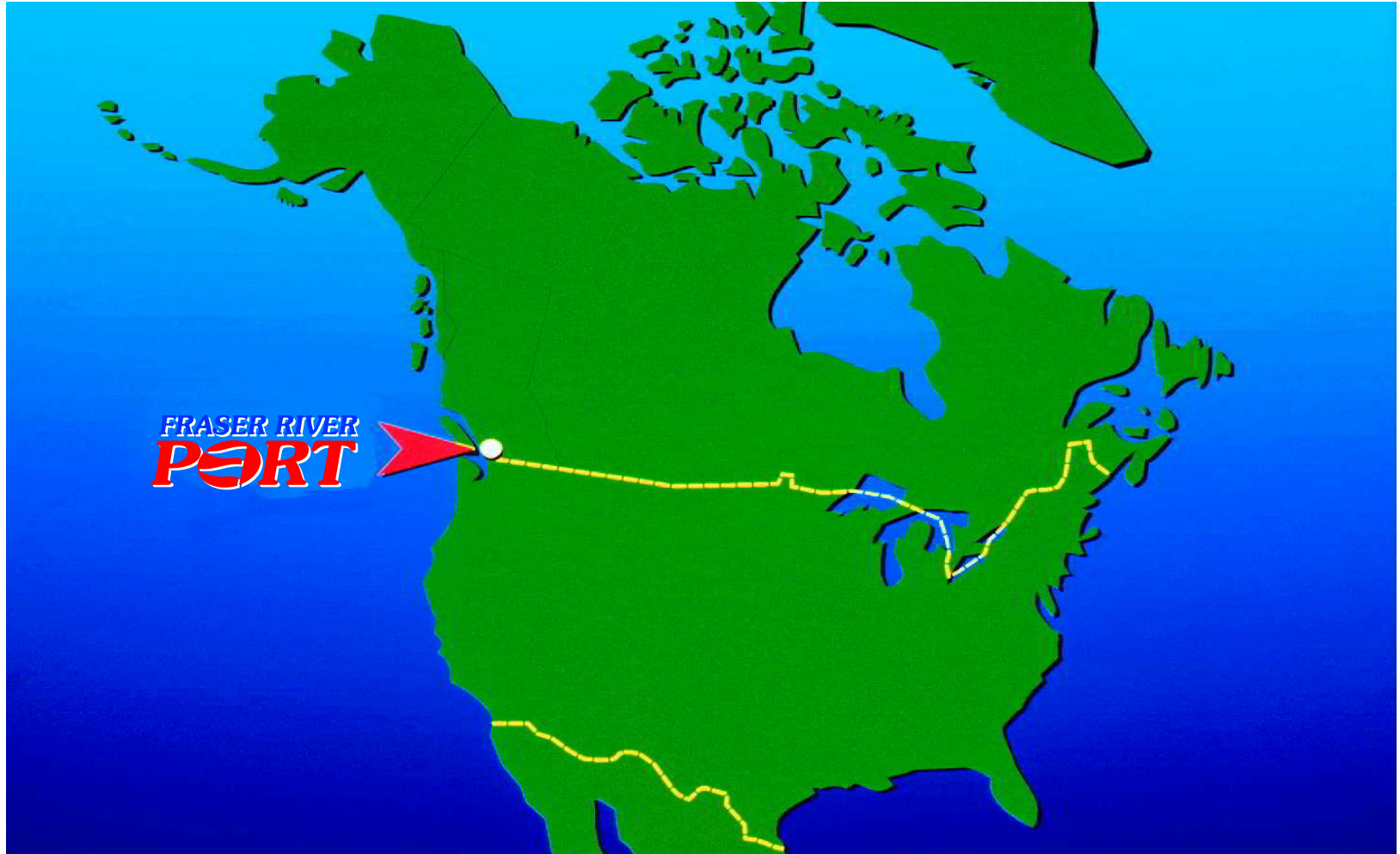
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# Agenda

**Provide background on the Canadian port system and infrastructure funding, using security funding as example:**

1. discuss legislation regulating port operations and challenges facing ports today;
2. provide outline of security requirements for ports; and
3. describe the Canadian security funding program.

# Canadian Ports system



# Legislation – *Canada Marine Act* (CMA)

- shift burden for marine transportation from taxpayer to user
- requires port authorities to be financially self-sufficient
- stipulates gross revenue charge port authorities must annually pay to federal government
- puts limit on borrowing power

***The Act was intended to make ports competitive, efficient, and commercially-oriented, but it has restricted their ability to grow.***

# Financial Impacts of CMA on Fraser River Port

- total revenue was \$12 million CDN... but
- \$12 million CDN downloaded to Fraser River Port Authority (FRPA)
  - \$2.5 m Payments In Lieu of Taxes (PILTs)
  - \$0.5 m stipend
  - \$1.0 m regulatory and administrative costs
  - \$8.0 m dredging
- as a result, FRPA had to develop plan to recover some costs
  - used settlement money from dredging
  - negotiated PILTs to \$0.75m
  - developing Port Authority-owned property



# Other Challenges Facing Ports Today

- expanding handling capacity
- dealing with proponents of waterfront developments
- competing with other Ports
- difficulty in cost recovery
- compliance with security requirements



# Port Security

- International Ship and Port Facilities Security (ISPS) Code
- *Marine Transportation Security Act & Regulations*
- Canada Border Services Agency's port inspection program
- Canadian Coast Guard does not provide security (unarmed)
- Marine Facilities Security Contribution Program



# Marine Security Contribution Program

- three-year, \$115 million commitment to assist port authorities and marine facilities with security enhancements
- provides funding on a 75% government / 25% recipient cost sharing agreement
- projects must be included in Transport Canada approved security plan
- projects must be completed between April 1, 2004 and November 2007



# Project Eligibility

## Eligible projects:

- surveillance equipment
- access control measures (fences, turnstiles, gates)
- training
- monitoring centres
- engineering costs
- communication equipment

## Ineligible projects:

- guards
- administrative costs
- research and development
- consultants hired to prepared funding application
- economic/viability studies
- conferences

# Process

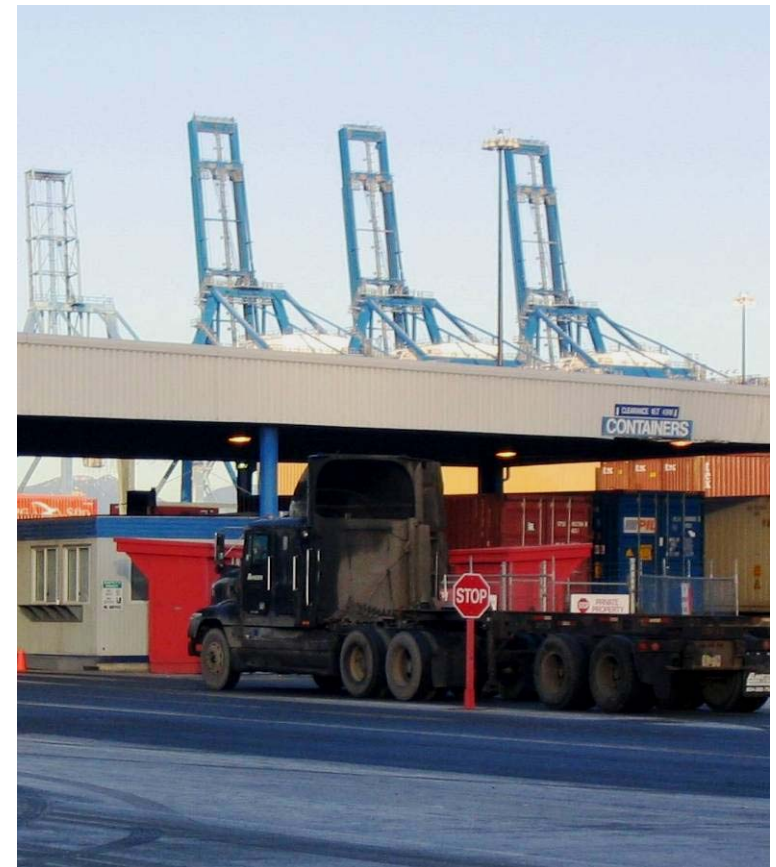
1. **Application** – several projects per application
2. **Project Rated** – secure transportation system, economics, value for money; overall strategic objectives
3. **Site Inspection** – determine status
4. **Approval/Denial** – all or nothing for each project
5. **Agreement** – terms for funding projects
6. **Disbursement** – apply for disbursement for completed projects

# Funds Provided

- federal government will reimburse up to 75% of eligible costs to a maximum of \$10 million per project and \$20 million per recipient
- funds provided to date:
  - Round 1: \$23.6 million to 69 PAs and facilities
  - Round 2: \$26.9 million to 101 PAs and facilities (not all available funds awarded)
  - Round 3?

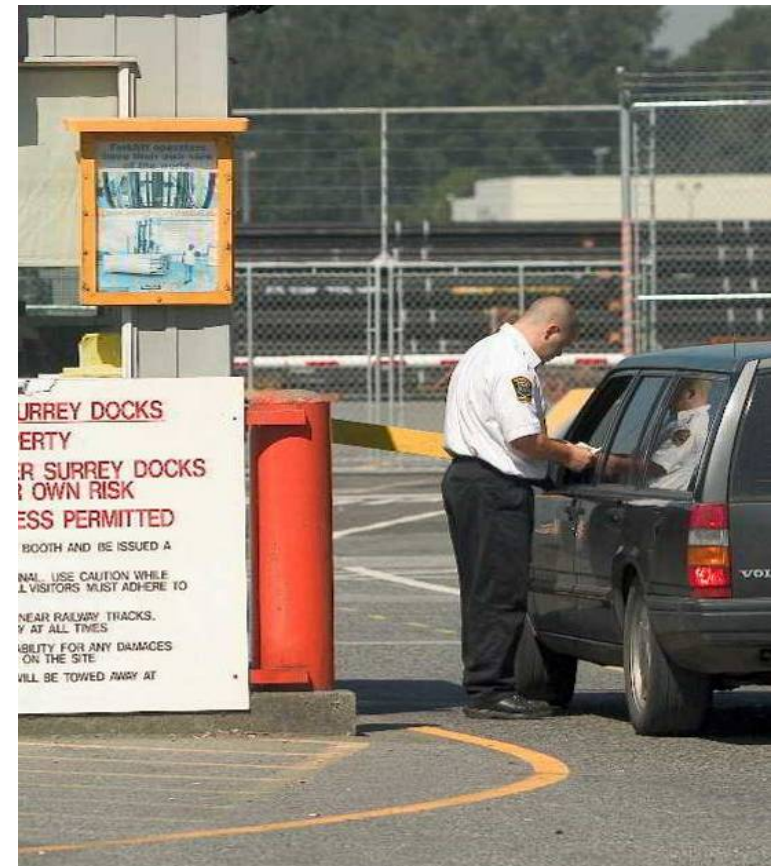
# Benefits of Current MSCP

- enables facilities and ports to implement security measures not otherwise economically feasible
- not committed to starting or completing projects if not funded
- level playing field
- process improvements?



# Pitfalls of MSCP

- penalizes proactive port authorities/facilities who completed work prior to April 1, 2004
- some costs not included (security guards, boats)
- length of time to receive funds
- no funding for vessels



# What the Future Holds

- security requirements won't go away
- funding may be provided to projects previously denied
- what happens after funding program ends (Nov 2007)?





# Thank you!



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