

STRUCTURES
OF
CROWN CORPORATION ADMINISTRATION:
A COMPARATIVE PERSPECTIVE

by

Raymond L. F. Kunce

A Practicum Submitted in
Partial Fulfillment of the Requirements
for the Degree,
Master of Natural Resources Management

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ABSTRACT

Structures of public enterprise administration deal with the relationships between Crown corporations, governments as owners and legislatures. Different jurisdictions tailor these structures to their particular needs in an effort to provide a comprehensive approach to the supervision of Crown corporations.

Effective decision making and accountability were treated as being fundamental to efficient and effective public sector management. Most importantly, they were identified as important concepts in the administration of public enterprises in all jurisdictions.

The administrative structures employed in five jurisdictions were examined. Each was described in the context of a before and after situation. The purpose was to identify the principal mechanisms determining the relationship between governments and their public enterprises and thereafter described the modifications a particular jurisdiction implemented. The jurisdictions examined included Saskatchewan, Canada, the United Kingdom, Australia and Manitoba. Particular reference was focussed on Manitoba, which was assessed in light of the experience of other jurisdictions.

A number of common trends and mechanisms employed in public enterprise administration were identified. Among them, corporate planning was emphasized as an important device that would significantly contribute to effective decision making and accountability in Manitoba's corporate sector.

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Chapter I
THE STUDY PROPOSAL

1.1 INTRODUCTION

Manitoba's first Crown corporation, Manitoba Telephone System, was established in 1908. Since that time a number of important Crown corporations have been acquired or established in Manitoba's public sector to fill a variety of policy needs. Under Manitoba's current New Democratic Party government, Crown corporations are seen as central to the economic development of the province.

In 1982, the Government of Manitoba stated that it would be responding to growing economic problems of unemployment and lack of investment with a commitment to use its Crown sector to spark economic activity and private investments.¹ Hence, the government determined that there was a need to stimulate the provincial Crown corporations by providing more effective direction. The Department of Crown Investments was established to carry out this endeavor.

The mandate of the Department of Crown Investments reads as follows:

To ensure, through effective two-way communications, that the Crown corporations develop and implement strategies which reflect government policies.²

¹ Speech from the Throne, Manitoba Legislative Assembly Debates, Feb., 25, 1982, p.3.

The purpose of the department was stated as being to improve upon the financial administration of Manitoba's Crown corporations and to ensure the most effective utilization of public investments.³ Together, the nineteen Crown corporations under the purview of the Department of Crown Investments have accumulated over \$4.7 billion in assets and in fiscal 1985-86 generated over \$1.7 billion in revenues.⁴ These corporations are involved in most sectors of the economy including utilities, manufacturing, finance, resources and tourism.

One of the priorities of Crown Investments was to strengthen the interface between the Crown corporations and the Manitoba government. However, the type of Crown sector administrative structure or organization chosen will alter the relationship between the government and its Crown corporations and can significantly affect the policies of the corporations. Therefore, research concerning various administrative structures and frameworks employed in several jurisdictions may significantly contribute to an understanding of the Government's objective.

² Manitoba, Department of Crown Investments, Annual Report 1985-86, p.8.

³ Hon. W. Parasiuk, Supply Estimates -- Department of Crown Investments, Manitoba Legislative Assembly Debates, May 31, 1982, p.2866.

⁴ Manitoba, Department of Crown Investments, p.8.

1.2 SCOPE OF THE STUDY

The intention of this study is to describe and discuss the various administrative structures and frameworks employed in several jurisdictions to oversee the performance and activities of public sector corporations. Crown corporation administration in Manitoba is then reviewed in light of efforts in other jurisdictions. The jurisdictions reviewed in this comparative analysis include the Provincial Government of Saskatchewan, and the Federal Governments of Canada, the United Kingdom and Australia. The study concludes with observations respecting the present framework of Crown corporation administration in the Province of Manitoba.

1.3 OBJECTIVES OF THE STUDY

The primary purpose of the study is to provide Crown Investments' officials and Ministers of the Crown with a comparative description of the administrative structures and frameworks developed by other governmental jurisdictions.

The specific objectives are:

1. to determine the major issues and problems respecting the administration of Crown corporations;
2. to describe the administrative structures employed in Saskatchewan, Canada (federal), the United Kingdom, and Australia;

3. to review and discuss the administrative structures employed in Manitoba; and
4. to provide observations and conclusions with specific reference to the efficacy of the present administrative structure in Manitoba.

1.4 METHODOLOGY OF THE STUDY

A comparative perspective will provide Crown Investments' officials with a comprehensive overview of differing structures with respect to the administration of public sector corporations.

The comparative method is a broad-gauge method used as a procedure for discovering empirical relationships among variables,⁵ as it allows for the examination of similarities and differences between relevant instances.⁶ It is a method of logical analysis, and consequently a nonstatistical method.⁷ Thus,

(1)it does not work with samples or populations but with all relevant instances of the phenomenon of interest, and (2)the explanations that result from applications of the comparative method are not probabilistic explanations; rather, they are determinate explanations because every instance of a particular phenomenon is taken into account."⁸

⁵ Lijphart, "Comparative Politics and the Comparative Method," American Political Science Review, Vol. LXV, 1971, p.683.

⁶ Ragin, "Comparative Sociology and the Comparative Method," in Armer and Marsh, (eds.), 1982, p.111.

⁷ Ibid.

⁸ Ibid.

One drawback of the 'logical method' is its insensitivity to the relative distribution of cases,⁹ in that each configuration of conditions is considered equal in the comparative method. However, "an application of the statistical method might obscure the existence of the less frequent configuration."¹⁰

Other experts view the comparative method as being similar to the statistical method. No clear dividing line exists between the comparative and statistical methods; "the difference depends entirely on the number of cases."¹¹ The comparative method may be considered inferior or weaker than the statistical method; however, given certain limitations such as time, energy and financial resources, "an intensive comparative analysis of a few cases may be more promising than a superficial statistical analysis of many cases."¹²

Ragin would argue that the comparative method is qualitatively different and superior to the statistical method in several respects:¹³ First, the statistical method is not configurational, it is a variable based method and difficult to use in a case based manner. Second, the comparative method produces explanations that account for every instance of a particular phenomenon. Third, the

⁹ Ibid., p.112.

¹⁰ Ibid.

¹¹ Lijphart, "Comparative Politics and the Comparative Method," p.684

¹² Ibid.

¹³ Ragin, pp.112-113

boundaries of a comparative analysis are set by the investigator; he/she does not have to have a sample of a particular population to perform statistically significant tests. Finally, the statistical method forces an investigator to become familiar only with correlations between variables, while the comparative method forces the investigator to become familiar with the cases relevant to the analysis and to focus on the differences and similarities between cases.

The reason for using the comparative method in this study lies in its ability to compare and contrast specific alternatives.

1.5 SOURCES OF INFORMATION

An extensive literature review was conducted. Information gathered from the Provincial Governments of Manitoba and Saskatchewan, and the Federal Government of Canada included:

- Hansard (budget addresses, Throne speeches, and ministerial statements);
- Press releases of lead departments;
- Pertinent legislation;
- Orders-in-Council;
- Archival material;
- Research papers.

Corporate heads and responsible ministers were interviewed and contacted by correspondence to obtain annual reports and organizational charts.

Information from the United Kingdom and Australia was obtained by correspondence with the Consulates of these Governments and directly from government departments and public enterprises.

1.6 DEFINITION OF TERMS

- Accountability: the obligation of governments to disclose the degree of success or failure of Crown corporations in achieving their mandates: involves a chain of reporting up the hierarchy of organizational levels -- from the board of directors, to the responsible minister, to cabinet and to the legislature.

- Administrative structure: the relationship between Crown corporations, the government as owner and the legislature. The study does not concern itself with the internal structures of individual corporations.

- Crown corporation: a 100% wholly-owned government business enterprise.

1.7 DELIMITATIONS OF THE STUDY

The intention of the study is to provide a comparative description at a broad level. It is not intended to yield a detailed explanation of how each jurisdiction functions. The principal mechanisms of a particular system of administration form the central focus of the study. Major emphasis is placed on the relationship between governments and their Crown corporations as described by the mechanisms identified.

Chapter II

DECISION MAKING AND ACCOUNTABILITY

2.1 INTRODUCTION

The following chapter provides a basic description of the issues respecting Crown corporation administration. Subsequent sections include discussions on decision making and accountability in the public sector, a brief contrast between Crown corporations and government departments, the major issues and problems in Crown corporation administration and a description of various administrative models employed in Crown corporation administration.

2.2 DECISION MAKING

Simply stated, decision making "is the process of choosing one course of action from among the choices available."¹⁴ Authors such as James Anderson, Charles Lindblom and Amatai Etzioni propose various theories of decision making that focus on the activities involved in making a decision.¹⁵ Felix Nigro proposes three basic steps in the decision making process:

¹⁴ Richardson and Baldwin, "Decision Making" in Kernaghan, K. (ed.), 1982, p. 131.

¹⁵ see Adie and Thomas, Canadian Public Administration: Problematic Perspectives, 1982., pp.96-100.

First, the individuals concerned must become aware of as many of the different behavior alternatives available to them as possible. Second, they must analyze each alternative in terms of the possible consequences if adopted. Third, after weighing the advantages and disadvantages of the possible courses of action, they must choose one of them - in other words, make the decision.¹⁶

The decision making process is influenced by various factors, such as access to information, personality, background and the previous training of the decision maker.¹⁷ However, with respect to organizational decision making, the process becomes even more complex. Decision makers, in this case, are not only influenced by the factors mentioned above, but also by various actors from both inside and outside of the organization who may be affected by the decision.¹⁸

Decision making is significantly facilitated if certain conditions are present, such as competent people to make decisions, goals that are clearly identified, and an organizational structure that provides a clear understanding of responsibility for decisions.¹⁹ Moreover, decision making can be a relatively quick procedure if the decision maker is close to the action. In a corporation, for example, a board of directors adopts strategies developed by senior management; "this is a simple and speedy process involving few people."²⁰

¹⁶ Nigro, Modern Public Administration, 1965, p.174.

¹⁷ Ibid., pp.178-179.

¹⁸ Richardson and Baldwin, p.131.

¹⁹ Koontz, O'Donnell and Weirich, Management, 7th ed., 1980, p.70.

²⁰ Garant, "Crown Corporations: Instruments of Economic Intervention -- Legal Aspects." in Bernier and Lajoie, 1985, p.12.

Relatively few actors involved in the decision making process is one of the most attractive features of a corporate structure. However, this is where a fundamental difference lies with respect to Crown corporations and their private sector counterparts. The decision making process in Crown corporations is encumbered because several 'links' are added to the decision making process. Crown corporations often must submit corporate plans, capital budgets, operating budgets, annual reports, financial statements, etc. to the government for information and approval. This process often retards the corporate decision making process.

Nevertheless, there is a rationale for the addition of 'links' in the decision making process of Crown corporations. Because Crown corporations are implemented for a public policy purpose and are usually maintained through the expenditure of public funds, citizens as their 'ultimate' shareholders²¹ must be assured that the decision makers of these instruments of government are fulfilling their intended purpose. The primary means by which this assurance may be achieved is by scrutinizing the decision makers actions; in other words, by holding them accountable for their actions.

²¹ there is some debate in Canada respecting who the shareholders of Crown corporations really are: ministers/cabinet or Parliament. In law, the Crown is owner, and therefore a minister/cabinet has the right to exercise the prerogatives of the shareholder; see Gracey, "The Real Issues in the Crown Corporations Debate," in Kernaghan, K. Public Administration: Selected Readings, 5th ed., 1985, pp.135-136.

2.3 ACCOUNTABILITY

Responsible government is based on a working principle of accountability. It is a critical concept in a parliamentary democracy because accountability is a means of protecting the governed "from the arbitrary use of power by the governors."²² The system of accountability is intended "to hold a clearly identifiable group of elected politicians responsible for the ways and ends to which the coercive power of the state is applied."²³

Frederick Mosher likens accountability to what he defines as objective responsibility, "the responsibility of a person or an organization to someone else, outside of self, for some thing or some kind of performance."²⁴ While Mosher's definition is generally intended to be applied to public service employees who have an administrative responsibility to political and administrative superiors, it applies equally to elected officials who have a political responsibility to the electorate. Ministers (individually and/or collectively) are ultimately accountable to the public in the sense that it is an obligation of their tenure in office, to disclose both the success and failure of actions performed or ends pursued. In practise, however, success explains itself but failure must be accounted for.²⁵

²² Adie and Thomas, p.261.

²³ D'Aquino, Doern, and Cassandra, Parliamentary System of Government, 1979, p.33.

²⁴ Mosher, Democracy and the Public Service, 1965, p.7.

²⁵ Vickers, "The Accountability of a Nationalised Industry," Public Administration, Vol.30, 1952, p.72.

In theory, the primary forum in which the government is held accountable is the legislature, which represents the whole community. The legislature has the right to ask specific questions and to elicit information concerning the government's actions and decisions respecting policies and programs. However, as government activities grow larger in size and more complex in responsibilities,

enforcing accountability ... is becoming increasingly difficult. The decision making process in government is often so lengthy and complicated that it is difficult to single out those individuals who should be held accountable for specific recommendations and decisions.²⁶

The challenge to government with respect to Crown corporation administration is to develop an administrative system that will provide a balance between accountable government and effective corporate decision making. The issue of Crown corporation accountability, however, is more complex than merely devising a balance between accountability and corporate autonomy. The following specific questions must be answered: who is accountable by whom; to whom; for what; over what period of time; and with what consequences for whom.²⁷ Authority and responsibility to make decisions must be clearly delineated in a public and consistent manner if the system of accountability is to be credible, such that the participants are obliged to pay attention to their respective duties and responsibilities.

²⁶ Kernaghan, "Changing concepts of power and responsibility in the Canadian public service," Canadian Public Administration, Vol. 21, 1978, p.399.

²⁷ personal communication, Paul Thomas.

2.4 IMPLEMENTING PUBLIC POLICY

This section focuses on two aspects of the public sector, namely Crown corporations and government departments. It is intended to provide a basic description of each to ensure an understanding of the major differences between these organizations in terms of decision making.

2.4.1 Crown Corporations

Crown corporations are modelled on the basic organization and operating procedures of the common form of corporate organizations. In both the public and private sectors, at the peak of the corporate hierarchy is the board of directors responsible for overseeing the affairs of the corporation. In general, directors have two basic legal responsibilities:

1. they are entrusted with the management or supervision of management; i.e., subject to fiduciary duties, which is essentially a duty to exercise power honestly, in good faith and in the best interests of the corporation.
2. they must exercise care and skill in managing the affairs of the corporation of which they are directors.²⁸

The general function of a board member is to direct the affairs of the organization in such a way as to effectively move toward the achievement of the objectives of the corporation. The board of directors is the supreme decision center within the corporate

²⁸ Co-operative College of Canada, Seminar Material.

structure and concerns itself mainly with "idea" decisions.²⁹

The board of directors monitors the performance of the chief executive officer (CEO), who in turn supervises the management and staff of the corporation. The CEO is the top decision centre for operations and is responsible for decisions made in realizing the objectives and policies of the corporation. A CEO's responsibilities include: coordinating personnel to execute policies; proposing goals in terms of specific quantity and time of achievement; and making decisions involving intermediate and short-term commitment of resources and the organization and control of those resources.³⁰ Essentially, the CEO's functions can be identified as planning, staffing, direction, and control.³¹

Unlike a private sector corporation, a Crown corporation has a minister responsible for the corporation who acts as the trustee shareholder for the public at large. The responsible minister is the main link between a Crown Corporation and the government, and the legislature. Ministerial authority over a Crown corporation may include:³² appointment and dismissal of members of corporate boards and the chief executive officer; issuance of ministerial directives; approval or veto of certain corporate actions (mainly financial); and requesting specific information. (The doctrine of ministerial responsibility will be discussed in the following section).

²⁹ Ibid.

³⁰ Ibid.

³¹ Dale, Management: Theory and Practice, 4th ed., p.4

³² Musolf, Public Ownership and Accountability, 1965, pp.41-42.

A common feature of both public and private corporations is the statement of the corporation's financial position (or balance sheet). It is a summary of assets owned by the corporation, its known liabilities, and the owner's equity (or the net worth) of the corporation as of the end of its fiscal year.³³ Crown corporations have balance sheets because they are separate from the rest of government. Thus, they must submit a statement of their financial position to their shareholders -- ultimately the electorate -- to allow them to see what has been achieved in the organization over a period recently passed.

2.4.2 Government Departments

In Manitoba, departments are either created under an individual act, such as the Department of Agriculture Act, or pursuant to the authority of the Executive Government Organization Act. A minister is appointed to be in charge of a government's actions. These actions are then consolidated into a department. The minister functions as the formal head and is responsible for the actions of both the department and departmental officials.

The administrative head of the department is the deputy minister. He/She is appointed by order-in-council and holds office "at the pleasure" of the government. The deputy minister performs two main functions: policy advisor and manager (in general, the former takes precedence over the latter).³⁴ As senior departmental advisor, the

³³ Prather, Financing Business Firms, 4th ed., 1966, p.33.

³⁴ Adie and Thomas, p.126.

deputy minister acts as the link in the transmission of policy information between the staff of the department, and the minister and cabinet. He/She is expected to explain and interpret the advice transmitted to the minister. The deputy minister also functions as the manager of the department and therefore must plan, direct, and control the department.³⁵

The principal difference between a Crown corporation and a government department is that, in a Crown corporation, the board of directors manages resources separate from ministerial day-to-day interference, while deputy ministers are not separated from this ministerial prerogative.

Furthermore, with respect to the choice of strategies in the respective decision making processes, government departments "must operate in a complex participatory structure (including intergovernmental committees, interdepartmental committees, meetings or hearings with interest groups)."³⁶ While Crown corporations are often subject to ministerial directive power and required to submit budgets and plans for approval, the choice of strategies usually involves relatively few actors, the senior management and the board of directors.³⁷

³⁵ Van Loon and Whittington, The Canadian Political System, 3rd ed., 1981, p.564.

³⁶ Garant, in Bernier and Lajoie, p.12.

³⁷ Ibid., p.12; this difference seems to be disappearing as Crown corporations are brought into the complex web of relationships and accountability requirements (personal communication, Paul Thomas).

2.5 CROWN CORPORATIONS: ISSUES AND PROBLEMS

The dilemma of public enterprise administration is the balancing of the need for both accountability and some measure of corporate autonomy. What constitutes an appropriate balance between these two values is at the center of most debates concerning public sector corporations.

Those who advocate a strong measure of corporate autonomy for Crown corporations hold that the corporation should be completely free from ministerial/political interference in its operations. According to this point of view, the government as owner is to be represented by a strong and independent board of directors and management. Ministerial responsibility to the legislature remains, but ministerial control must be limited to the setting of broad policy and direction.

The opposing view, emphasizing accountability, holds that the government as owner should be held accountable for all major decisions concerning both policy and operations. The government as a responsible owner is to have an increased role, providing direction to the Crown corporations to ensure that they pursue their public policy objectives in a responsible manner. This view implies that ministerial responsibility is maintained by direct ministerial involvement in the operations of the corporations.

Respecting both Crown corporations and departments, the doctrine of ministerial responsibility is central to accountability in a parliamentary system of government. The doctrine applies to

ministers individually as well as collectively, in which the cabinet as a whole is responsible for the overall performance of the government. A minister appointed responsible for a department is accountable to the legislature for the actions of that department. In its purest sense, the doctrine implies that the minister is responsible even if he/she does not have prior knowledge of departmental actions; providing the public servant acted within the policies of the department. The doctrine implies that, if a grave error is committed by the minister or his/her department, the minister must resign.

Thus far, the discussion has focused on the doctrine of ministerial responsibility with respect to government departments. If the doctrine of ministerial responsibility is applied to Crown corporations, one would assume that the minister must be responsible for the management and direction of the financial and human resources for the corporation, as he/she would be for a department. However, in employing the corporate form, a government takes "advantage of the autonomy, flexibility and special skills that have made the private sector corporation the successful entrepreneurial instrument it can be."³⁸ Thus, direct ministerial involvement in the corporation could undermine the original rationale for establishing a Crown corporation. As Lord Morrison stated,

If we establish the public corporation, it must be for certain reasons. What are they? They are that we seek to combine the principle of accountability ... with the liveliness, initiative, and a considerable degree of the freedom of a quick-moving and progressive business

³⁸ Royal Commission on Financial Management and Accountability, Final Report, 1979, p.330.

enterprise. Either that is the case for the public corporation, or there is no case at all.³⁹

Undue corporate autonomy can, however, lead to a lack of accountability and corporate performance. In 1976 the Auditor General reported to the House of Commons that the financial control and management of Canadian Crown corporations was "weak and ineffective"; that coordination and guidance of corporate performance by central government agencies was "virtually nonexistent"; and that Parliament was presented with "incomplete and fragmented" financial plans and reports.⁴⁰

In 1977 the Manitoba Task Force on Government Organization and Economy concluded that there had been an "erosion of accountability with respect to the operations of some of the Crown corporations in Manitoba" and proposed a number of recommendations to help "resolve the problems of control, responsibility and accountability."⁴¹

In 1977 the Privy Council Office of the Government of Canada published a set of reforms (the "Blue Paper") which were not intended to reduce corporate autonomy, but rather to "to clarify roles and in so doing make effective systems of accountability and performance measurement easier to devise and administer."⁴²

³⁹ Quoted in Garant, in Bernier and Lajoie, p.1.

⁴⁰ Adie and Thomas, p.282; see Canada, Report of the Auditor General to the House of Commons, March 31, 1976, Chapter 5, pp.49-60.

⁴¹ Manitoba, Report on Government Organization and Accountability, Vol.II, p.148.

⁴² Canada, Privy Council Office, Crown corporations: Direction, Control and Accountability, 1977, p.45; (henceforth cited as the 'Blue Paper').

In 1986 the Australian government published a discussion paper on proposed guidelines for Australian public corporations. The discussion paper reiterated that some degree of corporate autonomy is implicit in the rationale for establishing public enterprises:

Government departments are the primary mechanism for the implementation of Government policy. They are subject to direct ministerial direction. But there are reasons for looking beyond the departmental system for the delivery of some publicly-provided services. In order for commercial and some other services to be delivered effectively and efficiently they must be free of the day-to-day control of Ministers and indeed, of government departments.⁴³

2.6 ADMINISTRATIVE MODELS

With respect to the relationships between Crown corporations and their respective governments, three general models of Crown corporation management and accountability exist: holding companies; central agencies; and de-centralized models. Each model serves the purpose of overall policy coordination for a jurisdiction's Crown corporate sector. The models, however, are not definitive and a combination or variation of each may be employed in a particular jurisdiction.

2.6.1 Holding Companies

A Crown corporation may be established as a holding company responsible for all or a portion of a government's corporate investments. For example, the Crown Investments Corporation of Saskatchewan is a provincially-owned holding company responsible for

⁴³ Australia, Proposed Policy Guidelines for Statutory Authorities and Government Business Enterprises: An Overview, June 1986, p.3.

overseeing the government's commercial Crown corporations. Stephen Brooks identifies three alternative forms of the state holding company concept employed in various Canadian and European jurisdictions.⁴⁴ Type I is intended "to facilitate government control of public enterprises"; Type II is directed toward "the competitive rehabilitation of commercially oriented enterprises ... and the return of these corporations to the private sector"; and Type III is generally intended to "operate as a major deliberate instrument in industrial development."⁴⁵

The primary purpose for utilizing a state holding company (Type I) is to ensure that tight managerial procedures and centralized decision making exist. The holding company has prerogative over the subsidiary corporations to assure compliance with government policies throughout the corporate sector.

2.6.2 Central Agencies

Central agencies, unlike holding companies, remain within the realm of government bureaucracy. They may take the form of a government department, such as the Department of Crown Investments or a more authoritative role as the Treasury Board Secretariat of the Government of Canada. In the context of this study, a central agency provides information and an overview function respecting Crown corporation activity, direction and future financial plans.

⁴⁴ Brooks, "The State as Entrepreneur: from CDC to CDIC," Canadian Public Administration, Vol.26, 1983.

⁴⁵ Ibid., p.541.

They examine proposed spending plans and keep under constant review the development of approved programs to ensure effective expenditure management.

The purpose of a central agency is to have a focal point for information between the corporations and government whereby uniform policies and decision making procedures can be maintained.

2.6.3 De-centralized Models

The third general form of administrative structure is characterized by the lack of a formal coordinating organization. In this case, neither a holding company or a central agency exists. Information is not transmitted to a central organization. The minister responsible for a Crown corporation reports on the activities of the corporation to cabinet and the legislature. Formal links that exist between the Crown corporations and the government are often secondary to the 'informal' links due to the recognition of the diversity among Crown corporations.

Furthermore, it is possible for a minister's department to play a role in holding the Crown corporations accountable. The 'sponsoring' department could assist the minister by providing advice on policy matters and major issues as well as providing assistance in the surveillance of the activities of the corporations under the minister's purview.

The purpose of the de-centralized model is to promote individuality and non-conformity with respect to the responsible

minister's involvement in the corporation's affairs. Emphasis is placed on individual ministerial prerogative in overseeing the activities of the corporation.

Chapter III

ADMINISTRATIVE STRUCTURES IN VARIOUS JURISDICTIONS

3.1 SASKATCHEWAN

3.1.1 Introduction

The Co-operative Commonwealth Federation (CCF) came to power in 1944 with the expressed intention of using Crown corporations as instruments of public policy. Due to the relative increase in new Crown corporations, immediate attention was given to the questions of administrative and structural relationships.⁴⁶ The system put in place was comprised of four elements: a general Crown corporations statute; the practice of having cabinet ministers serve as chairmen of the boards of directors; a Crown holding company; and a legislative standing committee on Crown corporations.⁴⁷

Although the four basic elements of the Saskatchewan approach were modified to some extent throughout the 1950's - 1970's, they remained as the basic framework for Crown corporation administration until the election of the Conservatives under Grant Devine in 1982. In that year, the Devine government appointed the Crown Investments Review Commission (Wolff Commission) to review the Crown corporation sector in Saskatchewan. A series of new policy initiatives followed

⁴⁶ Maclean, Public Enterprise in Saskatchewan, Revised Ed., 1981, p.8.

⁴⁷ see Ibid., pp.8-10.

the submission of the Wolff Commission Report.

3.1.2 Pre-Wolff Commission

The updated Crown Corporations Act, 1978 (first passed in 1947) established the Crown Investments Corporation (CIC) as the successor to the former Crown holding company, the Government Finance Office. The CIC operated as a financial holding company for the province's commercial Crown corporations, receiving broad policy direction from the cabinet's Planning Committee. It functioned as a committee of cabinet, as the board was comprised of cabinet ministers, primarily those responsible for the larger corporations.

The CIC provided an overview function for the provincial government. Its primary concerns were questions of broad policy and the magnitude of total capital expenditures. Hence, the main mechanism of policy control was the requirement that capital development proposals and strategic plans of all subordinate corporations be subject to CIC approval and ultimately, cabinet's approval. In addition, the CIC provided a coordinating and advisory service to the corporations. The CIC staff were consulted in the preparation of capital budget proposals and sat on the boards of the individual corporations, usually holding the position of corporate secretary. Larger corporations also had senior CIC staff serve as a full member of the board. Advice and assistance was provided on an informal basis in such areas as industrial relations, accounting policies and legal matters.

Maclean noted that the CIC had three major roles. It acted as an umbrella corporation for the commercial Crown corporations; 2) managed the equity shareholdings of the government in outside companies; and 3) undertook a project management role in provincial economic development.⁴⁸

The Board of the CIC reported directly to cabinet, whose powers included the appointment of the boards of directors, the chairmen (the minister responsible for the corporation) and the vice-chairman as well as the authority to issue policy directives to the corporations. Although the boards of the Crown corporations were responsible for hiring the chief executive officers, the CIC and cabinet also played a role in their selection.⁴⁹

Subordinate Crown corporations are required to submit capital budgets, corporate plans and operating budgets (the latter for information only) to the CIC. They also submit annual reports and financial statements to the responsible minister, who in turn, tables the documents before the Legislature. The annual reports and financial statements of the corporations are automatically referred to the Select Standing Committee on Crown Corporations (established in 1946). The Crown Corporations Committee has full rights of scrutiny over these documents. In addition, it reviews past and current operations of the corporations referred to it and answers all questions of information raised in the Legislature.

⁴⁸ Ibid., p.16.

⁴⁹ Canada, Treasury Board, 1984, p.20.

The boards of directors of Crown corporations are responsible for the management of the affairs and business of the corporations, and may establish executive and advisory committees at their discretion. Most of the larger corporations have established audit committees. The Crown corporations are audited either by a private auditing firm or by the Provincial Auditor (in the case of the latter, the corporations are charged for audit services). The Auditor has the right to receive any information he determines necessary to perform his duties.

The structure which developed in the Saskatchewan approach is clearly reflected in the thoughts of Allan Blakeney:

If we grant that policy matters must be controllable by the political heads, and if we grant that policy matters and administrative matters are merely two ends of the same stick, then it appears likely that the degree of policy and indeed of administrative independence is determined not so much by the corporation structure as by the political considerations in the mind of the responsible minister and his colleagues.⁵⁰

Consequently, the intent of the holding company was to exercise control, and ...

(the) degree of independence given to the corporations was that which was considered by the Cabinet as likely to give the responsible minister the best opportunity to administer the operation efficiently under his personal direction.⁵¹

⁵⁰ A.E. Blakeney quoted in Maclean, p.1.

⁵¹ Ibid., p.8.

3.1.3 Wolff Commission

The election of the Conservative government in 1982 saw a shift in political philosophy with respect to the control of subordinate Crown corporations. The declared philosophy of the new government was to "depoliticize" the Crown corporate sector, "that is, to temper the close linkage between government and the corporations that had existed under the New Democratic Party government."⁵²

The Wolff Commission targeted four specific issues:

1. a functional classification of Crown corporations, the purpose of which (was) to come to terms with the mandate and objectives of each corporation;
2. the overall relation between groups of Crown corporations, on the one hand, and the Government of Saskatchewan on the other hand;
3. the financing arrangements of the Crown corporation sector, including the roles of a Crown corporation's holding company and the Department of Finance;
4. the degree and form of accountability of Crown corporations to the people of Saskatchewan through the government and the Legislature.⁵³

In summary, the Wolff Commission noted that: the operating objectives of many Crown corporations were not adequately defined; the CIC and its politically oriented board of directors had a disproportionate amount of power, and thus, had significant influence over the operations of its corporations; and that increasing amounts of public funds were directed into Crown

⁵² Canada, Treasury Board, 1984, p.16.

⁵³ Saskatchewan, Report of the Crown Investments Review Commission, Regina: 1982, p.1.

investments with minimal dividends.⁵⁴

The Wolff Commission was of the opinion that the most fundamental recommendations contained in its report related to:

- a general re-ordering of corporate mandates;
- re-structuring the roles of ministers and directors; and
- specific re-definition of the central purpose of the CIC.⁵⁵

With respect to the last recommendation, the proposed re-definition of the CIC, the new direction to be taken by the holding company was that "...the primary orientation should shift from political to commercial."⁵⁶

3.1.4 CIC: 1982 to 1985 Summary

Since 1982, a number of new policy initiatives relating to Saskatchewan's commercial Crown corporations have been implemented. The operating name of the CIC was changed to the Crown Management Board (CMB), and private citizens were appointed to its board of directors. Moreover, private citizens were appointed to each Crown corporation's board of directors as chairmen and responsible ministers were moved to the position of vice-chairmen. The move was intended to reduce political interference and increase corporate autonomy. Operational and control procedures were revised and greater emphasis was placed on improving performance and future

⁵⁴ Ibid., p.22.

⁵⁵ Ibid., p.20.

⁵⁶ see R. Andrew, "Public Participation in Crown Corporations: A Saskatchewan Perspective," Newsletter, Vol. 7,2.

profitability. Pursuant to the Provincial Auditor Act of 1983, auditors are to be appointed either by the boards of the Crown corporations or by order-in-council.

Further initiatives relating to the Crown corporate sector included: the creation of the Public Utilities Review Committee; the divestiture and/or the dilution of the government's ownership in certain public and mixed corporations; and a corporate reorganization within the CMB group (see Appendix C).

The primary vehicle for depoliticizing the Crown corporations has been through "public participation" in the ownership of the corporations. In 1984, a Saskatchewan Power Corporation savings bond was issued and in 1985 a public offering of Saskatchewan Oil and Gas Corporation common and preferred shares were effected. One of the goals of public participation has been to create an "equity mentality" amongst Saskatchewan residents.

It is the expressed intention of the current Conservative government to encourage private investment and reduce government involvement in the business sector of the provincial economy. Through the CMB, the government intends to "guide and direct the province's remaining commercial Crown corporations effectively, efficiently and according to sound business principles."⁵⁷

⁵⁷ see "Vice-Chairman's Remarks", Crown Management Board of Saskatchewan, Annual Report 1985.

3.2 CANADA

3.2.1 Introduction

The relationship between the federal government and its Crown corporations has been characterized by an "arms length" relationship. Thus, the corporations are expected to operate with relative freedom from the constraints imposed upon departments and independent of anything more than broad policy direction from the government and Parliament.⁵⁸

The federal government's initial efforts to bring Crown corporations under government supervision was represented by the Financial Administration Act in 1951. The Act, however, was found to be largely ineffective in controlling the corporations as the Crown sector grew both in size and scope. Amendments incorporated into the legislation in 1984 were intended to provide a more comprehensive approach to the control and supervision of federal Crown corporations.

3.2.2 The Financial Administration Act 1951

The Financial Administration Act, in its entirety, encompassed all of the federal governments financial systems and arrangements. In particular, Part VIII attempted to gain control and direction over Crown corporations and to provide a more formal means of monitoring their performance. Crown corporations were categorized according to two criteria: the general purpose for their creation;

⁵⁸ Gracey, "Public Enterprise in Canada" in Public Enterprise and the Public Interest, A. Gelinis (ed.), 1978, p.133.

and their degree of financial independence from parliamentary appropriations. The classification scheme was threefold: departmental (Schedule B); agency (Schedule C); or proprietary (Schedule D). Departmental corporations were similar to line departments, in that the minister or cabinet exercised close and continuous control. They were the least financially independent from parliamentary appropriations. Proprietary corporations were commercial in nature and were expected to be financially self-sustaining, operating without parliamentary appropriation. Agency corporations lie between the two extremes of financial independence and act as agents of the Crown in a quasi-commercial basis in areas such as trading, service and disposal operations.

Over thirty Crown corporations existed at the time; some of which were not listed in the schedules and, consequently, were not subject to the FAA. While others, which were listed, were subject to the FAA only to the extent that they did not conflict with the acts under which they were created or operated.⁵⁹

The Act provided that both Schedule C and Schedule D corporations annually submit capital budgets to be approved by cabinet on the recommendation of the minister responsible, the Minister of Finance and the President of the Treasury Board, after which they were to be tabled in Parliament. Furthermore, Schedule C corporations were required to submit annual operating budgets for the approval of the minister responsible and the President of the Treasury Board.

⁵⁹ Balls, "The Financial Control and Accountability of Canadian Crown Corporations.", Canadian Public Administration, Vol.31 (Summer 1953), p.132..

Ministerial powers were often subject to the approval of cabinet and included the appointment and dismissal of the directors and chairmen of the boards and the chief executive officers as well as the power to issue policy directives. In addition, cabinet was responsible for appointing the auditor for each Schedule C and Schedule D corporation, provided the incorporating legislation did not contain a provision for the appointment of an auditor. Consequently all audits were either performed by the Auditor General, a private auditing firm or both.

The annual report of each Crown corporation, including the financial statement and the auditor's report, were submitted to the minister responsible, who in turn was required to table the document before Parliament.

As the size and diversity of the Crown corporate sector grew, many observers argued that Part VIII had become largely ineffective in regulating the corporations. Throughout the 1970's deficiencies in the Crown sector were addressed by a number of reports and studies.⁶⁰

Although there had been unsuccessful attempts to rectify the shortcomings of the FAA in the past - Bill C-27 in 1979 and Bills C-123 and C-153 in 1982 - it was not until March 1984 that legislation concerning the financial administration of federal Crown corporations was tabled in the House of Commons.⁶¹

⁶⁰ see the Auditor General's Report, 1976; Privy Council Office's 'Blue Paper'; and Royal Commission on Financial Management and Accountability.

3.2.3 Amendments to the FAA: Bill C-24

Bill C-24 received Royal Assent on June 29, 1984, and allowed for Part VIII of the FAA to be replaced by a new Part XII. The amendments were intended to establish a comprehensive framework for the control and accountability of federal Crown corporations.

Part XII classifies Crown corporations into three categories: Schedule B; Schedule CI; and Schedule CII. Schedule B corporations are treated similar to departments of government. Schedule CII corporations are largely financially self-sustaining and compete to some degree with the private sector. Schedule CI corporations are those corporations which do not fall within either the 'B' or 'CII' classifications.

All Crown corporations must annually submit:

- corporate plans (noting specifically their borrowing requirements) to the minister responsible;
- capital budgets and operating ('CI' corporations only) budgets to the minister responsible;
- annual reports to the minister responsible and the Treasury Board; and
- any information requested by the minister responsible and the Treasury Board.⁶²

⁶¹ Gracey, "The Real Issue in the Crown Corporation Debate," in Kernaghan, K. (ed.), Public Administration in Canada: Selected Readings, 5th edition, 1985, pp.126-127.

⁶² the following information is from Canada, A Guide to the Amendments to the Financial Administration Act in Relation to Crown Corporations, Draft No.3, August 20, 1984.

Parent Crown corporations must establish audit committees, responsible for overseeing the corporation's internal audits. In addition, the audit committee is to be responsible for reviewing and advising the board of directors with respect to the annual auditor's report, the financial statements included in the corporation's annual report and the plan and report on special examinations.⁶³

Directors are appointed and removed by the minister responsible subject to cabinet approval. Cabinet retains the authority to appoint or dismiss the chairman and chief executive officer subject to consultation with the board of directors and the minister responsible. In addition, cabinet may direct the board to make, amend or repeal by-laws and issue directives to the corporations, on the recommendation of the minister responsible after consultation with the board of directors.

Part XII also seeks to enhance parliamentary scrutiny over federal Crown corporations:

- parliamentary approval is required to create or dispose of parent Crown corporations;
- Treasury Board's quarterly and annual reports on Crown corporations are to be tabled in Parliament;

⁶³ special examinations are to be carried out at least every five years, and are to determine whether systems and practices were maintained in a manner that provided reasonable assurance that assets were controlled; resources were managed economically and efficiently; and operations were carried out effectively; see Soper and Moenting, "Auditing Systems and Practices Relating To Effectiveness Of Operations In Federal Crown Corporations," The Canadian Journal Of Program Evaluation, Vol. 1,2 (Oct./Nov. 1986), p.16.

- summaries of corporate plans, annual reports and budgets are to be tabled in Parliament;
- cabinet issued directives are to be tabled in Parliament; and
- all reports are automatically referred to the appropriate standing committee.

Annual reports of Crown corporations are to provide complete and accurate disclosure of information. Pursuant to Part XII, and by virtue of the Crown Corporations Annual Report Regulations, the corporations must detail certain specifications, including

- the financial statements of the corporation;
- the annual auditor's report;
- a statement on performance against objectives for the financial year;
- quantitative information respecting the performance of the corporation and any of its wholly-owned subsidiaries;
- a description of the purposes for incorporation;
- a five year historical summary of financial and other appropriate statistics; and
- a discussion of the corporation's future outlook.

The most significant change which occurred with the passing of Bill C-24 was that policy direction, control and accountability was legislated. Prior to that, the FAA addressed only issues of financial direction, control and accountability, except where the financial regime led to more effective policy management.⁶⁴ After thirty years of experience, it was deemed necessary to pass legislation to attain a greater level of accountability.

⁶⁴ see the Privy Council Office's "Blue Paper", p.13.

In May, 1984 the Canadian Government announced the creation of the Crown Corporations Directorate (CCD). The CCD serves as the focal point for Crown corporations within the Treasury Board Secretariat and the Department of Finance in the implementation of the accountability and control framework for Part XII of the FAA. The CCD is divided into three divisions:

1. Operations and Liason Division

- Responsible for monitoring Crown corporation performance and for providing advice on corporate submissions.

2. Corporate Information and Systems Division

- Responsible for maintaining a data base on Crown corporations; monitoring compliance with Part XII reporting requirements; producing Treasury Board reports on Crown corporations; and developing regulations to complement the statutory requirements of the FAA.

3. Financial Analysis and Policy Division

- Responsible for formulating, coordinating, implementing and monitoring a variety of policies with respect to the Crown corporations; the current focus of the division is the government's privatization program.⁶⁵

In 1984 the current Conservative administration established a Ministerial Task Force on Privatization and in 1986 created the Ministry of State for Privatization, which was charged with the responsibility of transferring Crown corporations to the private sector. In addition, the minister responsible for privatization was made responsible for the Canada Development Investment Corporation (CDIC), a government-owned holding company first incorporated in 1982. Crown corporations initially included in the privatization

⁶⁵ Canada, "Farm Credit Corporation: External Control and Accountability," Appendix 2.

program were primarily the subsidiaries of the CDIC, but a number of other corporations have been identified as privatization candidates.

The minister responsible has indicated that the program will proceed along a pragmatic approach whereby the final decisions on each candidate will be made on a case-by-case basis by the task force comprised of six cabinet ministers.

3.3 UNITED KINGDOM

3.3.1 Introduction

Two forms of public enterprise exist in the United Kingdom, nationalized industries and other public corporations. This section focuses on those enterprises classified as nationalized industries, "public corporations primarily engaged in industrial or other trading activities of a commercial nature and derive revenue directly from their customers."⁶⁶

Nationalization of various industries proceeded rapidly during the post-war years in the United Kingdom. Since that time, both Labour and Conservative governments have continued to increase public ownership to the extent that the nationalized industries now occupy a significant position in the United Kingdom economy.

The current Conservative government, first elected in 1979, clearly enunciated its commitment to returning state-owned enterprise to the private sector. By the end of her third term,

⁶⁶ United Kingdom, Nationalised Industries in Britain, Ref. Pamphlet 174, 1982, p.2.

Prime Minister Thatcher plans to have substantially reduced the size and number of corporations operating under public ownership (see Appendix E).

3.3.2 History

Statutory obligations spelled out in the Nationalization Acts, 1946-1949, sets the relationship between the nationalized industries (NIs) and the government.⁶⁷ Particular powers were vested in the minister responsible, as representative of the shareholder with whose department the NIs were to cooperate. Ministerial control over the NIs generally included the power to:

1. appoint and dismiss the chairmen of boards and the board members (the latter was performed, at times, in consultation with the chairman);
2. prescribe the form of financial statements;
3. appoint the auditor;
4. issue directives of a general character in the national interest; and
5. request any information about the activities of a corporation.

Nationalized industries were required to submit annual reports and financial accounts to the responsible minister, who in turn, tabled the documents in Parliament. The annual reports were to include such information as the operations of the enterprise throughout the year and any directives issued by the responsible minister. The enterprises were said to be created to serve the

⁶⁷ Kelf-Cohen, Twenty Years of Nationalisation, 1969, p.178.

public interest and were given the financial obligation to 'break even'.

The general underlying principle of NI/government relations was that the industries would operate at "arm's length" from the government with a considerable degree of financial independence.⁶⁸ The powers vested in the minister were not intended to interfere with the day-to-day management for which the various boards were responsible, but to ensure the corporations were brought into the wider context of the national policies of the government.

Criticisms of the NIs accountability to Parliament led to the 1952 creation of the Select Committee on Nationalised Industries (SCNI). The SCNI carried out investigations on individual industries and on areas of concern for the NIs as a whole.⁶⁹ The committee operated through a number of subcommittees, conducting short reviews of the NIs' annual reports and financial accounts.

The statutory powers of the government changed minimally during 1950-1970, but they have been augmented by a variety of nonstatutory financial controls introduced in the 1961, 1967 and 1978 White Papers.⁷⁰ The White Papers acknowledged the divergent interests of

⁶⁸ the "arm's length" approach is associated with Herbert Morrison, the most prominent politician among Labour theorists advocating nationalisation.

⁶⁹ the most notable inquiry conducted by the SCNI was the Report on the Ministerial Control of the Nationalised Industries (1968) which criticized ministerial control as being haphazard and excessively interventionist; see Mitchell, "Accountability And Performance In Public Enterprise: The British Debate," Australian Journal of Public Administration, Vol. XLI, 4, 1982, pp. 374-375.

⁷⁰ the 1978 White Paper was published in response to the study of

the NIs and the government. Subsequently, the former was encouraged to act more commercially, and the latter, to input with respect to wider social considerations.⁷¹ The developments which ensued included the introduction of financial targets, guidelines on pricing policy, standard techniques of investment appraisals, a required rate of return on investment, external financing limits (EFLs), corporate planning and a requirement for overall profitability.⁷² In particular, the requirement of submitting corporate plans for ministerial approval provided an opportunity for government and NIs to reach a consensus respecting long-term strategies, medium-term development plans and annual operating plans and budgets.⁷³ Ministers were given the power to issue specific directives, in which case compensation would be paid for any additional costs incurred by the corporation in implementing the directive. The annual reports of the corporations were to be more detailed, including such information as a statement of objectives against achievements and financial targets supplemented by direct indicators of performance.⁷⁴

the role and control of the nationalised industries conducted by the National Economic Development Office.

⁷¹ United Kingdom, National Economic Development Office, A Study of UK Nationalised Industries, Appendix Volume, p.84.

⁷² see Ibid., and I.C.R. Byatt, "The Framework of Government Control", in J. Grieve Smith (ed.), Strategic Planning in Nationalised Industries, 1984.

⁷³ White Paper 1978, Cmnd. 7131, para.43.

⁷⁴ see Ibid., para.69-78.

A number of NIs have taken the initiative to strengthen their own control and monitoring systems through the development of audit committees. The purpose of the committees, usually composed of the non-executive directors of the enterprises, is to examine and report on the annual financial statements, audit arrangements and internal financial controls of the corporations.

Policy coordination of the NIs rests primarily with two entities in the public sector. In certain situations where there is more than one industry operating in a particular sector of the economy, for example energy and transport, the responsible ministers are to perform the function of coordinating the policies the industries pursue.⁷⁵ The broad responsibility of coordinating the NIs as a whole, however, rests with the Treasury. This stems from the fact that the control framework in place is mainly a financial one. The Treasury's functions include the approval of investment programs, laying down financial and economic guidelines as well as providing capital and originating macro-economic policy.⁷⁶ Its functions have also included the preparation of the White Papers (1961, 1967, and 1978) on the NIs.

⁷⁵ France, "Public Enterprise in the United Kingdom", in A. Gelinas (ed.), p.109.

⁷⁶ United Kingdom, National Economic Development Office, A Study of UK Nationalised Industries: Their Role in the Economy and Control in the Future, p.25.

3.3.3 The Thatcher Administration

In 1979, the newly elected Conservative Government embarked on a program of returning state-owned corporations to the private sector. The government's policy was based on three principles:

1. to introduce private capital into as many parts of the public sector as possible;
2. to encourage greater efficiency in enterprises remaining in the public sector; and
3. to reduce the scale of or, where possible, to eliminate losses made by publicly owned commercial enterprise.⁷⁷

A number of policy initiatives have been introduced to control the NIs remaining in the public sector. The importance of discussions between the government and nationalised industries on corporate plans is stressed, resulting in collective ministerial consideration for both corporate plans and performance reviews.

In 1980 the Monopolies and Mergers Commission was established, charged with the responsibility of conducting regular efficiency audits of selected NIs. New cabinet committees on the NIs were established, a Public Enterprise Analytic Unit was created by the Treasury to monitor the corporations and more technical staff was employed by the sponsoring departments to strengthen their interactions with the NIs.⁷⁸ A further development included the creation of Departmental Select Committees in 1979, replacing the Select Committee on Nationalised Industries. The new specialized

⁷⁷ United Kingdom, Nationalised Industries in Britain, p.9.

⁷⁸ Dudley and Richardson, "The Political Framework" in J. Grieve Smith (ed.), 1984, p.123.

committees allow greater scope for continued and detailed investigations of the NIs.⁷⁹

The government's privatization program has two main elements: 1) denationalization, the sale of an enterprise's assets or shares; and 2) liberalization, the relaxation or abolition of statutory monopoly powers.⁸⁰ In the case of denationalization, either the entire assets or all the shares of an enterprise are sold, or the enterprise is converted into a Companies Act corporation and usually fifty per cent of its shares are sold. The aim of the government's privatization program "is to increase business and economic efficiency ... by competition, by rationalisation and restructuring, and by carefully designed regulatory regimes."⁸¹ The underlying principle is the belief that the powers of the free market can achieve this more efficiently than can state control.

⁷⁹ see *Ibid.*, p.125.

⁸⁰ see Steel and Heald, "Privatising Public Enterprise: An Analysis of the Government's Case," Political Quarterly, Vol. 53,3 (July-September 1982), pp.333-349; and Steel and Heald, Privatising Public Enterprise: Options and Dilemmas, 1984.

⁸¹ Hon. J.P. Moore, "Prospering through Privatisation," in Privatisation in the United Kingdom: Background Briefing, 1986, para.8.

3.4 AUSTRALIA

3.4.1 Introduction

Two special forms of statutory authorities exist in Australia, namely statutory marketing authorities and government business enterprises. This section is concerned with the latter, enterprises which "sell their services and derive a substantial portion of their revenue from those sales."⁸²

The use of public enterprises in Australia grew out of the need to develop the country's basic infrastructure. Eighteen major Commonwealth business enterprises exist in Australia's public corporation sector (see Appendix F), making a significant contribution to the national economy.

The current Labour government has made government administration reform one of its top priorities. Fourth in a series of policy discussion papers are the proposed policy guidelines for Australia's public enterprises.⁸³ The Hawke government has invited consultation from the community on this paper and will develop a White Paper to more clearly articulate its policies for reform.

⁸² Australia, Proposed Policy Guidelines: An Overview, 1986, p.3.

⁸³ the policy discussion paper also includes reform guidelines for Australia's other statutory authorities.

3.4.2 Pre-Hawke Government

Although the long-term trend during the early twentieth century was towards more autonomy for public enterprises, government control over the corporations has increased in the past forty years.⁸⁴ The details of incorporating statutes vary from one enterprise to the next. In general, however, statutes typically define the purpose of the enterprise, provide a framework for management and control relationships and outline the areas of autonomy and procedures of accountability.⁸⁵

Reliance was placed primarily on the responsible minister for overall policy coordination. No provisions were made for general ministerial control, but a minister's approval or direction was required for the exercise of certain powers. In addition, it was possible for a minister to control policy indirectly, particularly if a corporation was dependent on annual appropriations for a major part of its funding requirements.⁸⁶

The authority to appoint members of the boards of directors rested primarily with the responsible minister, who also had the power to issue directives to the enterprises (directives were to be published in an enterprise's annual report). Ministers were given joint control with the Commonwealth Treasurer on certain financial

⁸⁴ see Zines, "Federal Public Corporations In Australia," in Friedmann, W. and J.F. Garner (eds.), p.246.

⁸⁵ Sharkansky, "National Settings and Public Enterprise: Australia and Israel," Australian Journal of Public Administration, Vol. XXXVII,2 (June, 1978) p.148.

⁸⁶ Zines, p.230.

matters including the powers to borrow, acquisition or disposal of assets and appropriation for reserves and depreciation. In certain situations a recoup concept was incorporated into the enabling legislation, such that the corporations were compensated financially for losses incurred as a result of following a minister's instructions and deviating from normal business practices. For example, the minister's approval was required for determining the rate charged for certain basic services of Australia Post, which was to provide fifty percent of its capital requirements from internally-generated funds. If the minister did not approve rate increases that would allow the enterprise to fulfill its financial objectives, Australia Post would be reimbursed for revenue foregone.⁸⁷

Financial controls have been the primary concern of the Treasurer and Auditor General. In general, enterprises which are more profitable and, consequently, secure a substantial amount of revenue from internal sources, are freer from financial scrutiny by the Treasurer than those which are more dependent for annual appropriations. Most enterprises are subject to overall audit by the Auditor General, however, several corporations employ private auditing firms for internal audits.

In 1942, a Joint Parliamentary Committee on Broadcasting was created to examine the role of the Australian Broadcasting Commission, but no continuing committee was created solely for

⁸⁷ Wiltshire, "Public Enterprise in Australia," in Gelinas, A. (ed.), p.87.

scrutinizing public corporations.⁸⁸

Annual reports of the enterprises are submitted to the responsible ministers, who table the documents before Parliament. In addition, the Auditor General's reports are tabled in Parliament and are subject to the scrutiny of the Public Accounts Committee, but apart from this, parliamentary scrutiny is limited.⁸⁹

Kenneth Wiltshire maintains that within the Australian structure, "any controls related to efficiency, profitability, public policy coordination, forward planning or tests of effectiveness (were) very much the exception rather than the rule..."⁹⁰

3.4.3 Proposed Guidelines

In 1986, Australia's Labour Government published a policy discussion paper outlining proposed policy guidelines for the future management, performance and accountability of government business enterprises. The guidelines proposed in the paper encouraged efficiency, which was identified as the key issue. Efficiency was to be achieved by allowing corporate management a degree of managerial freedom that would not compromise the mechanisms set up to ensure accountability.

The overall objectives of the proposed policy guidelines are:

⁸⁸ Ibid., p.77.

⁸⁹ Ibid. p.88.

⁹⁰ Ibid., p.90.

- to promote managerial performance and the efficient utilisation of resources allocated to the enterprises, in particular through appropriate planning processes...;
- to enhance the accountability of enterprises to the responsible Minister and Parliament through the provision of timely and informative reports; and
- to increase the scope and incentive for entrepreneurial initiative within enterprises, consistent with corporate and strategic policy objectives.⁹¹

Three specific components of the proposed guidelines are:

- the preparation of strategic plans including financial performance objectives;
- a reduction in direct controls over the day-to-day operations of enterprises; and
- improved quality of information for the assessment of enterprise performance.⁹²

The enabling legislation of public enterprises are to be reviewed to ensure they provide a clear understanding of powers and responsibilities of responsible ministers and the enterprises.⁹³ While ministers will retain the authority to issue directions, the government favors consultation between management and the minister within a strategic planning framework.

⁹¹ Australia, Statutory Authorities and Government Business Enterprises: Proposed Policy Guidelines -- A Policy Discussion Paper, June 1986, para.3.6.

⁹² Australia, Proposed Policy Guidelines for Statutory Authorities and Government Business Enterprises: An Overview, June 1986, p.6.

⁹³ the following description of proposed guidelines are taken from the policy discussion paper; see Statutory Authorities and Government Business Enterprises: A Policy Discussion Paper, para.3.7 to 3.36.

Corporate plans covering periods of three to five years are to be submitted to and approved by the responsible minister (in consultation with the Treasurer and the Minister of Finance if aspects of the plan require formal government approval). The plans will be based on broad economic, financial and operational targets. The corporate plans may be supplemented by annual performance plans, both of which will be submitted to the responsible minister.

Performance targets and indicators are to be developed by the enterprises in consultation with the responsible minister and financial targets are to be developed annually in advance by the responsible minister in consultation with the enterprises.

In 1982 the government introduced guidelines respecting the content, preparation and presentation of annual reports by statutory authorities. Subsequently, in 1983 the Minister of Finance issued accounting guidelines for the form and standard of financial statements of statutory authorities. These guidelines are updated and revised to ensure continuity of reporting for all government undertakings. With respect to the proposed guidelines introduced in 1986, the annual reports of the public enterprises are to publish specific information to provide detailed public disclosure of enterprise objectives to allow valid judgements to be made about enterprise performance.

Specifics to be included in the annual reports are: a summary of objectives underlying the corporate plans; a report of performance against previously established objectives; ministerial directives or

policy controls imposed; and assessments of costs incurred in carrying out community service obligations. In addition, public enterprises are to provide a public statement of the enterprise's own outlook for the year ahead at the time of the tabling of its annual report.

The policy guidelines include a number of direct controls which the government has proposed to ensure consistency across its corporate sector. Most notably, the accounts of all enterprises will be audited by the Auditor General, the costs of which will be incurred by the respective enterprises; and the power to appoint the chief executive officers of the enterprises will be vested in the board of directors, unless otherwise provided for in the enabling legislation.

Chapter IV

ADMINISTRATIVE STRUCTURES IN MANITOBA

4.1 INTRODUCTION

Crown corporations in Manitoba have been created by successive provincial governments. Currently nineteen corporations fall under the auspices of the Department of Crown Investments. Crown corporations in Manitoba are either created by a special Act of the legislature or, in some cases, established under the Manitoba Companies Act pursuant to another Act (see Appendix B).

4.2 PRE-CROWN INVESTMENTS

The situation which existed before 1982 resembled that of the decentralized model. Under the Manitoba Hydro Act of 1961, for example, cabinet had final approval over a number of specific areas including the acquisition of existing power plants and sites, the expropriation of land, the borrowing of money and the use of financial reserves for investments in new facilities. Although it appeared that government had significant control over the operations of Hydro, in practice the government, for the most part, left Hydro to run its operations with little direction.⁹⁴ Reliance was placed on exercising control informally through the chairman of Hydro and

⁹⁴ Manitoba, Commission of Inquiry into Manitoba Hydro, Final Report, Dec. 1979, p.419.

the minister responsible. This situation, the "arm's length but not hands off relationship,"⁹⁵ was typical of Manitoba's Crown corporate sector as a whole. Ministers, for example, did not sit on the boards of the Crown corporations. Government policies were communicated informally to the corporations, usually at annual meetings between the minister responsible and the board of directors.

Cabinet's formal control of the Crown corporations primarily included the appointments of chairmen, board members and the chief executive officers, the latter usually chosen from a short list prepared by the boards of directors and appointed on the recommendation of the minister responsible. Cabinet had the authority to appoint the auditor of the financial accounts of the corporations which in most cases was the Provincial Auditor. Under the Provincial Auditors Act (1979), Crown corporations audited by private firms were also made subject to management overview audits.⁹⁶ In general, the overview audits included the examination of the administrative management and its controls and the investigation of any specific problems identified.⁹⁷

For most Crown corporations no formal requirements existed for budget submissions nor were there formal review procedures.⁹⁸ Crown corporations were not required to submit capital or operating

⁹⁵ Ibid.

⁹⁶ Canada, Treasury Board, 1984, p.29.

⁹⁷ Ibid.

⁹⁸ Ibid., p.27.

budgets nor were they required to submit corporate plans. Corporations which could not meet their financial requirements would go to the Treasury Board for appropriations. Corporations that could meet their financial requirements from internally generated funds and were relatively more self-sufficient could escape financial scrutiny by the Treasury Board.

Manitoba's Crown corporations are required to submit annual reports to the responsible ministers, who table the documents in the Legislature. Most annual reports are referred to either one of two standing committees, Economic Development or Public Utilities and Natural Resources. These bipartisan committees have the right to question the chairman of the board, the chief executive officers and the minister responsible with respect to the corporation's operations.

Criticisms of Manitoba's Crown corporate sector were brought to the forefront in the 1978 Task Force Report on Government Organization and Economy. The Task Force concluded that there had been an erosion of accountability with respect to Manitoba Hydro, Manitoba Telephone System, Manitoba Public Insurance Corporation, and Manitoba Liquor Control Commission.⁹⁹ Government control and direction was limited "to a series of individualized, reporting relationships between corporations and their respective ministers."¹⁰⁰ In 1979, the Commission of Inquiry into Manitoba

⁹⁹ Manitoba, Report on Government Organization and Economy, Vol.II, April, 1978, p.148; (henceforth cited as the Task Force Report).

¹⁰⁰ Ibid.

Hydro concluded along similar lines as the Task Force Report. It found "a serious breakdown in the chain of accountability ... first between Hydro and Government, and secondly between Government and the Legislature."¹⁰¹

A number of important issues were brought out in the reports:

- directors should be appointed on the basis of their ability to contribute to the affairs of the corporation;
- directors should be made subject to the same standards of conduct which apply to private sector directors under the Manitoba Corporations Act -- a duty to act honestly and with the care of a reasonably prudent person;
- where specific government policies may be such that normal business practice is modified, such policies should be conveyed by a policy directive which should be in the form of a public document;
- the board of directors should appoint and fix the remuneration of the president and other officers;
- the minister responsible should meet from time to time with the board to discuss matters of interest and those meetings may be formal or informal, but both should be conscious of their respective roles; and
- the rules and procedures governing the legislative committees should be drastically revised to allow the committees to become effective instruments of review.¹⁰²

¹⁰¹ Commission of Inquiry into Manitoba Hydro, p.419.

¹⁰² see Manitoba Task Force Report, pp.148-153; and the Commission of Inquiry into Manitoba Hydro, pp.482-483.

4.3 CROWN INVESTMENTS

In the 1982 Throne Speech, the Lieutenant-Governor of the Province of Manitoba expressed the intention of the New Democratic Party government:¹⁰³

My Government is committed to using public investment as a major means of sparking economic activity and private investment in Manitoba. To improve financial administration and effective use of all public investment, a Department of Crown Investments has been created. The new department will begin to plan for provincial investment by the Crown corporations, while respecting the traditional operating independence of the major Crown corporations.

The purpose of the Department of Crown Investments (DCI) is to monitor Crown corporation activity, communicate government policy and assess future financial implications.¹⁰⁴ It serves as a communication link between Crown corporations and ministers of the Crown in areas such as financial administration, major policies and strategic direction.

The DCI has been organized into three program areas:

1. Policy Coordination and Management Services
 - Responsible for transmitting government policy to the Crown corporations and for coordinating corporate policies;
2. Finance and Economics
 - Responsible for providing economic and financial analysis information to the government; and

¹⁰³ Speech from the Throne, Manitoba Legislative Assembly Debates, Feb.25, 1982, p.3.

¹⁰⁴ Hon. W. Parasiuk, Supply Estimates -- Department of Crown Investments, Manitoba Legislative Assembly Debates, May 31, 1982, p.2866.

3. Corporate Development and Strategic Planning

- Responsible for providing information on long-term financial and corporate plans of each Crown corporation.¹⁰⁵

Crown Investments does not have line authority over the corporations. It was created to improve upon the communication and coordination of operational and financial information pertaining to the performance of Crown corporations, and in doing so, was to establish a more informed decision making environment.¹⁰⁶

Crown Investments' officials sit on various boards, currently on two boards as full members and on eight boards as ex-officio members. In addition, the DCI provides technical advice to some corporations in areas such as budgeting and financial management.

The DCI provided assessments of corporate submissions to the Economic and Resource Investment Committee of Cabinet (ERIC), established in 1982. Pursuant to a cabinet directive, announced by ERIC, Crown corporations were required to submit capital budgets for cabinet approval. There was no requirement to submit operating budgets, but most corporations did submit them for information purposes only. Crown Investments' officials reviewed the capital and operating budgets of each Crown corporation and presented them in summary form to ERIC. Although corporate plans were not required submissions, approximately half of the Crown corporations

¹⁰⁵ Hon. V. Schroeder, Supply Estimates -- Department of Crown Investments, Manitoba Legislative Assembly Debates, May 13, 1985, p.1875.

¹⁰⁶ Hon. V. Schroeder, Supply Estimates -- Department of Crown Investments, Manitoba Legislative Assembly Debates, Aug.5, 1986, p.2640.

formulated strategic plans, usually in consultation with Crown Investments' officials. The corporate plans were submitted to ERIC along with the capital budgets.

ERIC served as the focus for Crown corporations' activities in Manitoba. It was established to provide ministerial overview in areas of major economic development and to ensure that individual projects were in line with the government's economic priorities.¹⁰⁷ Consequently, a portion of its mandate included the responsibility for determining policies for the Crown corporate sector in areas such as economic development, and budgetary and refinancing proposals.¹⁰⁸

However, criticisms have fallen on ERIC and the Department of Crown Investments. Well publicized allegations of conflict-of-interest and financial mismanagement in some Crown corporations have led observers to question the effectiveness of both the DCI and the cabinet committee.

In creating Crown Investments, the government's intention was to limit the size and scope of the department to ensure the operating independence of the Crown corporations.¹⁰⁹ The department's staff was kept small, never employing more than six professional analysts.¹¹⁰ The DCI did not have the resources nor the analysis

¹⁰⁷ M. Decter, Expenditure Management: A Review and Recommendations for Reform, The October Partnership, Nov., 1986, p.31.

¹⁰⁸ Canada, Treasury Board, 1984, p.25.

¹⁰⁹ Hon. W. Parasiuk, Supply Estimates -- Department of Crown Investments, May 31, 1982, p.2866.

capability to effectively fulfill its role of monitoring the Crown corporate sector.¹¹¹ The staff has made efforts to establish a system of accountability through regular reporting, assessing corporate submissions, and coordination of various policies and procedures. However, both size of the Crown sector and the reluctance of some Crown corporations to cooperate with Crown Investments, has made the DCI's task difficult.

4.4 PUBLIC INVESTMENTS CORPORATION OF MANITOBA

In November 1986, the government announced its intention to reform the province's system of Crown corporation administration. Subsequent announcements led to the abolition of ERIC, and the creation of the Crown Corporation Reform Committee of Cabinet.

The new approach to be implemented by the Crown Reform Committee included: increased government supervision of Crown corporations; increased dialogue with the corporations' boards and executives; improved planning; and strengthened reporting and assessment systems, both within the corporations and to the government.¹¹²

¹¹⁰ Thomas, "Uneasy Crowns", Policy Options, Vol.8,1 (Jan. 1987), p.21.

¹¹¹ see comments made by the Hon. Gary Doer, Supply Estimates -- Department of Crown Investments, Manitoba Legislative Assembly Debates, May 25, 1987.

¹¹² News Release, "Premier Details Crown Corporation Reform", Nov.26, 1986, p.4.

Among the Crown Reform Committee's top priorities were the review of administrative models and the relationship between the Crown corporations and the government. The Committee identified four models for Crown corporation administration: a Treasury Board format; strong staffing support added to Ministers' offices; a Crown holding company; and the existing system with the Department of Crown Investments.

Initial announcements indicated that the DCI would be expanded. However, on June 3, 1987, the chairman of the Crown Reform Committee introduced Bill 58, An Act Respecting the Accountability of Crown Corporations, in which Part II establishes a provincially-owned holding company to oversee the government's commercial Crown corporations. Bill 58 was subsequently passed on July 16, 1987.

The Board of Directors of the holding company, the Public Investments Corporation of Manitoba (P.I.C.M.), will be comprised of at least three cabinet ministers with the minister responsible for the corporation holding the position of chairman. It is intended that the traditional operating independence of the subsidiaries will be maintained as will traditional ministerial responsibility for the individual corporations. The P.I.C.M. will act as a link between the cabinet and the Crown corporations, providing advice to the cabinet on matters relating to the corporations, direction to the corporations on matters of policy and monitoring the performance of the Crown corporations.¹¹³

¹¹³ Manitoba, Bill 58, An Act Respecting the Accountability of Crown Corporations and to Amend Other Acts in Consequence Thereof, Sec. 20.

The P.I.C.M. has the authority to review and approve corporate plans and capital budgets, initiate organizational reviews, access all books and records of the corporations, issue directives to the subsidiaries and provide technical, legal and other services to the corporations, for which the subsidiaries will be charged.¹¹⁴

The boards of the subsidiary corporations are to establish both audit and planning committees and undertake special organizational reviews at intervals not exceeding five years.¹¹⁵ In addition, the boards have been made subject to the standards of conduct imposed on private sector boards, a duty to act honestly, in good faith, and exercise care, diligence and skill in discharging their powers as directors.¹¹⁶

Each corporation must submit to the responsible minister an annual report on the operations of the corporation which shall include the audited financial statements and any other information requested by the Lieutenant-Governor in Council.¹¹⁷ All annual reports are to be tabled by the responsible ministers and subsequently referred to the Standing Committee on Public Utilities and Natural Resources.

¹¹⁴ Ibid., Secs. 21(2) and 21(8).

¹¹⁵ Ibid., Secs. 5(2) and 3(d).

¹¹⁶ Ibid., Sec. 6(1).

¹¹⁷ Ibid., Sec. 9(1).

Four of the subsidiary corporations -- Manitoba Liquor Control Commission, Manitoba Hydro, Manitoba Public Insurance Corporation, and Manitoba Telephone System -- are to establish Joint Councils and Service Committees.¹¹⁸ Joint Councils are to be comprised of the minister responsible, the CEO, a member of the board and three employees of the corporation. The purpose of the Council is to exchange information and ideas between the corporation and the employee organization, but is not to include collective bargaining.

The Service Committee will be comprised of a majority of directors, who are to ensure that the senior management of the corporation hold annual public meetings to explain the objectives of the corporation and review customer service and relations. The public will also be given an opportunity to make suggestions concerning the service deliveries and customer relations.

It is expected that the date of proclamation and establishment of the provincial holding company will commence prior to the end of 1987.

¹¹⁸ Ibid., Secs. 2, 12 and 13.

Chapter V
OBSERVATIONS AND CONCLUSIONS

5.1 OBSERVATIONS

Each jurisdiction has attempted to strengthen the administrative structure under which it controls its public enterprises as a result of a perceived need to ensure a more comprehensive approach to public enterprise administration. At times, however, new approaches were chosen due to a change in government. Although the mechanisms of each system of administration are tailored to the needs of the particular jurisdiction, a number of common trends in public enterprise administration are:

- an increase in broad policy coordination;
- an increase in control by government;
- an increased emphasis on corporate planning;
- an increased emphasis on detailed reporting requirements;
- an increased emphasis on privatization.

Most notably, there was a clear trend towards increased political direction and control in the majority of cases. This stemmed from the fact that, in the past, governments attempted to maintain a more or less "arm's length" approach, but found that the increasing size, diversity and political sensitivity of corporate sectors warranted an increased role by government in the supervision of public enterprises.

Under Manitoba's previous approach, the key organization was the Department of Crown Investments (DCI) which was unable to effectively fulfill its mandate primarily due to the limited resources with which it operated. As well, the effectiveness of the DCI was in some respects precluded by a management environment which differed significantly from that of the corporations under its purview. Recent developments, however, suggest that the NDP Government is determined to alleviate these and other problems associated with the DCI.

The key organization in the new approach is the Public Investments Corporation of Manitoba (P.I.C.M.) which has been equipped with a wide scope of powers deemed necessary by the Government to provide a more comprehensive and consistent approach to the administration of the sixteen commercial Crown corporations named in the Schedule to Bill 58 (see Appendix A).

Because the P.I.C.M. will take the same corporate form as the corporations under its supervision, it will operate with a similar management environment which should in theory provide a more compatible interface between the P.I.C.M. and the subsidiary corporations. Moreover, by virtue of its statutory creation, the P.I.C.M. will be provided with the legal authority which will allow it to operate with more prerogative than the DCI.

The Public Investments Corporation is not, however, responsible for the day-to-day management of the subsidiary corporations. Its primary function is to ensure that the subsidiaries fulfill the

requirements set out in Bill 58. Hence, it has the authority to exercise control such that the P.I.C.M. can direct the subsidiaries to correct any areas of concern it identifies in the subsidiaries.

The establishment of the P.I.C.M. will significantly alter certain aspects of the relationship between cabinet and the Crown corporations. Given that the P.I.C.M.'s board of directors will be comprised of ministers of cabinet, the board will function as a committee of cabinet. Consequently, more ministerial involvement can be expected in the administration of the Crown corporate sector. This means that the P.I.C.M., with its wide scope of authority, will be responsible for overseeing the activities of all scheduled corporations which will have the effect of reducing the degree of corporate autonomy afforded the subsidiary corporations.

5.2 CONCLUSIONS

A review of the approaches employed by different jurisdictions has provided the opportunity to survey the mechanisms available to governments in the administration of public enterprises. A number of the common mechanisms utilized by the jurisdictions considered include: the issuance of directives and the appoint of board members by cabinet; the approval and tabling of capital budgets; and the formulating of corporate plans.¹¹⁹ Among the mechanisms available, corporate planning should be emphasized as an important device in any administration as it can contribute significantly to both

¹¹⁹ see Appendix H for a breakdown of the mechanisms corresponding to each jurisdiction.

effective decision making and accountability.

Corporate planning is an ongoing process that can contribute to the efficient management of a Crown corporation. It can be used as an effective management technique for setting both short and long term goals/objectives of an enterprise, while systematically facilitating a stable and long-term view of issues affecting the operations of a corporation.¹²⁰

By specifying the actions to be implemented, a corporate plan clarifies the corporation's direction and provides a comprehensive framework in which decisions can be made. Thus, the plan serves to establish a sound decision making environment in the public enterprise sector by specifying the decision making process.

A corporate plan can also serve to ensure greater accountability. As the board of directors must approve the corporate plan, the board becomes accountable for the enterprises' operations in pursuit of the stated objectives and actions enunciated in the plan. Thus, the plan may be used as a yardstick against which performance can be compared and the board of directors may be held accountable for any deviations from the corporation's stated objectives. Moreover, the chain of accountability leads to the minister responsible, as it is often the minister who must approve the contents of the plan.

¹²⁰ see Porter, "The State of Strategic Thinking," The Economist, Vol. 303,7499, May 23, 1987; and Australia, Statutory Authorities and Government Business Enterprise: A Policy Discussion Paper, para.3.16.

The accountability aspect of corporate planning can be enhanced by requiring corporations to publish in the enterprise's annual report a summary of the main points of the corporate plan. Furthermore, to facilitate public scrutiny of the corporations, annual reports could include more detailed information, such as a summary of any directives issued to the corporation as well as a statement of performance against previously established objectives.

It should be noted that there are limits to corporate planning and it is not a panacea to greater corporate effectiveness or heightened accountability. Successful planning in both the private and public sectors often takes many years to develop and is more complicated in the Crown corporate sector than in the private sector.

Under Manitoba's previous approach, the DCI was not given the authority to order the corporations to formulate corporate plans nor the authority to approve the plans. Pursuant to Bill 58, however, the P.I.C.M. "may review and approve long term corporate plans."¹²¹ It is not made clear, however, what the review process will involve. If, for example, the approval by the P.I.C.M. board is required, instances may arise in which the P.I.C.M. and a subsidiary disagree on changes to the corporate plan. A likely course of action would be for the subsidiary to convince their minister as to why the changes are unacceptable, at which time the disagreement would then be resolved at cabinet level.

¹²¹ Manitoba, Bill 58, Sec. 20(2)(c).

The overall question which remains is: does the P.I.C.M. structure and corporate planning meet the requirements for effective decision making and accountability? Conditions which significantly facilitate the decision making process include: goals that are clearly identified; competent individuals to make decisions; and an organizational structure that provides a clear understanding of responsibility for decisions.¹²² If the system of accountability is to be credible, authority and responsibility must be clearly delineated such that the individuals are obliged to pay attention to their respective duties and responsibilities. Care must be taken, however, to ensure that the mechanisms designed to enhance accountability do not in some way hinder the efficiency and effectiveness of Crown corporations.

Manitoba's new approach to the administration of the Crown corporate sector does have the potential to strengthen the accountability relationships as well as provide for sound decision making. The P.I.C.M. structure, combined with corporate planning, meets the requirements of effective decision making and accountability; and pending the manner in which the legislation is interpreted, can be more effective in ensuring Crown corporation accountability and control than was the case under the DCI approach.

¹²² see fn.19.

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- Doer, Gary Honourable. Chairman, Crown Corporation Reform Committee of Cabinet, and Minister Responsible for Department of Crown Investments, Executive Council, Manitoba Legislative Assembly, Winnipeg.
- Eliesen, Marc. Chairman, Manitoba Hydro, and Chairman and Executive Director, Manitoba Energy Authority, Winnipeg.
- Emerson, W. President and Chief Executive Officer, Manitoba Liquor Control Commission, Winnipeg.
- Kaus, Christine E. Financial Analyst, Department of Crown Investments, Winnipeg.
- Robertson, Edward J. Acting President and Chief Executive Officer, Manitoba Telephone System, Winnipeg.
- Sadler, John R. President and Chief Executive Officer, Manitoba Oil and Gas Corporation, Winnipeg.
- Silver, Robert M. former Deputy Minister of Department of Crown Investments, and President and Chief Executive Officer, Manitoba Public Insurance Corporation, Winnipeg.

Appendix A

PUBLIC INVESTMENTS CORPORATION OF MANITOBA

- A.E.McKenzie Co. Ltd.
- Channel Area Loggers Ltd.
- Communities Economic Development Fund (CEDF)
- Manfor Ltd.
- Manitoba Data Services
- Manitoba Development Corporation (MDC)
- Manitoba Energy Authority (MEA)
- Manitoba Hazardous Waste Management Corporation
- Manitoba Hydro
- Manitoba Liquor Control Commission (MLCC)
- Manitoba Mineral Resources Ltd.
- Manitoba Oil and Gas Corporation (MOGC)
- Manitoba Public Insurance Corporation (MPIC)
- Manitoba Telephone System (MTS)
- Moose Lake Loggers Ltd.
- Venture Manitoba Tours Ltd.

Source: Manitoba, Bill 58, An Act Respecting the Accountability of Crown Corporations and to Amend Other Acts in Consequence Thereof.

Appendix B

CROWN CORPORATIONS UNDER THE PURVIEW OF THE DEPARTMENT
OF CROWN INVESTMENTS

<u>Corporation</u>	<u>Enabling Legislation</u>
■ Manitoba Agricultural..... Credit Corp. (MACC)	The Agricultural Credit Corporation Act
■ Manitoba Crop Insurance..... Corporation (MCIC)	The Crop Insurance Act
■ Channel Area Loggers..... Moose Lake Loggers Manfor Ltd. Manitoba Mineral Resources Ltd.	Established under authority of the Manitoba Natural Resources Act and registered under the Companies Act
■ Manitoba Development..... Corporation (MDC)	The Development Corporation Act
■ Communities Economic..... Development Fund (CEDF)	The Communities Economic Development Fund Act
■ Manitoba Telephone..... System (MTS)	Manitoba Telephone Act
■ Manitoba Data Services.....	Manitoba Data Services Act
■ Manitoba Hydro.....	The Manitoba Hydro Electric Development Act
■ Manitoba Liquor Control..... Commission (MLCC)	Liquor Control Act
■ A.E. McKenzie Co. Ltd.....	Acquired pursuant to an Act respecting A.E. McKenzie Company Limited

Appendix B (con't.)

- Manitoba Oil and Gas.....The Manitoba Oil and Gas Corporation (MOGC) Corporation Act
- Manitoba PublicThe Manitoba Public Insurance Corporation (MPIC) Insurance Corporation Act
- Venture Manitoba.....Established under The Tours Ltd. Companies Act by MDC
- Manitoba Trading.....The Manitoba Trading Corporation (Manitrade) Corporation Act
- Leaf Rapids Town.....Established under The Properties Ltd. Development Corporation Act
- Manitoba Energy.....The Manitoba Energy Authority (MEA) Authority Act

Source: personal communication, Gerald Farthing, Department of Crown Investments, Winnipeg.

Appendix C

CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

Resources

- Potash Corporation of Saskatchewan (PCS)
- Saskatchewan Mining Development Corporation (SMDC)
- Saskatchewan Forest Products Corporation (SFPC)
- Saskatchewan Minerals

Utilities

- Saskatchewan Power Corporation (SPC)
- Saskatchewan Telecommunications (SaskTel)
- Saskatchewan Computer Utility Corporation (SaskCOMP)
- Saskatchewan Water Corporation (Sask Water)

Financial and Services

- Saskatchewan Government Insurance (SGI)
- Saskatchewan Economic Development Corporation (SEDCO)
- Saskatchewan Development Fund Corporation (SDFC)
- Saskatchewan Transportation Company (STC)
- Agriculture Development Corporation of Saskatchewan (Agdevco)

Source: Saskatchewan, Crown Management Board, Annual Report 1985.

Appendix D

CANADIAN FEDERAL CROWN CORPORATIONS

- Air Canada
- Atlantic Pilotage Authority
- Atomic Energy of Canada Limited
- Bank of Canada*
- The Canada Council*
- Canada Deposit Insurance Corporation
- Canada Development Investment Corporation
- Canada Harbour Place Corporation
- Canada Lands Company Limited
- Canada Mortgage and Housing Corporation
- Canada Museums Construction Corporation Inc.
- Canada Ports Corporation
- Canada Post Corporation
- Canadian Broadcasting Corporation*
- Canadian Commercial Corporation
- Canadian Dairy Commission
- Canadian Film Development Corporation*
- Canadian Institute for International Peace and Security
- Canadian Livestock Feed Board
- Canadian National Railway Company
- Canadian National (West Indies) Steamships, Ltd.
- Canadian Patents and Development Limited

Appendix D (con't.)

- Canadian Saltfish Corporation
- Canadian Wheat Board*
- Canagrex
- Cape Breton Development Corporation
- Defence Construction (1951) Limited
- Export Development Corporation
- Farm Credit Corporation
- Federal Business Development Bank
- Freshwater Fish Marketing Corporation
- Great Lakes Pilotage Authority, Ltd.
- Halifax Port Corporation
- Harbourfront Corporation
- International Centre for Ocean Development
- International Development Research Centre*
- Laurentian Pilotage Authority
- Marine Atlantic Inc.
- Mingan Associates Ltd.
- Montreal Port Corporation
- National Arts Centre Corporation*
- National Capital Commission
- Northern Canada Power Commission
- Pacific Pilotage Authority
- Petro-Canada Inc.
- Port of Quebec Corporation
- Prince Rupert Port Corporation
- Royal Canadian Mint

Appendix D (con't.)

- Saint John Port Corporation
- Standards Council of Canada
- St. John's Port Corporation
- The St. Lawrence Seaway Authority
- VIA Rail Canada Inc.
- Vancouver Port Corporation

* Crown corporations not covered by the FAA

Source: personal communication, Richard Belec, Office of Privatization and Regulatory Affairs, August 17, 1987.

Appendix E

NATIONALISED INDUSTRIES IN THE UNITED KINGDOM

- National Coal Board
- Electricity (England and Wales)
- North of Scotland Hydro-Electric Board
- South of Scotland Electricity Board
- British Gas Corporation *
- British Steel Corporation *
- Post Office
- National Girobank
- British Airways Board *
- British Airports Authority *
- British Railways Board
- British Waterways Board
- National Bus Company *
- Scottish Transport Group
- British Shipbuilders
- Civil Aviation Authority
- Water (England and Wales) *
- London Regional Transport

* included in the privatisation program as of summer, 1986.

Source: United Kingdom, H.M. Treasury, Privatisation In The United Kingdom: Background Briefing, 1986.

Appendix F

MAJOR GOVERNMENT BUSINESS ENTERPRISES IN AUSTRALIA

- Australian Telecommunications Commission (Telecom)
- Overseas Telecommunications Commission (OTC)
- Australian Postal Commission (Australia Post)
- Australian National Airlines Commission (TAA)
- Australian National Railways Commission (AN)
- Australian Shipping Commission (ANL)
- Pipeline Authority (TPA)
- Snowy Mountains Hydro-electric Authority (SMHEA)
- Snowy Mountains Engineering Corporation (SMEC)
- Qantas Airlines Ltd
- Commonwealth Banking Corporation
- Export Finance and Insurance Corporation (EFIC)
- Housing Loans Insurance Corporation (HLIC)
- Aussat Pty Ltd
- Australian Industry Development Corporation (AIDC)
- Australian Capital Territory Electricity Authority (ACTEA)
- Commonwealth Serum Laboratories Commission (CSL)
- Health Insurance Commission (HIC)

Source: Australia, Statutory Authorities and Government Business Enterprises: A Policy Discussion Paper, 1986.

Appendix G

ADMINISTRATIVE MODELS IN VARIOUS JURISDICTIONS

	Manitoba	Saskatchewan	Canada	United Kingdom	Australia
Holding Company	X ¹	X ²			
Central Agency			X ³	X ⁴	
De-centralized Model				X ⁴	X ⁵

¹ Public Investments Corporation of Manitoba; expected proclamation date is prior to the end of 1987.

² Crown Investments Corporation of Saskatchewan.

³ Crown Corporations Directorate reports jointly to Treasury Board Secretariat and Department of Finance.

⁴ Reliance for broad coordination rests primarily with H.M. Treasury since controls in place are mainly financial; however, minister responsible and sponsoring department also play a role.

⁵ Reliance primarily on minister responsible and sponsoring department for overall policy coordination; and Commonwealth Treasurer is responsible for financial controls.

Appendix H

EXAMPLES OF GOVERNMENT CONTROLS IN VARIOUS JURISDICTIONS

	Manitoba	Sask.	Canada	United Kingdom	Australia
Minister/Cabinet Approval of Capital Budget Required	X	X	X	X	X ¹
Minister/Cabinet Approval of Corporate Plan Required	X ²	X	X	X	X
Board of Directors Appointed by Minister/Cabinet	X	X	X	X	X
CEO Appointed by Board of Directors		X ³			X
Minister/Cabinet Authority to Issue Directive	X	X	X	X	X

¹ Annual financial estimates which are assumed to include capital budgets, are prepared for consideration by ministers.

² Pursuant to Bill 58, the P.I.C.M. "may review and approve long term corporate plans."

³ The CIC and cabinet also play a role in the selection of the CEO.