

## Social license for ports

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Seaports are essential nodes in our integrated global transportation and logistics supply chains. They serve as an interchange point among modes – the interface between land and sea. From an historic perspective, ports tended to be located in the heart of their host communities as they served as the economic engine driving local and regional economic development. This close physical integration between ports and their host communities leads to the need for an understanding and appreciation of each other's roles. Given the port's role in transferring commodities and passengers between marine to land transport modes within their host community, their impact may be more severe than occurs with other industries.

Global economic growth has led to increased commodity throughput in many Canadian ports. This throughput often has little, if any, relevance to the local or even regional community. The cargo volumes are often destined for far inland markets in central Canada and the U.S. The net result can be "global change – local pain." The inland beneficiaries of the commodity flows normally do not suffer from the negative externalities emanating from the port's cargo-handling operations. As a result, the port's host community may not always welcome an increased cargo throughput as it may generate traffic delays from lengthy freight trains, congested highways, limited access to the waterfront, and environmental pollution (air, noise, light spillage, water, dust). Without appropriate recognition of these negative externalities and effective steps to mitigate their impacts, local communities may act to prevent port expansion. The underlying issue in port-community relations is "who gains versus who pays" – this is essentially an equity concern.

Port-community conflicts can arise quickly in times of crisis, such as accidental spills, contamination, congestion and other environmentally damaging problems. In order to deal with issues in the midst of a crisis, credibility and trust must be developed earlier in times of peace and stability. Essentially, ports must build their "reputational capital" in peaceful periods to ensure crisis situations do not grow out of all reasonable proportion. Reputational capital can act as an informal but effective communications bridge between a port and its community – one that predisposes the community to enter into open discussion rather than generate hostile opposition. This can lead to a fruitful discussion among peers rather than escalating disputes through the public media. Many organizations foster informal discussions as a "back-door" policy for dealing with emerging concerns. This can be developed on a more formal basis such as Port Metro Vancouver's Community Relations Department or informally by encouraging port staff to volunteer in various community events and organizations as a means of understanding community concerns.

Today's industrial organizations are increasingly coming to recognize that they need to be good corporate citizens by taking into account the needs and desires of their host communities. This acknowledgement is reflected in the term "social License", "social operating license" and "corporate social responsibility." A social license is generally defined as: "the acceptance and belief by local communities in the value creation of your activities."

Having a "social license" from the local community is increasingly being seen in the corporate world as one of three essential "licenses to operate" – economic, legal and social. A series of damaging encounters between large corporations and civil society, caused by corporate misunderstandings of their social license has led to a rethinking of the concept in the corporate world. The initial concept of social license arose in the mining industry where hostile local communities on occasion have led to the eventual closure of controversial ventures.

A social license is based on the beliefs, perceptions and opinions of the local community; it is granted by the community (in other words, a network of stakeholders); and is intangible, dynamic and non-permanent – a social license is subject to change as new information is acquired. Essentially, a social license has to be earned by a port and then maintained through constant vigilance and community involvement. A social license reflects the community's desire for a measure of control over its own future. In other words, the community often wants to participate in the port's development. A social license to operate is a form of constructive engagement in which the port and its stakeholders work together to achieve mutual goals.

Ports interact with their host communities in many ways. The waterfront is an increasingly attractive asset for urban development and recreation. Providing public access to the waterfront has become contentious in today's era of increased port security. Thus there is a need for good relationships to deal with public access to the waterfront, recognizing the many restrictions arising from the implementation of the IMO's International Ship and Port Security Code to which all Canadian ports are mandated to adhere. Communities often seek waterfront access for parks and trails along with residential and retail commercial use, all of which can conflict with the port's security requirements and its ongoing marine operations.

Obviously appropriate steps are needed to minimize the problems that ports create for their local communities, but there must also be recognition by the community of the port's economic contribution through PILT payments (property tax contributions), employment and purchasing local goods and services. Effective port-community communications and interaction along with respect and appreciation of their mutual needs and desires help ports to maintain their social license.

There are many reasons for ports (as well as other firms) to seek a social license from their host community. From a financial perspective, community opposition to a port project can generate uncertainty and risk, which in turn can lead to higher borrowing costs. During construction, blockages by irate community members, work stoppages and lawsuits can all lead to delays and potentially costly overruns. Continued community opposition to the ports' cargo-handling operations can detrimentally effect productivity and lead to further costs. Finally, community concerns can impact the port's reputation with negative long-term implications for its international marketing and development initiatives.

Given the importance for Canadian ports to seek social licenses from their host communities, what steps are they taking? A brief survey of some of the port initiatives across the country provides a sample of some of the positive steps being taken.

- Prince Rupert Port Authority has established a Community Investment Fund providing financial support for projects to enhance quality of life or contribute to a lasting legacy. In 2011, the Port provided \$475,000 for various projects including: the marine rescue society, landscaping in Prince Edward, upgrading the Lester Centre for the Arts, and the Prince Rupert Library.
- Nanaimo Port Authority provided community access on the Fisherman's Pier as well as contributing \$1 million to the new Port Theater on the waterfront.
- Port Metro Vancouver (PMV), Canada's largest port interacts with sixteen municipalities and several First Nations. PMV has taken a proactive role with a staff of ten in its Community Relations Department. In 2008, PMV initiated a First Nations Engagement Strategy to develop long-term relationships around port-related business. This strategy included enhancing the Port's understanding of First Nations' historical use of land, creating transparency to develop trust and establishing a formal and flexible consultation process. From an education perspective, PMV provides scholarships and bursaries, and supports a high school leadership program in the Port. PMV also supports a wide range of community events and initiatives (between 60 and 75 annually) and a variety of community-based environmental programs.
- Greater Victoria Harbour Authority has faced challenges from neighborhood opposition to the many buses carrying cruise passengers to area destinations. The Harbour Authority's response was to shift to bio-diesel buses to mitigate air pollution.
- Hamilton Port Authority has worked with its host communities in developing wildlife parks and providing waterfront space for a marine museum and a berth for the historic HMCS Haida.
- Port of Sept-Îles became the first port in North America along with all its partners, including terminals and users, to participate in the Green Marine environmental program. The port has also taken proactive steps to engage with its First Nations community providing them with a park and dedicated space on the waterfront.
- Saint John Port Authority has been an active participant with Saint John Waterfront Development in developing a walking trail around the inner harbour as well as supporting many community initiatives.
- Halifax Port Authority's (HPA) Seaport provides both a cruise terminal for the many thousands of passengers visiting the City and a destination for residents and tourists. HPA's Seaport consists of exhibition space, public spaces, museums, cafes, offices and retail space. In addition, HPA is an active member of its community donating time, expertise and financial support to a wide range of community organizations such as charities, cultural groups and skills-development organizations. Following a survey of employees and other stakeholders in 2009, HPA focused its community investment program in three areas: arts and culture, the environment and port-related activities.
- St. John's Port Authority's (SJPA) annual Harbour Lights fundraiser supports the School Lunch Association in eleven local schools. As well the SJPA provides annual scholarships across the province and hosts a wide range of local events such as providing a unique backdrop for musical events, television broadcasts and film shoots.

It is apparent from the Canadian ports sample, that our ports are aware of their need to develop and maintain their social license from local communities and are taking a varied range of steps to accomplish this goal. But are these steps appropriate?

In their seminal paper in the Harvard Business Review, Michael Porter and Mark Kramer examined corporate social responsibility and business strategy. They suggest corporate social responsibility is comprised of four elements: moral obligation, sustainability, license to operate, and reputation. Moral obligation involves ports having a duty to be good citizens and "do the right thing"; in other words, honoring ethical values and respecting people, communities and the natural environment. Sustainability reflects the so-called triple bottom line – economic, social and environmental performance. Seeking a license to operate is more pragmatic as ports identify social issues of concern to stakeholders and enter into constructive engagement with governments, communities and activists.

Overall, Canadian ports are actively contributing to, and interacting with their local communities. These positive steps help to maintain their social license to operate. However, ports need to evaluate their community involvement from the perspective of shared values. As Porter and Kramer suggest, "the essential test ... is not whether a cause is worthy but whether it represents an opportunity to create shared value – that is a meaningful benefit for society that is also valuable to the business."

Canadian federal ports have many stakeholders besides their principal shareholder, the federal government. Their stakeholders include various levels of governments and First Nations, a wide range of tenants, different users including intermodal transportation firms and their customers, and various interest groups and the general public.

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