CANADA

THE ROYAL COMMISSION ON GOVERNMENT ORGANIZATION

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SPECIAL AREAS OF ADMINISTRATION

19: CANADIAN BROADCASTING CORPORATION

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SPECIAL AREAS OF ADMINISTRATION

VOLUME 4

SPECIAL AREAS OF ADMINISTRATION

PUBLISHED BY THE QUEEN'S PRINTER • OTTAWA • CANADA FOR THE ROYAL COMMISSION ON GOVERNMENT ORGANIZATION

CANADA

ROYAL COMMISSION ON GOVERNMENT ORGANIZATION

J. GRANT GLASSCO

F. EUGÈNE THERRIEN

WATSON SELLAR

To His Excellency

THE GOVERNOR GENERAL IN COUNCIL

May It Please Your Excellency

We, the Commissioners appointed by Order in Council dated 16th September, 1960 to inquire into and report upon the organization and methods of the departments and agencies of the Government of Canada and to make recommendations concerning the matters more specifically set forth in the Order in Council dated 16th September, 1960: Beg to submit to Your Excellency the following Reports.

CHAIRMAN

January 21, 1963.

CANADA

Elizabeth the Second

BY THE GRACE OF GOD ✠
OF THE UNITED KINGDOM,
CANADA ✠ AND HER OTHER
REALMS AND TERRITORIES

Queen

HEAD OF THE COMMONWEALTH
DEFENDER OF THE FAITH ✠

DEPUTY GOVERNOR GENERAL

DEPUTY ATTORNEY GENERAL

TO ALL TO WHOM THESE PRESENTS SHALL COME OR WHOM THE SAME MAY IN ANYWISE CONCERN,

Greeting:

WHEREAS pursuant to the provisions of Part I of the Inquiries Act, chapter 154 of the Revised Statutes of Canada, 1952, His Excellency the Governor in Council, by Order P.C. 1960-1269 of the sixteenth day of September, in the year of Our Lord one thousand nine hundred and sixty, a copy of which is hereto annexed, has authorized the appointment of our Commissioners therein and hereinafter named to inquire into and report upon the organization and methods of operation of the departments and agencies of the Government of Canada and to recommend the changes therein which they consider would best promote efficiency, economy and improved service in the despatch of public business, and in particular but without restricting the generality of the foregoing, to report upon steps that may be taken for the purpose of

- eliminating duplication and overlapping of services;
- eliminating unnecessary or uneconomic operations;
- achieving efficiency or economy through further decentralization of operations and administration;
- achieving improved management of departments and agencies, or portions thereof, with consideration to organization, methods of work, defined authorities and responsibilities, and provision for training;
- making more effective use of budgeting, accounting and other financial measures as means of achieving more efficient and economical management of departments and agencies;
- improving efficiency and economy by alterations in the relations between government departments and agencies, on the one hand, and the Treasury Board and other central control or service agencies of the government on the other; and
- achieving efficiency or economy through reallocation or regrouping of units of the public service.

and has conferred certain rights, powers and privileges upon Our said Commissioners as will by reference to the said Order more fully appear.

NOW KNOW YE that, by and with the advice of Our Privy Council for Canada, We do by these Presents nominate, constitute and appoint J. Grant Glassco, Esquire, of the City of Toronto, in the Province of Ontario; Robert Watson Sellar, Esquire, of the City of Ottawa, in the Province of Ontario; and F. Eugene Therrien, Esquire, of the City of Montreal, in the Province of Quebec, to be Our Commissioners to conduct such inquiry.

TO HAVE, hold, exercise and enjoy the said office, place and trust unto the said J. Grant Glassco, Robert Watson Sellar and F. Eugene Therrien, together with the

rights, powers, privileges and emoluments unto the said office, place and trust of right and by law appertaining during Our Pleasure.

AND WE DO hereby direct that the scope of the inquiry shall not extend to the institution of Parliament.

AND WE DO hereby authorize Our said Commissioners to exercise all the powers conferred upon them by section 11 of the Inquiries Act and be assisted to the fullest extent by government departments and agencies.

AND WE DO hereby authorize Our said Commissioners to adopt such procedure and methods as they may from time to time deem expedient for the proper conduct of the inquiry and sit at such times and at such places in Canada as they may decide from time to time.

AND WE DO hereby authorize Our said Commissioners to engage the services of such counsel, staff and technical advisers as they may require at rates of remuneration and reimbursement to be approved by the Treasury Board.

AND WE DO hereby require and direct Our said Commissioners to report their findings to Our Governor in Council, making interim reports as progress is made, with the final report to be made within a period of two years.

AND WE DO hereby require and direct Our said Commissioners to file with the Dominion Archivist the papers and records of the Commission as soon as reasonably may be after the conclusion of the inquiry.

AND WE FURTHER appoint J. Grant Glassco, Esquire, to be Chairman of Our said Commissioners.

IN TESTIMONY WHEREOF We have caused these Our Letters to be made Patent and the Great Seal of Canada to be hereunto affixed.

WITNESS: The Honourable Patrick Kerwin, Chief Justice of Canada and Deputy of Our Trusty and Well-beloved Major-General George Philias Vanier, Companion of Our Distinguished Service Order upon whom We have conferred Our Military Cross and Our Canadian Forces' Decoration, Governor General and Commander-in-Chief of Canada.

AT OTTAWA, this Twenty-seventh day of September in the year of Our Lord one thousand nine hundred and sixty and in the ninth year of Our Reign.

By Command,

C. Stein

UNDER SECRETARY OF STATE

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ACKNOWLEDGEMENTS

The detailed investigation of the Canadian Broadcasting Corporation was undertaken by a Project Group under the direction of G. H. Cowperthwaite, F.C.A., *Peat, Marwick, Mitchell & Co.*, Toronto.

A number of Project Officers were associated with this endeavour, and your Commissioners, in recording their names below, wish to acknowledge the assistance received:

R. C. Berry, C.A., *Peat, Marwick, Mitchell & Co.*, Toronto
W. K. Best, C.A., *Peat, Marwick, Mitchell & Co.*, Toronto
George Forrester, M.SC., M.COM., *Peat, Marwick, Mitchell & Co.*, Toronto
Fernand Malo, M.A., *Dominion Tar and Chemical Company Limited*, Montreal
Charles F. Stubbert, B.COM., *Ford Motor Company of Canada Limited*, Oakville, Ontario.

In addition, H. O. R. Hindley, M.A., Research Co-ordinator on the Central Staff, was assigned to the project.

Your Commissioners, in acknowledging the assistance and advice received, dissociate all those named above from any of the findings and conclusions contained in this report; for these, your Commissioners assume full responsibility.

1

INTRODUCTION

In Volume 5, your Commissioners deal at some length with the distinctions between departmental and non-departmental forms of organization within the public service, and suggest criteria which may make the departmental form appropriate for certain kinds of activity, the non-departmental form more appropriate for others. As a part of the investigations upon which their conclusions on this broad subject were based, your Commissioners studied in varying degrees of detail a number of agencies and Crown corporations. Certain aspects of the study made of the Canadian Broadcasting Corporation for this purpose seem to merit a special report.

The Corporation has been studied and appraised over recent years by a series of Parliamentary Committees and a Royal Commission. These inquiries have usually included the crucial question of the role of a Crown corporation responsible for providing "a national broadcasting service" as well as the effectiveness with which the CBC was discharging its role. Your Commissioners have been only incidentally concerned with the first of these questions, which is one of important national policy. The Commission's terms of reference direct attention chiefly to the suitability of the present form and organization of the CBC to its role, and to the quality of management it brings to its task. In assessing these major questions of organization and operation, your Commissioners necessarily touch on important questions of public policy, not to provide answers to them but to show their influence on the policies, organization, and performance of the Corporation.

During the early stages of your Commissioners' studies the Special Com-

mittee on Broadcasting, 1961, was holding hearings. Its report to the House of Commons, dated June 28, 1961, contains the following recommendation:

That following a review of the Glassco Royal Commission's report consideration be given by the Board of Directors of the Canadian Broadcasting Corporation to the advisability of commissioning management consultants to inquire further into the operation of the Canadian Broadcasting Corporation.

Your Commissioners did not undertake the detailed investigation and appraisal which the above recommendation may have envisioned, but this report does propose guidelines and criteria which, subject to government decisions on policy, should permit the CBC to adjust its internal organization and operations to management and performance needs, with the aid of such advice, from within the government or elsewhere, as it may consider necessary.

This report is, then, concerned with three principal subjects:

- The relationships between the Corporation, the Cabinet and Parliament, including the adequacy of the policy guidance and definition of task which the Corporation is given, as well as the clarity of the standards of performance upon which it is to be judged.
- The kind of Board of Directors which its role and relationship to the Governor in Council suggest the CBC should have, as well as the appropriate relationships between the Board of Directors and the responsible Minister on one hand and the Board of Directors and the responsible management of the Corporation on the other.
- The suitability of the Corporation's management and its organization for its present tasks, in light, particularly, of the fact that the very rapid growth following the development of television has subjected the Corporation and its senior management to immense new pressures and challenges to which it has had to respond quickly.

This report does not explore the current difficulties of the Corporation in meeting a second major adjustment—that arising from the emergence of large-scale competition from private television broadcasters. Beyond this are other decisions having major financial implications, involving, for example, the use of colour television; and technological advances are proceeding so rapidly that it would be unrealistic to assume that conditions will remain static. In such circumstances your Commissioners believe that the need is to state in unequivocal terms the nature and scope of the Corporation's responsibilities and to create the financial environment in which responsible management may properly plan and administer its affairs.

2

THE SETTING

The Corporation was created in 1936 as the successor to the Canadian Radio Broadcasting Commission and it is now operating on a scale that involves the expenditure of around $100 million a year. From 1936 to 1952, when television services were inaugurated, the staff increased from 133 to 1,565 and has multiplied more than five times since then. On September 30, 1961, when this survey was undertaken, the Corporation was employing 7,993 persons, of whom 824 were in headquarters (including 283 in the engineering headquarters in Montreal), 149 in the international service in Montreal, 2,552 in the French network and Quebec region headquarters, 2,306 in the English network and Toronto area headquarters, and 2,162 distributed among other regions and areas from coast to coast.

RELATIONS WITH PARLIAMENT AND MINISTERS

The legislative provisions which currently regulate the relationships and activities of the Corporation are set out in *The Broadcasting Act* enacted in 1958, following a comprehensive inquiry into broadcasting in Canada by a Royal Commission (the Fowler Commission). Part I establishes a Board of Broadcast Governors with broad regulatory powers, and Part II treats with organization and activities of the Canadian Broadcasting Corporation. The task of the Corporation is stated this way:

29. (1) The Corporation is established for the purpose of operating a national broadcasting service, and in particular, but without restricting the generality of the foregoing, has power to

(a) maintain and operate broadcasting stations and networks of broadcasting stations;

(b) establish, subject to approval of the Governor in Council, such broadcasting stations as the Corporation considers necessary or desirable;
(c) equip broadcasting stations with all such plant, machinery and other effects as it considers necessary or desirable;
(d) make operating agreements with broadcasting stations for the broadcasting of network programs;
(e) originate programs and secure programs, from within or outside Canada, by purchase or exchange and make arrangements necessary for their transmission;
(f) make contracts with any person, in or outside Canada, in connection with the production or presentation of the programs of the Corporation;
(g) make contracts with any person, in or outside Canada, to perform in connection with the programs of the Corporation;
(h) publish and distribute, whether gratis or otherwise, such papers, periodicals and other literary matter as may seem conducive to any of the objects of the Corporation;
(i) collect news relating to current events in any part of the world and in any manner that it deems fit and to establish and subscribe to news agencies;
(j) acquire copyrights and trade marks;
(k) acquire and use any patent, or patent rights, *brevets d'invention,* licences or concessions that the Corporation may consider useful for the purpose of carrying out its objects;
(l) make arrangements or agreements with any organization for the use of any rights, privileges or concessions that the Corporation may consider useful for the purpose of carrying out its objects;
(m) acquire broadcasting stations either by lease or, subject to the approval of the Governor in Council, by purchase; and
(n) do all such other things as the Corporation may deem incidental or conducive to the attainment of any of the objects or the exercise of any of the powers of the Corporation.
(2) The Corporation is bound by the provisions of Part I.

The Corporation has a board of directors, comprising the President, Vice-President and nine other directors. The duties of the officers and board severally are not specified nor is statutory provision made for a presiding officer of the board. One of the nine directors has, however, been named (by the government) as Chairman of the Board. Responsibility is thus borne collectively by the members of the Board. The President and Vice-President are engaged full time on the Corporation's business; the Chairman of the Board—also Chairman of the Finance Committee—spends about half his time on Corporation affairs; the remaining directors attend board meetings.

The Corporation is required to report to Parliament through a minister designated by the Governor in Council, at present the Secretary of State. The statute does not make the Minister accountable for the policies of the Corporation nor is he required to give any directions with respect to programming or day-by-day activities of the Corporation. Questions asked in Parliament are referred to the Corporation and the answers prepared by it are presented by the Minister.

Both the operating and capital budgets of the Corporation must receive the approval of the responsible minister and the Minister of Finance and be annually laid before Parliament. In addition, once each five years a capital

programme and financial forecast for the ensuing five years must be submitted to the Governor in Council. Property transactions involving more than $100,000 require the approval of the Governor in Council. In practice, the budgets of the Corporation and all contracts in excess of $100,000 are reviewed by the Treasury Board. The Auditor General of Canada is the auditor of the Corporation and reports annually thereon to Parliament.

In both 1959 and 1961 special committees of the House of Commons were formed to inquire into broadcasting in general and the Canadian Broadcasting Corporation in particular. The 1961 Committee held forty-two meetings over a period of several months and the transcript of evidence ran to approximately one thousand pages. Reviews by committees of Parliament necessarily place additional burdens on the administrative officers of the Corporation; but they may have a special value, in that they provide opportunity for policy guidance as well as assessment of performance.

DEFINITION OF THE TASK

Virtually the entire terms of reference to the Corporation have since its formation consisted of a simple direction: to carry on a "national broadcasting service". In the absence of any statutory or authoritative definition of that phrase, the Corporation has over the years made its own interpretations and then proceeded to create the sort of service which it considered appropriate.

In many fields compliance with a general direction of this nature would not be difficult. A direction, for example, to operate a ferry service would implicitly create boundaries for the activity in the form of the nature and volume of traffic and generally accepted practices in meeting the physical aspects of the task. But there are no such boundaries in a new and growing field such as broadcasting—a national broadcasting service can take a hundred forms, ranging in cost from a few million dollars to more than the hundred million now being spent.

The most fundamental policy change since the Corporation was established in 1936 was the decision to inaugurate television broadcasting. This was a formal government decision in 1949 and appears to be the only instance of guidance by government in defining the role of the Corporation.

Of the 77 television stations embraced by the English and French networks in 1961, only 13 were operated by the Corporation, the balance being privately owned. A limitation, such as contained in Section 29(1)(b) of *The Broadcasting Act,* with respect to establishing new stations is therefore of little effect in controlling the scope of activities. The questions which really determine the scale of expenditures are:

- The amount of broadcasting—how many hours per week?
- The size of the audiences to be served, through networks and the Corporation's own stations.
- The commercial policy—is advertising revenue to be sought, and if so, how aggressively?
- The quality of programming and the scope of the Corporation's own production activities.

When television was inaugurated in Toronto and Montreal in September 1952, broadcasting was at the rate of twenty hours per week. Nine years later it had risen to between eighty and ninety hours weekly. Table 1 shows the growth in broadcast time on eight of the principal stations. No criticism is implied with respect to this development—it is cited merely as an example of a policy decision taken within the Corporation, which involves very large sums of money. The amount of broadcast time has a direct bearing on communications costs for network transmission as well as an important influence on production requirements.

The Corporation's interpretation of its obligation to provide a "national broadcasting service" has led to the development of English and French language television networks which together reach ninety per cent of the population. The remainder reside in more remote areas, to service all of which would entail a prohibitive cost. Simultaneous presentation of television programmes is now possible through microwave facilities from St. John's, Newfoundland, to Victoria, British Columbia. Radio broadcasting reaches an even larger proportion of the people and the Corporation's broadcasts are available to all but three per cent of Canadian residents.

In the absence of direction the commercial policy of the Corporation has developed in a haphazard manner. Advertising revenues of over $38 million annually were built up without any aggressive effort. The fact that private broadcasting is seriously threatening such revenue renders essential a firm decision on future policy.

Again, on the basis of the Corporation's own assessment of need, a production organization has been created which is one of the largest theatrical enterprises in the world. Policy has been to strive for superior quality and there is universal agreement that a very high standard has been reached. But no evidence exists of any weighing of cost against need and the impression gained is that, generally, the pursuit of high quality has been carried on without taking into consideration what the country can afford.

Table 1—CANADIAN BROADCASTING CORPORATION—TELEVISION BROADCASTING, HOURS PER WEEK

	CBLT Toronto	*CBFT Montreal*	*CBOT Ottawa*	*CBUT Vancouver*	*CBMT Montreal*	*CBWT Winnipeg*	*CBRT Halifax*	*CBOFT Ottawa*
September—1952	20.50	20.25						
March—1953	40.50	32.75						
October—1953	69.75	37.75	53.75					
March—1954	72.75	31.50	54.50	49.50	41.00			
October—1954	66.75	36.00	64.00	50.00	61.25	58.00		
March—1955	68.50	43.50	64.75	70.00	61.50	61.50	57.65	
October—1955	77.25	38.25	68.00	80.25	70.25	75.00	64.00	41.35
January—1956	75.00	54.50	66.25	68.50	67.00	73.25	63.50	53.00
January—1957	72.50	58.50	68.25	73.25	68.25	77.25	76.25	59.50
July—1957	56.25	46.75	57.00	61.50	60.75	66.00	58.50	46.50
January—1958	72.25	64.75	67.00	73.75	68.75	76.50	75.00	64.25
July—1958	61.00	46.25	59.25	65.75	63.00	68.75	62.50	46.50
January—1959	81.00	69.25	74.00	81.25	75.25	78.25	81.50	70.50
July—1959	61.75	48.00	63.75	64.75	72.25	70.25	68.75	46.75
January—1960	86.00	74.25	86.00	86.50	85.75	87.00	85.00	75.00
July—1960	58.50	51.50	64.00	64.00	70.25	68.50	66.25	51.00
January—1961	89.75	81.25	87.00	85.00	84.00	80.75	88.00	84.00

NOTE: (1) The above figures up to and including January 1956, were obtained from an analysis prepared by the Office of the Co-Ordinator of Television, dated February 16, 1956.

(2) Figures from July 1957 (representing Summer scheduling) and January 1958 (representing Winter scheduling) were obtained from current statistical data maintained by the Office of the Director of Operations Control.

In a rapidly developing field such as television, it is probably unrealistic to expect that policy should be enunciated in detail in the governing legislation, but an unfortunate omission is the lack of provision for general guidance by the government with respect to major policy decisions.

FINANCING THE CORPORATION

Each year Parliament is asked to vote the funds necessary to bridge the gap between corporate income and outgo. The scrutiny of these budgets is carried out by the staff of the Treasury Board, the outcome being usually an arbitrary reduction in the operating budget of three or four million dollars. No direction is given the Corporation concerning the control of either revenue or expenditure.

Parliament appropriated $70,418,000 for the operating requirements of the Corporation in the fiscal year 1961-62. The Corporation had, in addition, advertising revenue (gross) of $32,910,000 and other income of $410,000. Operating expense totalled $103,572,000 to which $4,039,000 has to be added for depreciation, or an over-all total of $107,611,000 operating cost. In addition, Parliament granted $9,600,000 for capital requirements, but actual expenditure amounted to $6,200,000. It is significant that advertising

revenue was 12.5 per cent below that of the previous year, and uncertainties as to the future of commercial revenues indicate the possible need for substantial future increases in amounts voted by Parliament if activities continue at the present scale. In these circumstances, forward planning becomes extremely difficult. The Fowler Commission recommended that certainty of financing for five years ahead should be provided to permit an orderly development of activities and your Commissioners agree that dependence on annual votes by Parliament seriously complicates the task of management. If, as appears quite possible, the Corporation is fated to lose much of its commercial revenue to private competition, management should know now whether or not it may count on increased appropriations of public funds so that it can plan accordingly.

3

THE BOARD OF DIRECTORS

The Corporation consists of the eleven individuals who form its Board of Directors. As already noted, they are the President and the Vice-President (individually appointed by Order in Council), and nine individuals, one of whom has been designated Chairman of the Board. It is on this group collectively that the responsibility rests for the operation of the Corporation. Attention is drawn earlier in this report to the need for a more precise definition of the responsibilities of the Corporation with regard to the provision of a national broadcasting service, and to the restrictive limitations imposed on the Board of Directors with regard to financial requirements. These handicaps are aggravated by certain other features of the present arrangements.

Of the eleven directors, only the President and the statutory Vice-President are required to devote their attention exclusively to the affairs of the Corporation. The Chairman (a non-statutory office) presides at meetings of the Board and is also Chairman of the Finance Committee. The President, as a statutory director, is prominent at Board meetings and is chairman of the statutory Executive Committee to which, by law, may be delegated all or any of the powers of the Corporation. Board meetings may extend over three or four days. No agenda are issued in advance, and at each meeting the part-time directors are confronted with a mass of financial and statistical data which neither they nor anyone else can digest and evaluate in the time available. The result is that, in fact, Corporation policy is largely dictated by management. This situation probably had its origin in the appointment of an entirely new Board in November, 1958, none of whom had any previous

experience of the affairs of the Corporation. The appointments were for a term of three years and, with one exception, all the part-time directors were re-appointed in 1961. Moreover, the statute stipulates that, after serving two consecutive terms, they are ineligible for re-appointment during the twelve months following the completion of the second term. Therefore an almost entirely new Board is in prospect within two years. The situation would be improved somewhat were a rotational system of appointment provided, and the Executive Committee composed of directors normally resident in or within easy reach of Ottawa.

Both the President and one Vice-President are appointed for a term of seven years. It is evident that, if smooth working relationships are to be achieved, these senior officers must be acceptable to the directors and to each other, and that their experience and qualifications should be mutually complementary. But at present there is no provision for consultation so as to ensure that these essential requirements are met. Responsibility for the effective management of an enterprise of this magnitude without the authority to select and, if necessary, dismiss the senior executives of the Corporation is a contradiction in terms.

Of the nine persons appointed to the Board in 1958, two were from the Maritimes, Quebec and Ontario, respectively, and one each from Manitoba, Alberta and British Columbia. The following is an analysis of their experience:

Active business executives—management level	3
Retired business executive	1
Writers, broadcasters	2
University professors	2
Labour and welfare	1

Two had previous broadcasting experience as announcers, commentators or free lances, the remainder none. The board is representative of the different regions of Canada and of certain segments of the population but, by residence, background and experience, it is better suited to the performance of advisory functions than to the heavy responsibility of administering this very large business.

Possible alternative arrangements to government by a board of directors would be to revert to a salaried Commission or to place the responsibility on a single officer, supported by an advisory committee of a representative nature. In fact, though not in form, the present arrangements accord closely to this pattern, since it is clear that the initiative lies with the President and the Board's authority is extremely circumscribed.

As in the case of other corporate agencies of the government, your Commissioners take the view that if a board of directors is appointed, they should, in fact, direct and be accountable for performance. The appointment and tenure of all management personnel, including the chief executive officer should be subject to the recommendations of the Board of Directors.

Having regard to the scale of the operations of this Corporation, the directors should be administrators and executives of proven competence and experienced in large-scale operations. They should be prepared to spend the time necessary properly to carry out their function and should be remunerated fairly for their services. To provide that the views and interests of various parts of the country and of the several professions and callings specially interested are properly represented, an advisory council might be appointed to consult with the Board periodically.

Unless communications with the government are channeled through a single spokesman for the Corporation there will be danger of misleading the responsible minister and disrupting the internal harmony of the Corporation. Individual appointments as at present serve to encourage separate contacts, since they are interpreted as creating responsibility on an individual basis. A board of directors charged with responsibility should normally designate its chairman or president as the sole contact with senior government.

The nature of the Corporation's task demands that it possess great independence from the political process in the day-to-day conduct of its activities. But this does not mean that it must be handed a blank cheque. Thus, in matters of broad policy governing the shape and nature of the Corporation's development, there is an inescapable responsibility on the government to give guidance. An independent board of directors will normally welcome informal policy guidance and has an obligation to ascertain the views of the government before giving effect to any important change in policy. To make effective a minimal degree of essential control, the minister responsible should have the power to give formal direction to the board. A requirement that such power when exercised be made public would pinpoint responsibility. Experience elsewhere indicates that where such power exists, it is used sparingly, but the existence of the power serves to further a satisfactory relationship between those bearing different parts of the total responsibiliy.

No account is taken in the foregoing discussion of the future role of the Board of Broadcast Governors. Part I of *The Broadcasting Act* clothes the Board with broad regulatory powers, in the following terms:

10. The Board shall, for the purpose of ensuring the continued existence and efficient operation of a national broadcasting system and the provision of a varied and comprehensive

broadcasting service of a high standard that is basically Canadian in content regulate the establishment and operation of networks of broadcasting stations . . .

And Section 29 declares that "The Corporation is bound by the provisions of Part I".

In light, particularly, of the emergence of a private television network actively competing with the Corporation, the possible conflict between the powers of the regulatory authority and the statutory terms of reference of the Corporation is assuming serious proportions. Because the resolution of such difference lies entirely within the field of public policy, your Commissioners abstain from comment.

4

ORGANIZATION AND MANAGEMENT

Since its formation in 1936 when it took over the affairs of the Canadian Radio Broadcasting Commission, the Canadian Broadcasting Corporation has experienced rapid and substantial growth. This is illustrated by the following table showing numbers employed at selected dates.

Table 2—CANADIAN BROADCASTING CORPORATION—EMPLOYMENT AT SELECTED DATES

Date	*Number of Employees*
November 2, 1936	133
March 31, 1940	572
March 31, 1945	920
March 31, 1950	1,375
March 31, 1952	1,565
March 31, 1956	5,022
March 31, 1961	7,502

The large increase following March 31, 1952, is due to the inauguration of television broadcasting, which resulted in the employment of large numbers of technical and production personnel. Changes in organization were made to accommodate this important new activity. Subsequent reviews by the Fowler Commission and Parliamentary Committees further influenced the organizational pattern. The present top organization is set out in Chart 1.

In its simplest form, the operation of a television broadcasting station embraces certain clearly defined classes of activity—sales, engineering and

broadcasting. The latter, sometimes called programming, is divisible into separate functions which include scheduling of programmes; procurement of programmes, by purchase or exchange; and production of the station's own programmes and getting them on the air. The management of a network of stations must take account of these same functions. Some may be performed centrally for the network, others remain local responsibilities. In large networks, management responsibility may be delegated to regional organizations, each responsible for a group of stations. The interplay of national, regional and local activities gives rise to a degree of organizational complexity which, in the case of the Corporation, is compounded by the need to operate not one but two television broadcasting services—one in English and one in French. In addition two distinct radio operations, one in each language, are conducted.

The differences between English and French broadcasting and between television and radio broadcasting are so fundamental that the logical solution would seem to be to set up four separate organizations. However, this is clearly impracticable, first because of the need for consistency of approach in a national broadcasting service and, also, because it would give rise to an expensive duplication of facilities. The organizational pattern of the Corporation, therefore, must accommodate the simultaneous conduct of these separate activities and provide for delegation of line authority in such manner that responsibility for the conduct of each activity may be clearly assigned.

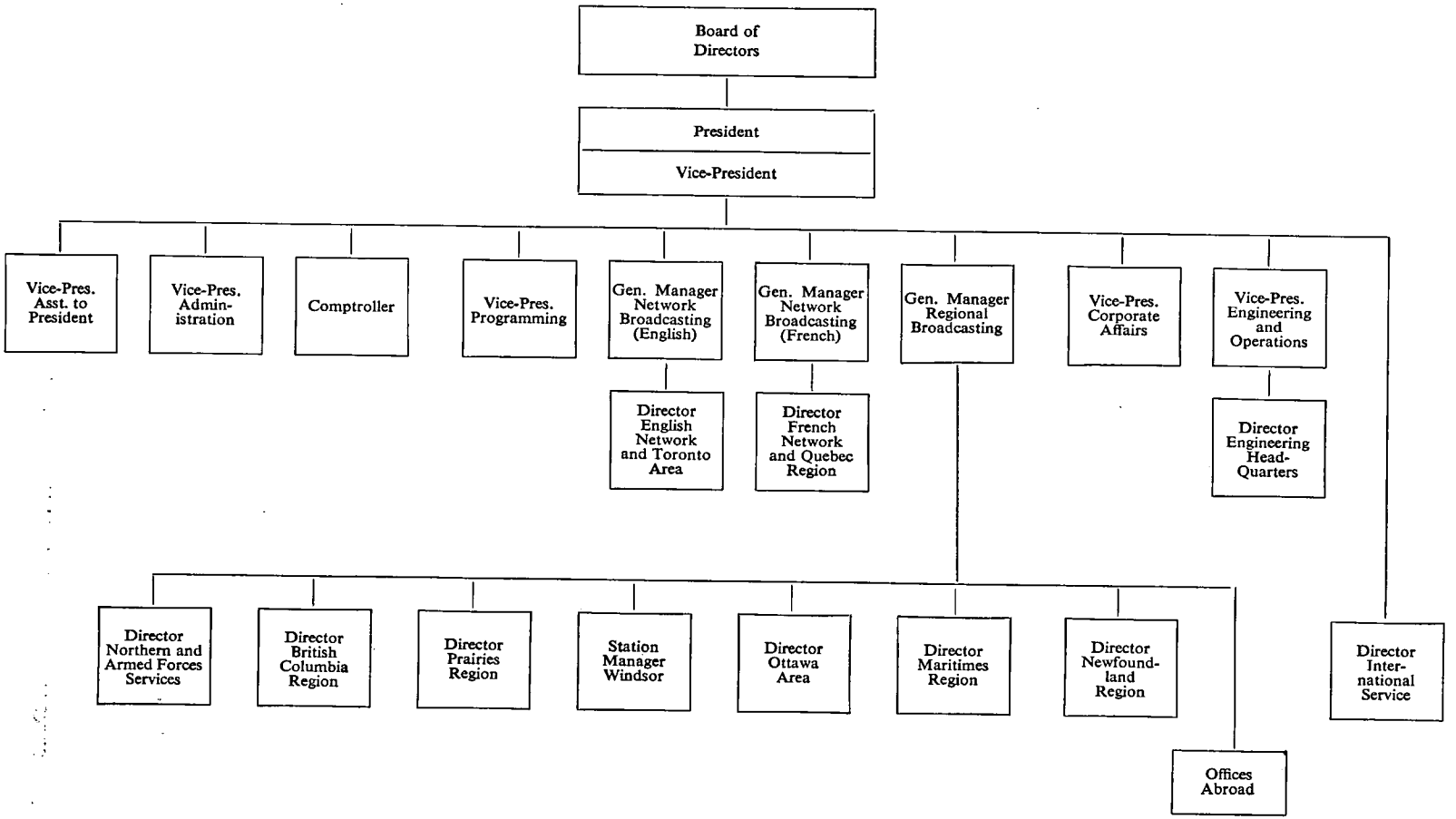
The present organization set out in Chart 1 discloses three separate management levels: the board of directors and executive officers; the headquarters organization; and the regional organization. For present purposes, the chart need not show the station management organization responsible for management of the individual stations.

THE POLICY GROUP

In this group, where corporate policy and major operating decisions are made, the initiative is carried by the President who is the chief executive officer. The Board reviews and approves most of the activities of the Corporation but its role appears to consist largely of ratifying decisions already made, rather than initiating corporate policy. As presently constituted, the Board cannot be expected to act as more than an advisory committee with indeterminate terms of reference and this situation is the indirect cause of much criticism of the management of the Corporation.

The Fowler Commission in 1957 recommended that one senior officer be "mainly engaged in general policy, future planning and public information activities" and that a second senior officer devote himself mainly to "current

Chart 1 — CANADIAN BROADCASTING CORPORATION—PRESENT TOP ORGANIZATION



operations, administration and management." The report of the 1959 Parliamentary Committee, in turn, recommended that a senior officer should be "vested with the clear authority and responsibility for all supervision of production". The intent of both these recommendations was to create under the chief executive officer a senior manager responsible for operations and day-by-day management. The changes made in the organization have failed to accomplish this purpose and the President as chief executive officer remains personally involved in all manner of problems, both of policy and of operating management.

Senior executives are supposed to report to the President on policy matters and to the Vice-President, nominally the deputy chief executive officer, on matters of current operations. In practice, the Vice-President is frequently by-passed in communications between the President and senior executives and his status within the Corporation is affected by the fact that his appointment is made by the Governor in Council without that body being under any obligation to consult with either the Board of Directors or the President.

In the development of corporate policy, the most significant characteristic of the top echelon of the Corporation is the lack of any terminal philosophy or corporate goal. For example, the question of television time on the air, to which reference has already been made, has not apparently been governed by any deliberate policy. Decisions to increase broadcasting have been based on the general desire to provide a greater service and no evidence has been found that cost considerations have played any part in establishing acceptable standards. The policy with regard to securing advertising revenues appears unrelated to specific financial goals and the Corporation has never settled the desirable relationship between cost and commercial revenues. Thus, no consistent commercial policy has been developed. Undoubtedly, the failure to develop long-term financial objectives as a foundation for operating policy is due, in part, to the uncertainties surrounding future finances. Inability to forecast what moneys will be made available from year to year by Parliamentary appropriation has inhibited the development of financial objectives by the Corporation.

The whole problem created by the absence of concrete corporate goals is seriously complicated by the effect of new competition from private broadcasters. The Corporation badly needs a clear definition of its task and the limits of its responsibility. Only on such basis can long-term objectives be established and management aggressively devoted to their achievement. Decision-making in the Corporation would be immeasurably strengthened if a definite pattern of financing were developed, by way of either a fixed annual grant or one based upon Canadian population.

THE HEADQUARTERS ORGANIZATION

Over ten per cent of all employees of the Corporation are found in the headquarters group. With the exception of the engineering headquarters which has always been in Montreal, the headquarters personnel are located in Ottawa. The following analysis shows the numbers attached to the various offices:

Table 3—ANALYSIS OF EMPLOYMENT IN HEADQUARTERS ORGANIZATION

Office of the—	*Number of Employees*
Secretariat to the Senior Officers and Board of Directors	9
Vice-President—Assistant to the President	83
Vice-President—Administration	115
Vice-President—Programming	92
Vice-President—Corporate Affairs	45
Comptroller	132
Vice-President—Engineering and Operations	48
General Managers	15
Total resident in Ottawa	539
Engineering Headquarters—Montreal	283
Total	822

The management of broadcasting is shared by the three general managers who are respectively responsible for Network Broadcasting (English), Network Broadcasting (French), and Regional Broadcasting. Programming, which is the essence of broadcasting, is treated as an ancillary function under the Vice-President—Programming, who is also responsible for sales policy and planning. Delegated to officials in Toronto and Montreal is the management of the two principal networks. To these same officials and to managers in the other regions is delegated the responsibility for regional and local operation of the Corporation's stations.

If it be accepted that the primary business of the Corporation is to produce and broadcast radio and television programmes, the most striking feature of the headquarters organization is that fewer than twenty people are directly concerned with programming while over 800 are engaged in ancillary operations. It is therefore difficult to resist the conclusion that the headquarters organization is excessively preoccupied with secondary matters, and that the generally high standard of the national programme service is largely attributable to the enterprise and initiative of the network and regional managements.

The present massive Ottawa headquarters results in part from an attempt to respond to the following observation of the 1959 Special Committee on Broadcasting.

> Your Committee believes that the process of decentralization of the Corporation's administrative and managerial functions may well have gone too far. The Board of Directors should give immediate consideration to an administrative re-organization and the restoration of clear authority and responsibility to the central headquarters in Ottawa.

Action was accordingly taken by the Corporation but there was no substantive re-organization; a whole new level of management was superimposed on the existing organization, but the effective management of broadcasting remained where it had always been—in Montreal and Toronto. The three General Managers and the Vice-President—Programming were appointed with no clear demarcation of their respective areas of responsibility. Meeting together each week as a programme council, they attempt to co-ordinate their policies, but have little or no real control over the planning and scheduling of network programmes. The duality of authority over network management has the effect of relegating the two Network General Managers to the position of general staff officers to the President and, because there is no separation between network and local programming in Montreal and Toronto, the responsibilities of the General Manager—Regional Broadcasting and the Vice-President—Programming are not susceptible to precise definition.

In carrying out these changes the Corporation failed to give effect to the recommendation made by both the Fowler Commission and the 1959 Commons Committee that a single executive be given clear authority over the broadcasting function. The need for such an officer is self-evident and the responsibilities of the position are such that substantial remuneration will be required to attract a person with the requisite qualities. So long as the headquarters of the Corporation remain in Ottawa, it may be impracticable for the senior operating officer to be stationed elsewhere, although his principal activities will be in Toronto and Montreal, and he will require a highly competent deputy in each of the cities. It would be highly undesirable, however, to build up a large staff around him in Ottawa, because the management of network programming must necessarily be undertaken elsewhere.

The supervision at headquarters of administrative, technical and supporting services is distributed between five officers reporting to the President.

Vice-President—Assistant to the President
Vice-President—Administration
Vice-President—Corporate Affairs
Vice-President—Engineering and Operations
Comptroller

No recognizable pattern or system is evident in the grouping of functions between these officers, and a lengthy and detailed exposition would be valueless because of frequent changes. While the direct lines of operating authority flow through the general managers, there are many staff relationships between head office services and their counterparts in the field. These include legal services, personnel, sales, engineering, purchasing and stores, and public information services. In many areas the functional authority of head office staff and service departments is confused and throughout the Corporation there is a general lack of understanding of the common "line-and-staff" relationship.

One result of the present arrangements is that the ordinary business of corporation management is undertaken by a profusion of committees, which occupy much of the time of the staff at every level of management. The same pattern was observed in regional and area headquarters. A presumption is that the existing organization structure has been developed with the deliberate object of ensuring that, as far as possible, policies are formulated and decisions taken by groups rather than by individuals. This may be a direct consequence of the numerous inquiries and investigations to which the Corporation has been subjected over the years, and an element in the intricately constructed defensive carapace from which all but the most diligent inquiries rebound. Under this system, the President assumes total responsibility (as he rightly should) for all activities of the Corporation, but no one of his subordinates can ever be held answerable for any particular aspect of policy or operations. Apart from the frustration experienced by progressive officers of the Corporation and the confusion that arises in the transmission of decisions, the maintenance of these permanent defences has the effect of diverting an inordinate amount of the attention of senior officers from their proper business.

The size and constitution of the headquarters organization suggests a failure to distinguish between the necessity to centralize the formulation of policy and to decentralize the actual conduct of both primary and secondary operations. In order to exercise authority from Ottawa, it is by no means necessary to concentrate secondary operations in Ottawa; all that is needed is the establishment of clear lines of authority and the unambiguous demarcation of areas of responsibility. Neither of these objectives has been achieved. There is no effective central authority over broadcasting, and an over-zealous control of secondary activities affords no compensating safeguards, while distracting much of the attention of senior officers from the principal business of the Corporation. Many of the present troubles and difficulties would be resolved, and the speed of business accelerated, by an extensive decentraliza-

tion to the regions and a more rational distribution of the control of ancillary operations at headquarters and throughout the organization.

THE BROADCASTING ORGANIZATION

Discussed hereunder is the broadcasting function, the very heart of the Corporation's activities. In terms of management and organization this activity is found by your Commissioners to be less than satisfactory. But in terms of the service rendered the public, the judgment cannot but be favourable. The quality and balance of network programmes has been exceptional and the large audiences catered to have enjoyed a full and edifying fare of cultural, informative and entertaining programmes. Such complaints as are heard from time to time with respect to programme content are, to the extent that they may be justified, attributable to deficiencies in programme control and not to the policy aims of the Corporation.

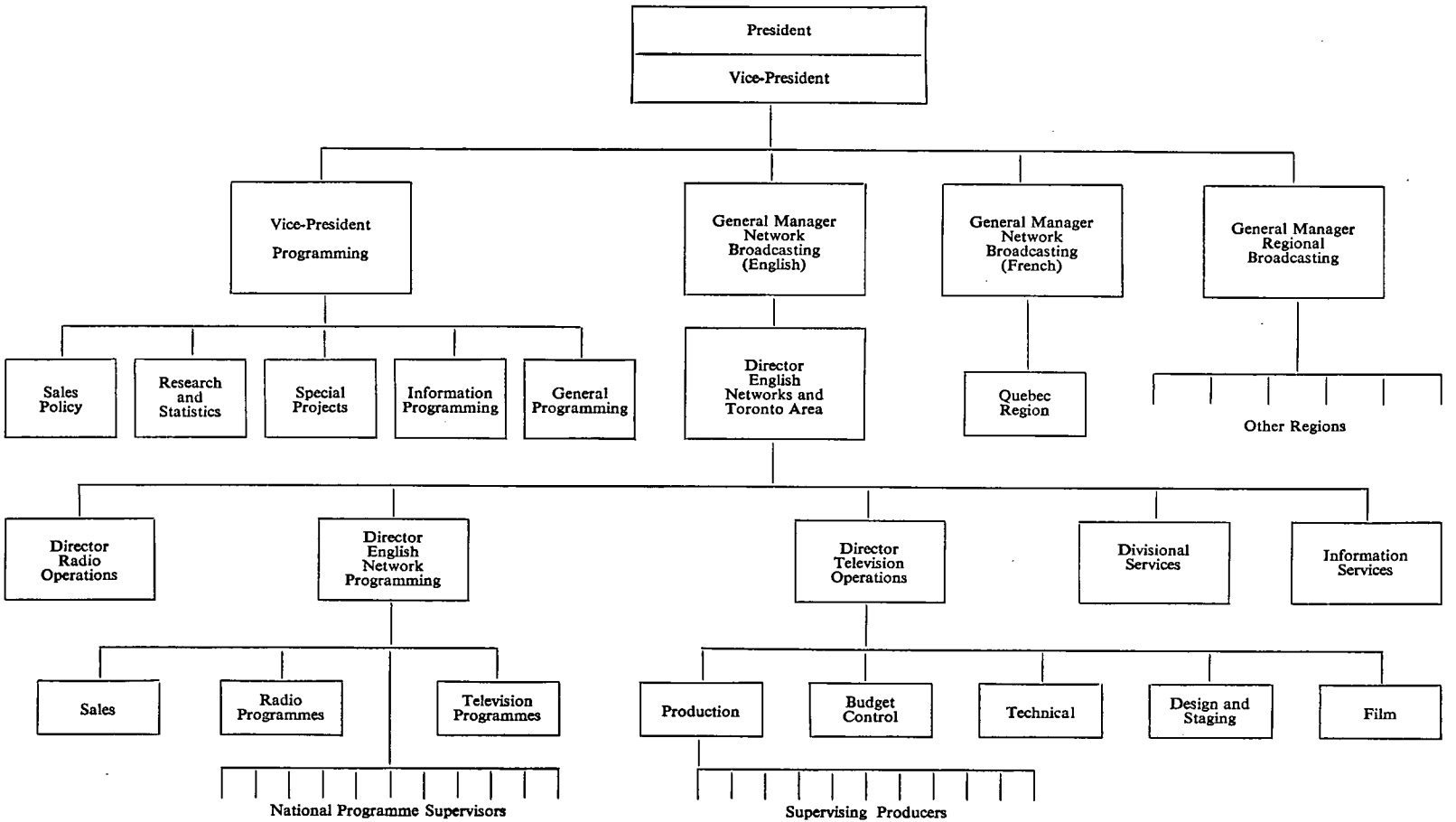
A constant theme within the Corporation is that the complexity of its operations makes it hard for outsiders to comprehend the workings of its organization, but in fact the incoherence of the organization is not a consequence of complex activities; it is due to a failure to analyse them and provide for their co-ordination on tried and established principles.

The broadcasting organization, sometimes referred to as the regional organization, combines within a single framework all the varied functions of the Corporation. National, regional and local operations of both radio and television are indiscriminately scrambled within two principal centres—Toronto for English programmes and Montreal for French. The present pattern of broadcasting operations is shown in skeleton form in Chart 2, which gives the regional arrangements in Toronto. There are some differences in the Montreal organization, and in the outlying regions the distribution of duties is generally less complex.

A simple analysis of the main function performed by the Corporation will facilitate an understanding of its organizational needs. Remembering that operations in the French language require an almost exact duplicate of the organization for English broadcasting, the main components of the latter operations are found to consist of the following distinct functions, each performed in respect of both radio and television programmes:

- Wholesale or national distribution of programmes through networks.
- Operation of broadcasting stations owned by the Corporation and distribution through them of programmes to local audiences.
- Manufacturing, or production and procurement of programmes for distribution through both wholesale and local outlets.

Chart 2—CANADIAN BROADCASTING CORPORATION
PROGRAMMING AND PRODUCTION—PRESENT ORGANIZATION



Wholesale or Network Operations

Broadcasting networks are created by linking together a number of stations to carry common programmes simultaneously. The national broadcasting service referred to in *The Broadcasting Act* relates directly to this sort of operation. The task consists of constructing the network through arrangements with the individual stations, mostly under private ownership, and designing and procuring the programmes to be broadcast. The constitution of the various networks operated by the Corporation is shown by the following table:

Table 4—CANADIAN BROADCASTING CORPORATION

Television and Radio Networks Operated—1961

	Privately Owned Stations	*CBC Owned Stations*	*Total Network*
TELEVISION			
English network	55	9	64
French network	9	4	13
Total television	64	13	77
RADIO			
Trans-Canada network	95	25	120
French network	34	4	38
Dominion network*	49	1	50
Total radio	178	30	208

* Discontinued 1 Oct., 1962.

The procurement of programmes for network broadcast involves arrangements for the use of programmes produced at various points across Canada and for the carrying in Canada of programmes originating in other countries, principally the United States. The network function, essentially a nation-wide operation, also embraces arrangements for long distance transmission of programmes over leased telecommunication facilities. In designing the mix of programmes for broadcast by the networks, a proper balance between different types of programmes is needed and the requirements of regulatory authorities for Canadian content of broadcast services necessitate a suitable balance of programmes from production centres in Canada.

Local Station Operation

The thirteen television and thirty radio stations owned by the Corporation are part of the various networks, but broadcasts of network programmes take up less than half the time these stations are on the air. For the balance of the time each station must round out its own broadcast schedules. For this purpose programmes may be obtained by purchase or exchange or may be produced locally. The best of such productions, particularly those originating in Montreal and Toronto, where extensive facilities exist, are likely to be incorporated in the schedules of the networks. It is to be observed that management of local stations, singly or in convenient groups, is a very different sort of operation from network operation.

Manufacturing or Production

Regardless of the use to be made of programmes, their production is essentially a local responsibility. Production embraces a large number of different techniques—from journalistic gathering and editing of news to pictorial reporting of important events and sporting activities. Generally, in television, the most complex and costly type of production is the presentation of the visual arts through performances undertaken explicitly for broadcasting purposes. Here all the elements of theatrical production are involved—scripts, actors, directors, staging, costuming and so on. In many cases the costs of such productions could not be justified were they not assured in advance of a nation-wide audience through inclusion in network schedules.

Organizational Needs

From the foregoing brief outline of the different activities certain broad requirements for their organization emerge. Apart from the division involved in managing separately the different tasks of radio and television, the principal distinction to be observed is that between the national and local responsibilities—between wholesaling programmes gathered from many sources through a chain predominantly composed of privately-owned outlets, and the complete serving of local audiences wherever the Corporation's own stations are located. A logical organization will therefore require, for both radio and television, separate groups responsible respectively for network and local operation, with functions assigned somewhat as follows:

Network Operation—

- Construction and maintenance of network through dealings with constituent stations.

- Design of network programmes with due regard to a proper balance of different types of programmes and the maintenance of satisfactory standards of taste and propriety.
- Procurement of programmes by various methods.
- Arrangements for transmission throughout the networks.

Local Operation—

- Design of local broadcast programmes.
- Procurement of programmes for local use.
- Production locally of programmes of various sorts, some for local consumption, others destined for network use.
- Maintenance of production facilities.
- Operation of broadcasting facilities.

Reference to the existing organization shown in Chart 2 discloses no such clear-cut divisions. Much of the organizational disarray appears to stem from the attempt to integrate radio and television programming at the network level and from the intermingling of network managements with local operations at Montreal and Toronto. Fragmentation of authority for national programme control between headquarters and the several networks also tends to blur the lines of responsibility.

The resulting confusion in lines of responsibility and authority may be illustrated by the arrangements governing local broadcasting in Ottawa. For general purposes, the Director of the Ottawa area is immediately responsible to the General Manager—Regional Broadcasting at headquarters. As regards the quality and balance of local broadcasting in French, he is subordinate to someone in Montreal who is responsible, at several removes, to the Director of French Networks and Quebec Region, and thence to the General Manager —Network Broadcasting (French) at headquarters. Similarly, for local broadcasting in English, he is subordinate to someone in Toronto who is responsible eventually to the Director of English Networks and Toronto Area, and thence to the General Manager—Network Broadcasting (English) at headquarters. It is little wonder that the Vice-President—Programming finds it difficult to identify and fulfil his responsibilities.

Effective headquarters authority over broadcasting can, in the opinion of your Commissioners, be achieved only by distinctly and factually divorcing from local management in Montreal and Toronto both the national function of programme control and the management of the networks. This does not

imply that these functions should be transferred to Ottawa; indeed, like a number of other activities, they can be performed more conveniently, effectively, and economically in Montreal and Toronto than in Ottawa, so long as they are not subordinated to regional management. Once this necessary separation of responsibility has been effected, it will be possible to define more precisely the authority that should be delegated to the directors of the regions.

ENGINEERING

A special case is presented by the engineering headquarters, which has a staff of around 280, most of whom are stationed in Montreal. Historically, and particularly during the development and inauguration of television services, the Corporation had no option but to establish its own engineering organization, because the necessary technical knowledge and experience were not otherwise available in Canada. High praise is merited by the results that have been achieved, and clearly the Corporation should continue to pursue an active programme of development in the technical areas peculiar to broadcasting. However, now that the crest of the wave of expansion has been successfully ridden, other considerations apply to the more general areas of engineering.

It is questionable, for example, whether the Corporation has a real need for a staff of more than 70 in its Architectural Division, although it is recognized that this number may be currently inflated while the new head office building is being designed. This project is a good example of the type of general engineering work that occurs irregularly and does not justify the maintenance of a large permanent staff. There is a continuing temptation, so long as the staff is there, to embark on projects that may be desirable but are not strictly necessary, merely to justify its existence. The Columbia Broadcasting System in the United States, with a total staff of approximately 12,000, has an engineering staff of only 116 and plans to reduce this number.

In the view of your Commissioners the scope of the Corporation's engineering activities should be limited to those technical areas directly related to broadcasting. Architectural, constructional and other general services required could be furnished by the Department of Public Works or private contractors.

The location of the engineering headquarters in Montreal while all other headquarters staffs are resident in Ottawa appears somewhat anomalous. Because of the relevance of their work to the budgetary and other aspects of headquarters responsibilities, the logical place for the group would be Ottawa. Such a move, however, may not be imperative, as long as satisfactory

working relations can be maintained between the engineering staff and the head office. But it seems to your Commissioners to be essential that, whatever the location of the engineering group, its present separation from the Director of Engineering, who is now situated in Ottawa, should be ended.

SALES ORGANIZATION

A characteristic of the Corporation's sales effort is the previously noted lack of a positive policy with regard to commercial exploitation. Such control or direction as emanates from headquarters is generally negative in nature and the attitudes of operating officials in the field show wide variation. Some disapprove in principle the carrying on of commercial activities—others may be over-zealous in seeking revenue. The advent of strong competition from private broadcasters renders imperative the early enunciation of the Corporation's commercial policy.

It is recognized by the Corporation that every programme available for sale could be sold at a price, but two factors operate against the sale of many prestige programmes of high technical and cultural merit. First, there is what appears to be excessive concern with the risks of sponsor influence on programme content, though this affords no justification for regarding prestige programmes as unsaleable. Second, prestige advertising cannot be directly related to results, and potential advertisers are deterred by the high cost of sponsorship that results from established minimum requirements for programme cost recovery. Your Commissioners believe that the potential sale of cultural programmes to prestige advertisers is not being fully explored, and that the Corporation should reconsider its policy in regard to minimum programme cost recovery.

A sales policy and planning unit was established only in 1960, and has experienced great difficulty in securing consistent data for such common controls as monthly sales analyses and comparisons of revenue with direct sales costs. A pattern of sales control on a national basis is slowly being developed, but nobody at headquarters in Ottawa has any real authority over the sales organization in the field, and instructions are too frequently flouted with impunity.

The sales force of the Corporation is relatively small in comparison with its competitors. For example, a private station in Hamilton has a larger sales staff in Toronto than the Corporation has for national and local sales in the whole of the Toronto area. The chief concern should be with quality rather than quantity, but even in this regard the Corporation is weak. Salesmen are unionized and lack the incentive provided by way of commissions

or compensation based on effort. Sales training and development programmes should be intensified, and the sales remuneration policy reviewed with a view to providing more positive incentives. Close co-operation is needed between sales and programming, for sales cannot be made unless saleable programmes are being produced. But it is wrong to assume that interrelated activities cannot be co-ordinated unless they are directly under common management, and that sales must therefore be subordinated to programming. In each of the two network centres, the Director of Network Programming is responsible for sales, an arrangement which can aggravate excessive commercialism.

Your Commissioners believe that, if the Corporation is to continue its commercial activities and rely on them for a substantial part of its total revenue, the factor that over-rides all other considerations is the necessity of building up a strong sales organization from coast to coast. This can best be done by divorcing sales from regional and network management in all centres, and appointing a General Sales Manager. Under this arrangement, the essential balance between programming and sales should be maintained by budgetary control, which would act as a spur to both elements.

FINANCIAL ADMINISTRATION

Accounting changes made since the publication of the report of the Fowler Commission in 1957 have improved and extended the financial control exercised by both headquarters and the regions. Decentralization of accounts and the preparation of detailed regional reports, showing results in terms of network and station operating costs, now provide valuable control data, and capital and operating costs are compared with budgets on a systematic basis. These developments have resulted in a raising of the status of financial staffs, but not until late in 1960 did the Comptroller become accountable directly to the President. The devolution of accounting control to the regions requires a strengthening of professional aptitudes among the regional chief accountants; many now lack the qualifications or breadth of experience needed to provide effective financial guidance.

The financial planning and budgeting function is currently split between the Comptroller and the Vice-President—Engineering. This dates from the days when competent financial talent was not available within the organization. While a gradual consolidation of these activities is slowly taking place, the present arrangements lead to duplication and waste of effort, particularly in the regions. Apart from the division of authority for budget preparation and supervision, the budgetary procedures reflect an unsound approach. Budgets are based initially on broad estimates by head office, influenced by

results of the preceding year, instead of being developed in the operating centres on the basis of firm programme schedules. They are then submitted to the Treasury Board. Only after the total has been approved are target figures issued to the operating units as a basis for the preparation of detailed regional budgets. As a result, the final budgets are based on what it cost last year plus an estimate of additional requirements, with no searching analysis of last year's costs. They possess, therefore, little real value for purposes of planning as effective instruments of control.

There are further evidences of organizational overlapping in the existence of two systems and procedure groups, one reporting to the Vice-President—Administration and the other to the Comptroller. Similarly, while a "management audit" group was formed in 1960 under the Vice-President—Administration to assist in the assessment of management activities, an internal audit group reports to the Comptroller and performs some similar functions. It would be logical to combine them.

5

CONCLUSIONS

The foregoing discussion of the organization and management of the Corporation does not purport to be an exhaustive review. The critical tone results from reporting only the more important departures from generally accepted practice, and your Commissioners must observe that a complete assessment of performance would necessarily pay high tribute to many of the Corporation's accomplishments in providing Canadian audiences with radio and television services of high quality. Nevertheless, there can be no doubt but that the Corporation is in need of extensive reorganization to secure efficiency and economy in its operations.

No blueprint for the future organization of the Corporation is submitted —indeed, its preparation cannot be undertaken before the future role of the organization has been settled. When that has been done the development of a sound pattern of organization will present no special difficulty. Regardless of the future scope, it is apparent that substantial savings can be effected through the application of tried and proven principles governing the devolution of authority and by establishing the accountability of management in its various functions.

Among government agencies there are two, the Canadian Broadcasting Corporation and the Bank of Canada, which for reasons of public policy are each endowed with statutory independence. Both are incorporated with their boards of directors drawn from outside the public service; and each is charged with responsibilities of direct and substantial significance to the people of Canada. Moreover, both have operations stretching across the

country. In spite of these common attributes, there is great variation between the two in the success attending their managements. The Bank of Canada can be said to be ably administered and effectively organized for its tasks. The Canadian Broadcasting Corporation, in spite of many praiseworthy accomplishments, has failed to develop positive goals. For this and other reasons, its management and form of organization have proved unequal to the task of securing the orderly conduct of operations in the face of the pressures brought about by rapid expansion. A comparison, therefore, of the major differences between these two bodies may well disclose the underlying reasons for variation in the quality of their performance.

A first and important difference lies in the varying nature of the tasks of the two institutions. A central bank is an established type of institution with many models and precedents to guide management. At the other extreme lies the pioneering nature of the task of Canadian Broadcasting Corporation. A second important variation lies in the degree of public interest which attends the performance of each. Sensitivity to public criticism has led the Corporation's management to make changes but these changes undertaken for defensive reasons alone have constituted major errors of organization. The needs of a central bank for guidance in defining its operational scope are minimal. On the other hand, the Corporation has been in desperate need of general leadership on main policy lines as the broadcasting field has expanded. Finally, a significant variation in the competence and capacity of senior executives is apparent. Salary levels of the Bank accord to the scales in private business and as a result it attracts and retains able administrators. The senior levels of compensation in the Corporation are too low in relation to the responsibilities involved. The President receives an annual salary of $20,000 and the statutory Vice-President $16,000, both set by the Governor in Council. All senior operating officers are paid less than the Vice-President, with the result that the whole salary structure of the Corporation is undesirably compressed at senior levels. It is not uncommon, for instance, to find a differential of no more than $200 or $300 a year between senior officers and their immediate subordinates—a situation that provides virtually no incentive to seek promotion and heavier responsibilities. There is a real need for more latitude and flexibility in selecting fully qualified and experienced men for senior positions. To provide the salaries which must be paid, there is need of a substantial increase in the salaries of the chief executive officers, and the Board of Directors (as your Commissioners visualize the Board) should have authority to determine the remuneration of these officers in the future. Your Commissioners are satisfied that in the face of competition for skilled

senior personnel by private broadcasters in Canada and abroad, present remuneration practices cannot be expected to attract the men of competence and experience needed to fill the senior posts.

The broadcasting function is one which clearly cannot be performed by a department of government and the employment of a Crown corporation for the purpose is appropriate. If the heavy responsibility of its operation is to be borne by a Board of Directors, the membership of the board must be carefully chosen and include persons qualified by experience in large undertakings, devoting sufficient of their time properly to discharge the obligations assumed. While the chief executive officer may properly be a member of the board of directors, he should never dominate it and his continued employment should be subject to the board's approval of his management.

No matter how strong or capable a board may be assembled, there will remain a need for policy direction from the government. This can normally be accomplished by informal means but, as a fundamental protection, the minister responsible should have the power of formal direction. Such a plan offers no threat whatever to the integrity of the Corporation's programme activities, for which the Board of Directors must assume full responsibility.

Reference was made earlier to the unsettled relations between the Corporation and the Board of Broadcast Governors arising from ambiguity in the present legislation. Your Commissioners offer no suggestion as to how this problem should be resolved but they observe that a clear definition of the authority and responsibility of each body is one of the requisites for the development of clear policy goals by the Corporation.

20 DEPARTMENT OF NATIONAL DEFENCE

SPECIAL AREAS OF ADMINISTRATION

REPORT 20: DEPARTMENT OF NATIONAL DEFENCE

PUBLISHED BY THE QUEEN'S PRINTER • OTTAWA • CANADA FOR
THE ROYAL COMMISSION ON GOVERNMENT ORGANIZATION

CONTENTS

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A number of project groups investigated various administrative aspects of the Department of National Defence. Your Commissioners were assisted in the task of collating this material by a small Project Group under the direction of Air Vice Marshal (Retired) Frank S. McGill, C.B., Vice-President (Sales), *Dominion Oilcloth and Linoleum Co. Limited,* Montreal. His co-ordinator and assistant was Brigadier Earle R. Suttie, C.B.E., D.S.O., *Economic Research Corporation Limited,* Montreal.

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In addition, Mark McClung, B.A.(ALBERTA), B.A.(OXFORD), Research Co-ordinator on the Commission's staff, assisted in an editorial and co-ordinating capacity.

A number of submissions bearing on this topic were received from individuals and organizations: these have been carefully considered and are noted in our final report.

Your Commissioners, in acknowledging the assistance and advice received from the above-named persons, dissociate them from any of the findings and conclusions contained in this report; for these, your Commissioners assume full responsibility.

1

INTRODUCTION

The dramatic change that has taken place in the level of federal expenditures since 1939, a twelve-fold increase, has two main sources—the broad enlargement of social services and the development of a peacetime defence organization on an unprecedented scale. Immediately after the end of World War II, defence expenditures fell sharply and it appeared that a return to the relatively minor dimensions of traditional peacetime expenditure was in prospect. However, the crisis in Korea and Canada's developing commitments to NATO, NORAD and the United Nations resulted in a greatly enlarged defence effort. From a total of $385 million in the fiscal year 1950, defence expenditures increased to $1,652 million in 1961-2. For the first time in the history of Canada in peacetime, there are over 125,000 serving in the Armed Forces, with almost 50,000 civilians also employed. Table 1 shows defence expenditures (including defence purchasing costs and civil defence) and Service manpower from 1950 to 1962.

In this inquiry, the Department of National Defence has been singled out for a number of reasons. The most obvious are its size, the range and cost of its activities, and the impact of Western defence alliances. Moreover, the composition of the department is unique, consisting as it does of two elements, military and civilian, differing in status, rank structure and terms of employment, although they function as an entity. Also of significance is the character of the Armed Forces, whose numbers, organization and skills are predicated on wartime tasks, with the consequence that utilization in peacetime is a problem.

Table 1—DEFENCE BUDGETARY EXPENDITURE AND SERVICE MANPOWER—ALTERNATE YEARS

Year ending March 31	*Defence Budgetary Expenditures*	*Service Manpower at Year-end*
	(millions)	(thousands)
1950	$ 385	47.2
1952	1,447	95.4
1954	1,858	112.5
1956	1,768	116.7
1958	1,687	119.0
1960	1,537	119.6
1962	1,652	126.5

The $1,652 million spent in 1961-2 by the Department of National Defence (including the Defence Research Board) and for defence purchasing and civil defence represented 25 per cent of total federal expenditures, but defence activities in terms of employment, equipment and other operating costs accounted for an even larger proportion of federal government operations. Excluding statutory grants, payments to provinces and debt service, the remaining expenditures of the Government of Canada on its own operations in 1961-2 were less than $4,000 million, of which more than 40 per cent is accounted for by defence spending.

The scale of defence expenditures lends particular importance to the principles set forth by your Commissioners in the report on *Financial Management,* relative to the administration of financial business throughout the government. Subject to special considerations, these principles are fully applicable to the conduct of business by the Armed Forces.

One of the principal recommendations of your Commissioners in the report on *Financial Management* is that departmental Estimates be prepared on the basis of programmes of activity rather than by standard objects of expenditure. In Part 2 of that report, Exhibit 13 and succeeding illustrations demonstrate the types of programme differentiation appropriate to certain activities in the Department of Transport. In the Department of National Defence, some difficulty may be anticipated in developing an appropriate programme classification, because the programmes and responsibilities of the several Services overlap and many of the special commitments call for joint activity. Until there is greater co-ordination of support functions, it will be essential, for purposes of control and assessment, to programme separately identical functional activities of each of the three Services.

The programme classification for defence expenditures should be designed for the most effective achievement of two main objectives—first, to permit the

control of expenditures in an orderly manner, including regular comparisons of actual against estimated costs, and second, to present a significant and informative breakdown of Service expenditures in the Estimates and Public Accounts. Once a satisfactory programme classification has been developed, the cost elements of individual programmes should be consolidated within a single Vote.

The Department of National Defence differs from other departments in another important respect. Here, as elsewhere, the financial control of Parliament rests upon the regulation of the volume of cash expenditures. The Armed Forces, however, possess very large inventories, the estimated value of which ranges from $500 million to $750 million. By building up or drawing down these huge quantities of material, the variation between real cost and cash expended in any period may be much greater than in other departments. To this extent, Parliamentary control is less effective.

The recommendation, in the report on *Financial Management,* that departmental accounting be designed, using the accrual method, to serve the actual needs of departments is particularly relevant to the accounts of the Armed Forces. Conforming to the programme classification to be designed, the accounts of the Department of National Defence will facilitate the preparation of budgets on a cost basis rather than on a cash basis. Comparison of results with budget, month by month, will lead to early detection of important variances. Accrual accounting will automatically reflect variations in military inventories—the principal danger-point in the present cash system. However, a distinction will necessarily have to be made between those inventories of combat consumables acquired for war use and those of an operating or maintenance nature. Because of the high obsolescence of warlike equipment, its cost should be absorbed as it is received, while ordinary operating materials and consumable supplies should be chargeable to operations as they are withdrawn from store.

Nearly half the total expenditure on defence represented payments to or for personnel, and the total wage bill for defence was slightly more than that of all other departments together. In September, 1960, uniformed personnel of the Armed Forces constituted 26 per cent of the 465,998 persons composing the public service in its widest definition, and civilian employees of the Department of National Defence represented 26 per cent of the total employed by departments of government. Defence accounted for 87 per cent of all government expenditures in 1961-62 on the acquisition and upkeep of equipment, and for nearly 60 per cent of the total expenditure on materials and supplies. The Armed Forces manage 6 million acres of land within the provinces of Canada, and occupy over 140 million square feet of floor space

—about 80 per cent of all space owned and leased by the government. The principal elements of the 1961-2 defence budget are shown in Table 2.

Table 2—DEFENCE EXPENDITURES 1961-1962

Class of Expenditure		*Defence Expenditures*	*Percentage of all Government Expenditures of same class*
		(millions)	
Personnel Costs:			
Members of the Forces	$540		100
Civilian Employees	200		22
Superannuation charges	65	$805	48
Equipment—acquisition and upkeep		475	87
Buildings and Works—			
Acquisition and upkeep		120	27
Materials and Supplies		108	59

The position of the defence departments and agencies, as the biggest spenders by far in government, inevitably brought their activities under review by several of the groups investigating specific aspects of government activity for your Commissioners, and many of the reports dealing with these activities discuss the position of the Armed Forces in each particular context. This report treats exclusively with phases of defence organization—in particular, the need for better co-ordination of activities common to the three Services, and for more effective application of manpower.

More detailed information about the developments of the past ten years is given in the accompanying appendices. Appendix 1, using selected years, reflects the growth of Service strength since 1950, and Appendix 2 lists the expenditures by each of the Services year by year. These figures show that the Royal Canadian Air Force has grown most rapidly and is now three times as large as it was twelve years ago; its expenditures to-day exceed those of the Army and Navy together. Appendix 3 shows a breakdown of the National Defence dollar from 1951 to 1962 by major cost categories.

The object of this study is not to examine Canadian defence policy, but to appraise the role of the Department of National Defence in the formulation and application of policy and the suitability of its present organization in these roles. Attention is therefore focussed on the headquarters organization and on the broad aspects of administration. It is recognized, however that recommendations advanced to promote efficiency currently, must at the same time be evaluated in the light of their possible effect on the operational effectiveness of the Armed Forces.

2

ORGANIZATION FOR DEFENCE

The principal task of the Department of National Defence is to implement the defence plans of the Government of Canada. The formulation of those plans rests with Cabinet and although the Minister of National Defence is primarily concerned, many factors of importance to other ministers must be taken into calculation—including international relations, costs, and the impact of defence expenditures on the domestic economy and the balance of international payments. Moreover, only the Cabinet is competent to evaluate public opinion relating to defence.

Because of these considerations, there has long existed a Cabinet Defence Committee which is assisted by the deputy ministers principally concerned, the Chairman of the Defence Research Board and the Chiefs of Staff of the Armed Forces. On the latter falls the duty of advising on the nature and strength of the military forces that may constitute a threat to Canada, and of proposing military measures to counter that threat, for consideration by ministers in the light of the other factors noted.

THE BASES OF ORGANIZATION

In organizing the Department of National Defence for the execution of defence programmes, two facts are of prime significance:

- Canadian defence arrangements do not envisage independent military action by the forces of this country.

- The forces to be used in meeting any major emergency must be organized, equipped and trained before the emergency arises.

The Collective Basis of Defence

Canadian forces today are designed primarily to operate under collective arrangements—in NATO, NORAD and "police" activities of the United Nations. This fact, taken in conjunction with the necessarily modest size of the Canadian part in these arrangements, has two consequences of importance to the organization of the military establishment.

First, the task of the Armed Forces consists of a number of separate missions with little direct relationship to one another although forming, for the most part, segments of a single pattern of defence for the participating countries. The object is to achieve a balanced *collective* effort, rather than a balanced and integrated Canadian defence establishment. Considered by themselves, therefore, Canadian forces necessarily present a fragmentary appearance.

Second, the lines of operational command for Canadian formations assigned to the various missions lead to international commands such as the Supreme Allied Commander in Europe (SACEUR) and Supreme Allied Commander on the Atlantic (SACLANT) in NATO, the joint Canadian-U.S. North American Air Defence Command (NORAD) or, for United Nations police actions to commands established by the world organization. Canada participates in the collective control and direction of these international commands but, once its forces are committed to their missions, exercises little direct control over operations.

Consequently, the principal function of the headquarters organization in the Department of National Defence is one of support rather than operational command—to direct and regulate the manning, training, arming, supplying and accommodating of the Armed Forces, and to provide health and welfare services. In some of these matters the paramount consideration is the mission; in others, each of the three Services will experience needs which are common to its various missions and distinguished from those of the other Services; but in other respects, the task of support will be common to all elements of the Armed Forces. Consequently, the organization of the supporting functions necessarily varies from one to another.

A further consequence of the collective basis of Canadian defence plans has been to create rigidities in the defence establishment. Significant reductions in the strength of the Armed Forces or reallocations of resources for defence purposes can be made only by changing Canadian commitments within the collective defence systems. Unforeseeable commitments, such as

the contributions to United Nations operations in the Gaza Strip and Congo, have had to be met by combing the forces and, to some extent, risking a weakening of resources earmarked for other commitments.

The rigidities in the defence establishment also have important budgetary effects. Given the relatively inflexible commitments of the defence forces, any significant curtailment of expenditure plans is likely to bear unevenly on the various elements of the defence budget. Costs of military personnel and of operation and maintenance are relatively uncontrollable; thus any curtailment tends to fall on the more controllable items, especially equipment purchases.

The "Forces-in-Being" Concept

The other basic fact of relevance to the organization of the defence establishment is that initial commitments will be met, in any future emergency, with the forces immediately available. The experience of the past—in which regular peacetime forces were maintained as a nucleus around which a wartime force could be built through a fairly protracted process of mobilization, training and equipping—is no longer considered to be valid.

One consequence of this new concept is to simplify, in a sense, the organizational problem of defence. There is no need to plan directing establishments for hypothetical forces and to maintain nominal elements of these establishments at a level which makes any realistic peace-time deployment impossible. Under the new concept, each component of the Armed Forces can be designed for a task of known dimensions and given the resources needed to do its job.

Moreover, the test of each component of the Forces is its ability to perform its wartime task virtually without notice. The structure and procedures of the headquarters establishment must therefore be such as to enable it to discharge its responsibilities in the most economical and efficient manner consistent with its obligations to the combat formations under operational conditions.

DIRECTION OF THE ARMED FORCES

The Armed Forces are regulated by the *National Defence Act* and a multiplicity of regulations made by the Governor in Council and the Minister of National Defence under the authority of that Act or by virtue of the Royal Prerogative.

The Minister of National Defence has by statute "the control and management of the Canadian Forces" while each of the three Chiefs of Staff is responsible for "the control and administration" of his own Service "subject to the regulations and under direction of the Minister". Thus, governed

by civil authority only at the most senior level, each Service enjoys a high degree of independence.

The basic factors affecting the organization for defence, noted in the preceding section, apply equally to each of the three Services. Each has only certain designated missions within international arrangements for collective defence; the principal function of each is the support rather than the command of operational formations; the "forces-in-being" concept applies to each.

Although no western country has yet achieved unification of its Armed Forces, doubts have been raised in all countries in recent years about the traditional Service basis of organization. Combined operations are becoming the rule rather than the exception, with each mission requiring the participation and close cooperation of all three Services. Operationally, the anti-submarine forces of the Royal Canadian Air Force bear a much more distant relationship to the Air Division in Europe or the air defence forces under NORAD than to the anti-submarine forces of the Royal Canadian Navy; both elements operate, in the North Atlantic, under the command of SACLANT.

However, the very fact that the Air Force and Navy are support rather than command organizations renders the idea of unification irrelevant in this situation. Moreover, it remains generally true that the combat soldier, the seaman and the airman require radically different training and equipment, and for these aspects of the task of support the three Services still provide, to a large extent, a workable basis of organization.

Nevertheless, the significance of the distinctive operating environments is declining rapidly with the development of defence technology. Not only is the relative size of the "administrative tail" growing steadily in all military forces—for budgeting, accounting, supply, construction and general administration; in addition, among the operational elements themselves there is a rapid increase in the technical content of the work, a large element being common to all three Services. Consequently, there is a growing range of activities of common concern to the Services, for which the traditional basis of organization is unsuited. It is increasingly recognized that to maintain three separate organizations for such functions is uneconomic. Moreover, the chronic scarcity of many of the skills involved cannot be ignored.

The traditional pattern also aggravates the rigidities in the defence establishment resulting from collective arrangements. It has meant, for example, that in finding signallers for the Congo at short notice, the Canadian Army could look only to its own resources in the Royal Canadian Corps of Signals, having no access to the large reservoir of communications personnel in the other two Services.

Thus, regardless of whether or not a case can be made for unification, there are strong reasons for seeking a greater integration of those functions common to the three Services.

TRI-SERVICE INTEGRATION

The integration or consolidation of common functions can be attempted in four different ways, the first two being based on the assignment of operating responsibility to a single Service, the other two involving the removal of direction from the direct control of any individual Service.

Integration under a Single Service

The first and most limited arrangement involves the assignment of responsibility for a particular service, on a local basis, to the major user in the locality. A commonplace example may be seen in the tri-service laundry in Halifax, operated by the Navy but designed to meet the needs of Army and Air Force units in the area.

The British Forces have given increasing attention to this method of achieving consolidation, and your Commissioners are of the opinion that it will yield significant gains in efficiency and economy if applied in such forms as local arrangements for the pooling of vehicle operation and maintenance. It has the merit of simplicity, requiring as it does no significant organizational change. It also allows the assignment of responsibility for any single activity to be varied from one locality to another, depending on the relative needs of the three Services in each case.

The second arrangement involves a general assignment of responsibility to a single Service, which may or may not be the major user. The principle here is not new, for postal and dental services have long been consolidated on this basis and more recently the integration of rationing services has been developing in the same manner, under the Royal Canadian Army Service Corps. The direct line of authority from the responsible Chief of Staff is unambiguous under such arrangements and he is directly answerable to his two opposite members for the efficacy of the service provided. In general, this works satisfactorily.

However, the number of functions that lend themselves to consolidation under a single Service, either locally or generally, is limited. Where a function is vital to the combat effectiveness of a Service, the latter is understandably unwilling to rely on another Service which has its own competing claims for the resources available. This resistance is accentuated where the skills involved in the function, although basically similar for the three Serv-

ices, must be applied to significantly different operational tasks. This objection is particularly relevant to the growing range of common technical functions—such as electrical and mechanical engineering, supply, medical services, and scientific research and development.

Co-ordination by Committee

In the face of such objections, the most common response of the Armed Forces has been to seek co-ordination rather than integration of common functions. The instrument under which co-ordination has been sought is the Chiefs of Staff Committee.

This Committee is composed of the three Chiefs of Staff and the Chairman of the Defence Research Board, with an independent Chairman (currently an Air Chief Marshal). The Deputy Minister of National Defence and the Co-ordinator of the Joint Staff attend meetings, but are not members. The current terms of reference of the Committee are:

- To advise the Minister of National Defence and the Cabinet Defence Committee on matters of defence policy and prepare strategic appreciations and military plans as required;
- To be responsible for co-ordinating the efforts of the Armed Forces in the fulfilment of a single defence policy;
- To be responsible for over-all policy direction of joint Service organizations, establishments (such as National Defence College) and operations; and
- To investigate and consider in common all matters which may be referred to the Committee by the Minister of National Defence or the Cabinet Defence Committee.

The Committee normally meets weekly, and the members collectively consult with the Minister of National Defence at frequent intervals. There is no provision for voting, and no overriding authority is vested in the Chairman. Recommendations and decisions of the Committee must therefore be unanimous; in the event of disagreement, the Chairman reports the conflicting points of view to the Minister, who may then exercise his authority at his discretion.

Thus the effectiveness of the Chiefs of Staff Committee as an executive authority is, to a large extent, dependent on the personal qualities of its members, each of whom has a virtual power of veto in its deliberations. The same pattern is followed throughout the co-ordinating organization that has evolved under the Committee—encompassing more than 200 standing tri-service committees. Although the business of the Chiefs of Staff Committee appears to be conducted with reasonable dispatch, your Commissioners observe that, in general, the system permits procrastination, and the absence of a single commanding voice may spell the difference between success or failure in any matter of joint concern to the three Services.

Integration under Committee Direction

Where an attempt is made to move beyond co-ordination to integration, the weakness of the committee basis of direction persists. When it was decided in 1958 to consolidate military medical services outside the direct authority of any one of the Chiefs of Staff, the Surgeon General was made responsible to the Personnel Members Committee comprising the Chief of Naval Personnel, the Adjutant General and the Air Member for Personnel. As an executive authority, this Committee has all the defects of the Chiefs of Staff Committee in aggravated form. Procrastination and inter-service disagreements, amounting to a virtual refusal to accept direction, have proved formidable obstacles to progress.

A similar experience is noted by your Commissioners in the report on *Telecommunications*, involving the unsuccessful attempt of 1950 to develop an integrated teletype relay system under tri-service committee direction; the lack of an effective executive authority in that case led to the abandonment of the attempt at consolidation and the development of three wasteful and increasingly inadequate networks.

It is the opinion of your Commissioners that effective consolidation cannot be based on joint control by the three Services with the object of preserving the traditional responsibility of the three Chiefs of Staff for the control and administration of all the Armed Forces.

For example, in the report on *Real Property*, it is recommended that construction and real property management for the three Services, which involve thousands of employees and annual expenditures of over $60 million, be transferred to a single organization. An operation on this scale is singularly unsuited to management by a committee. The same consideration applies to most of the technical activities susceptible of consolidation as well as to such functions as budgeting and accounting.

Integration under Independent Direction

The fourth course available involves consolidation under a single executive authority independent of the three Chiefs of Staff. There are, in fact, precedents for this approach: technical inspection to ensure the acceptability of material ordered by the Services has been consolidated under the Controller-General of Inspection Services, and legal services under the Judge Advocate General—both of whom report to the Deputy Minister. The same principle is involved in the assignment to the Defence Research Board—with separate membership in the Chiefs of Staff Committee—of responsibility for the conduct or direction of scientific research on behalf of the three Services. This arrangement is examined more fully elsewhere in this volume,

in the report on *Scientific Research and Development.*

The three Services sometimes view this method of consolidation with some suspicion, referring to it as "the fourth service concept". It does escape one of the principal objections to consolidation under a single service: the fear of reliance, for an essential function, on another Service which may be pre-occupied with its own competing needs. But the idea persists that operational effectiveness is endangered where the Service loses full administrative control of essential functions.

However, in view of the essentially supporting role of the directing organizations of the three Services, the principle of unified operational command would be unaffected by the integration of common functions under independent executive direction. The historic existence, within the Army, of separate technical corps—the Royal Canadian Corps of Signals, the Royal Canadian Army Service Corps, the Royal Canadian Electrical and Mechanical Engineers, etc.,—has not frustrated unity of command in operations. Nor has the employment of elements of the three Services in combined operations presented any insuperable problems of command effectiveness.

Your Commissioners are of the opinion that the most promising approach to consolidation lies in this method: integration under independent direction by a single authority.

This raises the question: where is responsibility to be placed? The two most obvious possibilities, in virtue of their direct relationship to the Minister and independence from the three Services, are the Chairman of the Chiefs of Staff Committee and the Deputy Minister. The roles of these two officers, and the part they might play in a strengthened organization for defence, are examined in the two succeeding sections.

THE CHAIRMAN, CHIEFS OF STAFF

It was noted above that the position of Chairman in the Chiefs of Staff Committee (C.C.O.S.) carries with it no overriding authority to take decisions. Nonetheless, during the decade since an independent Chairman was first appointed, the occupant of this position has had a pre-eminence not merely in rank, but by virtue of his functions as well.

Under the *National Defence Act,* the C.C.O.S. is required, "subject to the regulations and under the direction of the Minister":

- To act as chairman of a committee composed of the Chiefs of Staff and such other members as the Minister of National Defence may designate;
- To co-ordinate the training and operation of the Canadian Forces;
- To perform such other duties as may be assigned to him by the Minister.

The C.C.O.S. has been designated Canadian military representative to NATO and represents Canada on the Military Committee of that organization. Within Canada, he is chairman of the Ranks Structure Committee, and a member of the Panel on Economic Aspects of Defence, a committee of senior officials serving Cabinet and the Cabinet Defence Committee.

In relation to the key function of the Chiefs of Staff Committee of advising the Minister and the government on military aspects of defence policy, the C.C.O.S. has no formal pre-eminence and there may be merit in making this function the collective responsibility of the Committee. Excessive concentration of the advisory task in the hands of one man has obvious dangers. The actual influence of the C.C.O.S. or of any other member of the Committee depends largely on the personalities of both the Service chiefs and ministers involved in the relationships. But the position of the C.C.O.S. is weighted by the character of his functions—especially by his responsibility for relations with the senior NATO military authority—and by the fact that he is unlikely to be regarded (whatever the Service of his career may have been) as a spokesman for the interests of one particular Service.

In his second statutory duty of co-ordinating the training and operations of the Canadian Forces, the Chairman's lack of overriding powers has greater significance. Since each of the three Chiefs of Staff is responsible for the "control and administration" of his own Service, only "subject to the regulations and under the direction of the Minister", the C.C.O.S. must rely on persuasion and, if this fails, on the willingness of the Minister to be guided by his judgment. It is the opinion of your Commissioners that the role of the C.C.O.S. should be more positive in relation to the affairs of the Services. One way to accomplish this would be delegation by the Minister of more powers of direction to the C.C.O.S.

Of particular relevance to the integration of common functions is the third duty of the C.C.O.S.: "to perform such other duties as may be assigned by the Minister". It is the view of your Commissioners that, by virtue of this provision, the C.C.O.S. should be given the "control and administration", on a consolidated basis, of such elements of the Canadian forces as the Minister may designate. The elements to be considered are those involving technical functions that are of significance to the operational effectiveness of the forces: engineering, telecommunications, supply and transportation, and the integrated medical service.

The direction of the Air Transport Command should also be reviewed in this context. Although a component of the Royal Canadian Air Force, the duties of this Command relate also to the other two Services, and particularly to the Army. It is, in fact, the leading example of an integrated operation

meeting tri-service needs under the executive control of a single service. In view of its potential significance to the operational effectiveness of the Army especially, the present arrangement is open to question. Transfer of executive control to the C.C.O.S. should therefore be considered.

The assumption of such responsibility by the C.C.O.S. would obviously be undertaken by stages, with the necessary direction and impetus provided by the Minister. Moreover, the consolidation of any single function need not be absolute, any more than the existence of the Royal Canadian Corps of Signals prevents the infantry and artillery from operating forward area communications.

We therefore recommend that:

1 Provision be made for the exercise by the Chairman, Chiefs of Staff, of the ministerial power of direction over the Armed Forces, within such limits as the Minister may define.

2 The Chairman, Chiefs of Staff be given the "control and administration" of such elements common to two or more Services as the Minister may designate.

3 In recognition of the change of status implicit in these proposals, the title of the Chairman, Chiefs of Staff be altered to "Chief of Canadian Defence Staffs".

THE DEPUTY MINISTER

The *National Defence Act* provides for the appointment of a Deputy Minister, but makes no reference to his functions. Consequently, the powers and duties of the office rest on the same basis as do those of all other deputy ministers.

Under the *Civil Service Act,* deputy ministers are assigned the oversight and direction of departmental staffs and the general control of the business of the department, "subject to the directions of the head of the department".

In the Department of National Defence, however, this is subject to qualification. The *National Defence Act* assigns to each of the Chiefs of Staff the control and administration of the Service under his command, subject to such directions as the Minister may give. Consequently, the general oversight and direction vested in the Deputy Minister by the *Civil Service Act* is exercised subject to the limitations set out in the *National Defence Act.*

On the other hand, the Deputy Minister, unlike a chief of staff, is declared by law to be "the lawful deputy" of the Minister. The Minister's powers being general, it is within his discretion (subject to the regulations and decisions of the Governor in Council) to charge the Deputy Minister with the execution of such functions and duties as he sees fit, provided these are appropriate to the status of his senior civilian officer. However, it is generally accepted that the reaching of a policy decision, involving a minister of the Cabinet, may not be delegated to a deputy minister who, constitutionally, is not accountable to the House of Commons. It is accepted that a deputy minister may exercise extensive powers in giving effect to policy decisions after these are taken by appropriate authority.

Thus, the role of the Deputy Minister of National Defence is determined by the Minister, who may assign a variety of functions so long as they fall within these statutory and constitutional limitations. In the past, the deputy minister's general control of the business of the department has generally been considered to extend to what have been regarded as the "civilian functions":

- The final preparation and approval of the annual budgetary estimates before they are placed before the Minister;
- Supervision of the expenditure of moneys appropriated to the Department by Parliament;
- The making of financial arrangements for the Department;
- Review of Service requests ("contract demands" and "requisitions") for the purchase of equipment, supplies and contract services;
- The audit of stores.

In addition, it is accepted that the deputy minister should participate—without control or responsibility—in the determination of personnel establishments and the formulation of construction programmes. As was noted, two ancillary functions—the Inspection Services and the organization of the Judge Advocate General—have also been placed under him.

Proposals made by your Commissioners in other reports would extend these traditional functions of the deputy minister in several respects. In the report on *Real Property* it is recommended that an organization be established under his supervision to manage the acquisition, construction and operation of real property of the classes now within the control of the Department and the Armed Forces, which would take over the functions

and personnel of Defence Construction (1951) Limited.

In addition, in Part 2 of the report on *Financial Management,* reference is made to duplication of audit functions within the Department of National Defence. The Service audit personnel, numbering 600 with annual salaries of $2,330,000, are mainly engaged in auditing stores, and the extent of the verification performed goes well beyond what may be regarded as necessary. Your Commissioners believe that all audit functions should be performed by civilian personnel of the Chief Auditor's Branch under the deputy minister.

The statutory responsibility of the Chiefs of Staff for the control and administration of their Services necessarily affects the way in which the deputy minister discharges his responsibility, since there can be overtones of military effectiveness in almost any judgment of administrative efficiency. As a result, the administration of the department requires a continuous and close working relationship between, on the one hand, the deputy minister and his officers, and on the other, the Service Chiefs and their officers. The ultimate authority and responsibility is ministerial, and it is at this level that the relative roles must be decided.

In the opinion of your Commissioners, the role of the deputy minister is at present too narrowly circumscribed in practice, with the result that the Minister does not receive the staff assistance he requires in discharging his responsibility for the direction of the Canadian defence establishment. A number of considerations lead to this conclusion.

The first of these is the need to maintain the historic principle that the Armed Forces are subject to the civil power. Civilian control means, of course, control by ministers answerable to Parliament. In matters of defence policy, as pointed out at the outset of this chapter, the control and responsibility are shared by all ministers, and machinery is available to make that control effective. In the "control and management" of the Armed Forces, however, the primary responsibility rests with the Minister of National Defence. Given the present size and complexity of the Armed Forces, the minister must have strong support if he is to discharge this responsibility effectively.

The Minister may rely primarily on the Chiefs of Staff Committee for advice and on questions of military effectiveness it is natural that he should do so; but the military character of this group raises doubts as to the reality of civilian control if the minister places excessive reliance upon it. There is thus a need for a strong staff group which is essentially civilian in character, outside the framework of management of the Armed Forces. This group should have a sufficiently intimate knowledge of the administration of the Services to enable it to assess the standard of management and advise the

minister of changes in organization or methods of operation that appear to be needed.

A second factor points to the deputy minister's organization as the logical source of such advice; the traditional functions of the deputy minister in such matters as budget, expenditures, establishments and audits provide the principal means of detecting organizational and administrative weakness. The deputy minister thus has, at his disposal, the necessary basis of assessment and advice—subject to some strengthening of his role in respect of Service establishments, as discussed in the next chapter.

A third consideration is that the division into three Services, which is basic to the management of the Armed Forces, does not affect the deputy minister's organization. His staff are therefore free of the traditional inter-Service rivalries and better able to take a comprehensive view of defence organization and administration. This is obviously of major relevance to the task of developing greater integration of support functions that are common to the Services, as discussed previously in this chapter, and it is appropriate that the deputy minister and his staff should take the initiative in this matter.

In the latter connection, the deputy minister has a major role to play in matters of supply. In the report on *Purchasing and Supply*, your Commissioners urged that measures be taken to improve inventory control and inter-Service co-operation in the storing and distribution of equipment and supplies. Greater standardization of requirements and rationalization of supply on a tri-Service basis will yield significant economies. The initiative can best be provided within the deputy minister's organization, building on the experience already developed there under the assistant deputy minister (requirements) and in the development of a common nomenclature for defence supplies.

Finally, the proposals put forward by your Commissioners in the first volume of reports, for the strengthening of departmental authority over and responsibility for management, will add significantly to the task of the minister and accentuate the need for improved staff support within the department.

We therefore recommend that: The Deputy Minister of National Defence be given greater responsibility for keeping under review the organization and administrative methods of the Canadian defence establishment, and assisting and advising the Minister in the discharge of his responsibility for the control and management of the Armed Forces.

Thus far in this report the deputy minister's organization and the Service staffs have been treated as forming separate civilian and military aspects of the Department. It does not follow, however, that civilian and military personnel can or should be sharply segregated on this basis. Of the 50,000 civilians in the Department, the vast majority are employed under the direction of the Armed Forces as tradesmen or in junior administrative positions. Considerations governing the employment of civilians in non-combatant Service activities are discussed in the next chapter, but several aspects of the existing organization require notice in the present context.

First, in supporting and non-combatant functions extensively manned by civilians, the senior positions are filled almost exclusively by Service officers. The effectiveness of these activities suffers as a result of the early retirement of officers and from the process of frequent rotation of officers through various branches of the Service as part of the pattern of training and promotion. These factors tend to limit the opportunities for specialization and contribute to a lack of continuity in management, while failing to provide the career incentives that would retain ambitious and competent junior civilians in the Department. Without questioning the necessity for military command of non-combatant operations at the highest levels, your Commissioners believe that the career opportunities for civilians in the senior management of supporting activities should be enlarged.

Second, few civilians are to be found in the higher administrative echelons of the Armed Forces. Experience elsewhere has shown that many senior administrative tasks of the Services can be efficiently performed by civilians, even in such fundamentally military staff functions as those dealing with plans and operations. Where Service officers and civilians work together at the senior levels of administration, their different backgrounds and experience contribute to better performance and, because the civilians are not subject to the Services processes of frequent rotational posting and retirement on pension at a relatively early age, the arrangement permits continuity otherwise difficult to achieve. This successful practice has not been followed in Canada, nor have any measures been devised to retain the administrative skills of senior Service officers who are now retired compulsorily in their early fifties.

Greater employment of civilian officers in the administration of the Services would also be of potential advantage to the civilian side of the Department—the deputy minister's organization. Promising civilian officers could, by means of postings to military staff duties, be given a greater familiarity with Service matters which would equip them better for senior positions

under the deputy minister, and would reduce the tendency—to which civilians are all too prone—to regard military affairs as professional mysteries comprehensible only to the military mind. The importance of this consideration is enhanced by the proposed enlargement of the role of the deputy minister's organization.

It is important that civilians employed in senior administrative posts in the Services should not be looked upon as having any duty to control or check Service activities. Their sole function should be to assist the Services and provide continuity in administering programmes, bringing an additional viewpoint and sometimes special skills to bear, and serving as partners and co-workers with the Service officers. One object of the policy is, in fact, to prevent the segregation of civilian and military elements into two separate organizations between which antagonisms can too easily develop.

The corollary of this is that Service officers have a role to play in the civilian establishment, from which they are now largely excluded. In recent years there has been a growing emphasis on means of broadening the outlook of military personnel in order that they may better understand their function in its wider context—both within the general framework of government and as an integral part of, rather than as an adjunct to, the community at large. Much indoctrination and training has been directed to this end, of which the outstanding example is the National Defence College. The results have been encouraging, but the most effective means of achieving this object may lie in so organizing the defence establishment that military personnel—especially senior and intermediate officers—are given experience in positions that bring them into closer touch with the civilian processes of government. The benefits accruing to the organization of the deputy minister from the infusion of capable Service officers would be no less great, particularly in view of the enlarged functions proposed for that organization.

We therefore recommend that:

1 Career opportunities be improved for civilian technical and administrative personnel employed in the Armed Forces.

2 There be a greater interchange of Service and civilian officers, especially of intermediate and senior rank, between the headquarters staffs of the Armed Forces and the organization of the Deputy Minister.

3

MANPOWER POLICIES AND PRACTICES

PRESENT TRENDS

Expenditures for military personnel have increased steadily in recent years. In 1951, these costs were $184.3 million or 23.6 per cent of the defence dollar; eleven years later the corresponding figures were $593.6 million and 36.8 per cent. The operating and maintenance costs of the Services kept pace with this growth, and by 1962 totalled $616.4 million, or 38.2 per cent of the defence dollar. Included in the latter figures are additional personnel costs of $265 million, of which approximately $200 million represents the remuneration of the civilians employed by the Armed Forces. Appendix 4 is a summary of estimated military and civilian personnel costs by classes. This appendix discloses that the annual remuneration of the average serviceman approximates $5,250 (plus the value of medical and dental care), while the average cost of civilians employed by the Service is approximately $4,000. Since the civilian employees mainly occupy relatively junior positions, a more appropriate comparison is made by omitting the remuneration of commissioned officers from the Service averages, as shown in Table 3.

Table 3—AVERAGE ANNUAL REMUNERATION 1961-62

	*"Other Ranks"**	*Civilians*
Navy	$ 4,517	$ 4,283
Army	$ 4,597	$ 3,981
Air Force	$ 5,055	$ 3,828
All Services	$ 4,772	$ 4,014

* All ranks other than commissioned officers.

The comparison shown in Table 3 is subject to certain fundamental differences in the respective terms of employment of uniformed and civilian personnel. Civilians are available for from ten to eighteen per cent more productive activity than servicemen, due to military demands on the time of the latter, such as attendance at parades and posting for training courses. On the other hand, a serviceman may be ordered to work during weekends and at holiday periods without supplementary pay or compensatory benefit, and can be transferred from one location to another at any time without negotiation. It has not been practicable to develop a monetary measure of these differences but observations in Canada confirm the experience in the United Kingdom that, in general, it is less costly to employ a civilian than a serviceman. Part of the difference must, of course, be attributed to the obligation of the serviceman, which the civilian does not share, to risk his life on active service.

DETERMINATION OF SERVICE AND CIVILIAN STRENGTHS

In Canada, efforts that have been made from time to time to realize savings by using civilians in place of Service personnel have been effectively frustrated by the lack of procedural co-ordination. The fault is that the respective ceilings for military and civilian personnel are set, without regard one for the other, by different methods and by separate authorities.

The Cabinet periodically determines the numerical strength of the Armed Forces in round numbers. These approved Service strengths are subject to infrequent adjustment, as required by changes in international obligations or in the budgetary position of Canada. Within each Service, the Chief of Staff allocates military manpower as he sees fit; his prime concern is the prospective need in an emergency, and the potential advantages of substituting civilians for servicemen have low priority in such decisions. It is only reasonable to assume that the tendency, when in doubt, is to use uniformed personnel, for military commanders are naturally reluctant to accept the risk of any impairment of military effectiveness on grounds of economy.

Civilian employees of the Department of National Defence, other than those of the Defence Research Board, are generally subject to the provisions of the *Civil Service Act*. As in other departments, an annual establishment review is conducted by representatives of the Civil Service Commission and the Treasury Board. In this review notice is taken of the military component of the work forces required, although the central agencies have no jurisdiction over either the numbers of servicemen or the tasks to which they are assigned. Since each Chief of Staff has absolute control over his own Service, the role of the central agencies tends to be advisory with regard to military-civilian

establishments. Inevitably, there is a conflict of standards. A military commander may assign a given number of servicemen to a particular function, not because of their aptitude for the work but because he may need them some day for war purposes and, in the interval, must find work for them. The Civil Service Commission, on the other hand, is vitally concerned with the suitability of personnel and the equitable relationship of the pay scale to the task to be performed.

Against this background it is not difficult to perceive why only limited manpower economies have been achieved. If, for example, as a result of a competent study, it were found that 5,000 positions now filled by servicemen could be filled by civilians at less cost, the hiring of the civilians, without a coincident adjustment in the Service ceiling, would simply mean that new jobs would be found for the 5,000 servicemen displaced, and that the defence budget would be increased by the cost of the additional civilians. Thus the existing rules lead to the curious result that true economy can be effected only by deliberately displacing the lower-cost civilian with the higher-cost serviceman, because when this is done the civilian position is eliminated. A steady increase in the ratio of uniformed to civilian personnel over the past eight years in all three Services, which is shown in Appendix 5, owes something to these circumstances.

SERVICE PERSONNEL IN SUPPORT ACTIVITIES

About 60,000 military personnel, all of whom have been recruited into the Services as physically fit for the active defence of Canada, are engaged in supporting or non-combatant activities. Although the Services have gone a considerable distance in civilianizing some support activities, the pattern is by no means consistent. For example, the ratio of civilian to military personnel shows wide variations in five corps of the Canadian army, as shown in Table 4.

Table 4—PERCENTAGE OF CIVILIANS TO TOTAL PERSONNEL

Royal Canadian Engineers	82%
Royal Canadian Corps of Signals	28
Royal Canadian Army Service Corps	20
Royal Canadian Ordnance Corps	62
Royal Canadian Electrical and Mechanical Engineers	55

It is in groups such as these that the possibilities for civilian employment are greatest, but current practices in dealing with employment ceilings create a notable lack of flexibility in adjusting Service work forces to changing work loads, which are susceptible to measurement, whereas the civilian work forces

are more readily adjustable. For these reasons, it is open to question whether it is in the national interest to employ such a large number of uniformed personnel in tasks that could be performed by civilians at less cost. An escape from the rigidities of Service manpower controls promises substantial economies through the adjustment of work forces to actual need in support activities.

Appendix 5 also discloses remarkable differences in the proportionate employment of civilians by each of the three Services. If the proportion achieved by the Navy could be matched by the other two Services, over 16,000 servicemen would be replaced by civilians. The effect of a change of this nature, assuming that the Armed Forces were reduced from 125,000 to 109,000, would be to leave approximately 44,000 Service personnel, or only 40 per cent of the total, in support functions. The direct savings in salaries and benefits might be in the order of $20 million a year. Additional savings resulting from reductions in work forces following such an adjustment are conjectural, but would undoubtedly be substantial.

In May, 1961, the Minister of National Defence set up a Departmental committee of high-ranking Service officers, under the chairmanship of the Associate Deputy Minister, to make a "thorough review of the organization and employment of military manpower in the non-combatant field". About thirty sub-committees and working groups have been formed, and are currently engaged on the study full time. This is the first broad enquiry of this nature that has been attempted, and there is plenty of evidence to suggest that it is overdue. The Committee is making a painstaking approach to the problem, but your Commissioners have certain misgivings about the final outcome. In particular, the Committee is composed entirely of Departmental personnel and the enquiry has been subjected to an arbitrary limitation to positions held up to and including the rank of Major or the equivalent in the other Services, thus excluding the greater part of the senior administrative area.

The Committee's enquiries indicate that, of 11,143 positions in National Defence Headquarters, both civilian and military, only an additional 248 could be filled by civilians. A further 300 positions, mainly filled by corporals and privates or the equivalent, are the subject of continuing study. These findings raise a number of pertinent questions:

- Why does the Royal Canadian Air Force require 58 per cent of its headquarters establishment in uniform and the Army 52 per cent, while the Navy gets along with 20 per cent?
- What considerations determine the need for military personnel acting as

executive secretaries for 350 committees at headquarters? Currently 198 are civilians and 152 servicemen.

- What is the rationale for the decision that the staff of the Military Historian should consist of nine civilians and 23 servicemen?
- In the Royal Canadian Air Force, is it consistent to fill all the 41 positions in the Directorate of Accounting with servicemen, while in the Directorate of Statistics 44 of the 65 positions are held by civilians?
- What circumstances dictate that 54 per cent of the Air Materiel Command should be in uniform, when the Navy can manage the similar function with approximately 5 per cent?

Your Commissioners are of the opinion that the enquiries of this Committee should be extended to all ranks of the Services, and that the membership of the Committee should be supplemented by senior civil servants from other departments and advisers from outside the public service.

EARLY RETIREMENT OF OFFICERS

The need for youth and physical fitness in combat underlies the current policy of retiring Service officers at ages much earlier than would be normal in other occupations. Additional objectives of this policy are first, to render service in the Armed Forces more attractive to young people—a need illustrated by the high costs of recruiting junior officers, which is discussed in the report on *Education Services;* and second, to keep the services vital and provide incentive to younger men by eliminating road-blocks to the senior positions. Nevertheless, this is a costly practice in terms of both the wastage of experience gained at public expense and the substantially increased costs of providing pensions. Whatever justification there may be for employing only relatively young officers in combatant formations, the question may be asked whether the same considerations are necessarily applicable to officers performing non-combatant duties—a very significant percentage of the total.

Retirement pensions and their actual value at compulsory retirement ages are shown in Table 5 for various ranks in the Army; equivalent ranks in the other Services receive the same treatment.

The actual values shown below are present values in the usual actuarial sense. In other words, for large numbers of pensioners, if these amounts were placed in a fund earning interest at 4 per cent per annum, they should be sufficient to meet all payments as they become due, including benefits to dependents.

Table 5—COMPULSORY RETIREMENT AGES, PENSION AND PENSION VALUES FOR ARMY OFFICERS

Rank	*Retirement Age*	*Annual Pension*	*Actual Value of pension annuity at date of retirement*	*Actual Value of same pension if retirement took place at 65*
Lieutenant	45	$ 3,747	$ 50,000	$ 23,000
Captain	47	3,601	64,000	30,000
Major	49	4,643	81,000	40,000
Lieutenant-Colonel	51	6,001	101,000	53,000
Colonel	53	7,438	121,000	67,000
Brigadier	55	9,732	153,000	91,000
Major-General	55	10,937	171,000	102,000
Lieutenant-General	55	12,096	190,000	113,000

Some countries seek to mitigate similar costs by inserting civilians at all levels in the supporting services; others differentiate between combatant and non-combatant officers in fixing retiring ages. To salvage the accumulated experience and ability of officers retired at early ages, some countries create civilian posts in defence departments, with duties and salaries structures specifically designed for those in receipt of military pensions. In such instances, engagement in civilian employment with the government does not, as in Canada, bring about a suspension of military pensions. Canadian policy in these matters needs careful consideration to prevent the avoidable losses inherent in present practices.

We therefore recommend that:

1 A comprehensive and independent review be made of the military and civilian manpower needs of the Armed Forces.

2 In making future adjustments of manpower ceilings for either Service or civilian defence personnel, the requirements in both groups be reviewed simultaneously.

3 Consideration be given to the compulsory retirement policy of the Services and the possibility of creating employment opportunities within the public service for Service personnel retiring at early ages.

APPENDICES 1 TO 5

For Selected Fiscal Years 1950 to 1962
(Thousands)

Year	Regular Forces				Reserve Forces[1]				Grand Totals[2]
	Navy	Army	Air Force	Totals[2]	Navy	Army	Air Force	Totals[2]	
1949–50									
Strength	9.3	20.7	17.3	47.2	3.7	43.0	2.4	49.1	96.3
1951–52									
Enrolments	3.8	22.4	12.7	38.9	1.7	16.3	3.1	21.2	60.1
Net Increase	2.4	14.3	10.3	27.0	1.3	.5	1.6	3.4	30.3
Strength March 31	13.5	49.3	32.6	95.4	5.1	46.9	4.8	56.8	152.2
1955–56									
Enrolments	2.9	6.1	7.6	16.6	2.1	18.6	2.3	22.9	39.5
Net Increase	−.1	−1.8	.5	−1.4	.3	−2.1	.1	−1.6	−3.0
Strength March 31	19.1	47.6	50.0	116.7	5.8	44.0	5.5	55.3	172.0
1956–57									
Enrolments	2.7	6.9	7.7	17.3	1.9	18.1	2.0	22.0	39.3
Net Increase	—	−.3	.7	.4	−.2	−3.1	−.3	−3.6	−3.2
Strength March 31	19.1	47.3	50.7	117.1	5.6	40.8	5.2	51.6	168.7
1957–58									
Enrolments	3.3	7.6	7.7	18.6	1.3	20.7	1.9	23.9	42.5
Net Increase	.8	.2	1.0	1.9	−1.0	.5	−.5	−1.0	.9
Strength March 31	19.9	47.5	51.7	119.0	4.5	41.3	4.8	50.6	169.7
1958–59									
Enrolments	3.2	5.9	5.3	14.4	1.0	19.3	1.5	21.8	36.2
Net Increase	.6	.8	−.1	1.4	−1.2	−.3	−.7	−2.2	−.9
Strength March 31	20.5	48.3	51.6	120.4	3.3	41.0	4.1	48.4	168.8
1959–60									
Enrolments	3.1	4.4	4.9	12.4	1.3	18.7	1.4	21.3	33.7
Net Increase	.2	−1.1	.1	−.8	—	−1.0	−.3	−1.3	−2.1
Strength March 31	20.7	47.2	51.7	119.6	3.3	40.1	3.8	47.1	166.7
1960–61									
Enrolments	2.6	6.2	4.3	13.1	1.6	20.5	1.2	23.3	36.4
Net Increase	—	.9	−.4	.5	.4	3.2	−.7	2.9	3.4
Strength March 31	20.7	48.1	51.3	120.1	3.7	43.2	3.1	50.0	170.1
1961–62									
Enrolments	3.2	8.9	5.8	17.9	1.6	97.4[3]	.8	99.8	117.7
Net Increase	.8	3.8	1.8	6.4	—	39.4	−.7	38.7	45.1
Strength March 31	21.5	51.9	53.1	126.5	3.7	82.6	2.4	88.7	215.2

[1]Reserve figures do not include University Naval Training Detachments, Canadian Officers Training Corps or Reserve University Squadrons.

[2]Do not necessarily add due to rounding of figures.

[3]Includes personnel enrolled for Special Military Training Programme for Survival.

Appendix 2—BUDGETARY EXPENDITURES BY SERVICE

For Fiscal Years Ended March 31, 1951 to 1962
($ Million)

Item	*1951*	*1952*	*1953*	*1954*	*1955*	*1956*	*1957*	*1958*	*1959*	*1960*	*1961*[a]	*1962*[b]
Air Force	230.6	650.5	912.5	915.0	814.7	798.1	863.1	813.7	797.4	743.3	752.6	778.5
Army	231.7	473.1	503.4	436.4	454.4	461.4	459.5	424.7	432.9	400.8	400.1	420.1
Navy	99.8	182.4	260.3	289.0	304.2	340.8	326.7	295.0	273.0	255.8	248.6	280.0
Defence Research Board	23.4	35.4	43.0	40.8	49.9	64.6	69.3	78.7	74.4	39.2	44.2	46.1
Mutual Aid and NATO Infrastructure	195.4	129.9	246.4	300.2	260.0	175.0	133.6	118.5	70.7	18.4	15.5	16.0
Other	20.9	41.8	48.7	56.8	57.0	59.7	66.2	70.1	70.8	72.3	61.0	80.9
Deduct:												
NATO Aircrew Training Charged to Mutual Aid	—	48.6	104.6	71.3	52.9	51.1	47.8	26.4	6.8	—	—	—
Transfers of Equipment Charged to Mutual Aid	—	—	40.0	114.6	127.5	38.2	63.7	78.4	50.6	—	—	—
Expenditures from Special Accounts	19.9	49.0	−12.7	46.4	93.8	60.2	47.5	27.4	237.1	14.9	3.0	6.0
TOTAL BUDGETARY EXPENDITURES	781.9	1,415.5	1,882.4	1,805.9	1,666.0	1,750.1	1,759.4	1,668.5	1,424.7	1,514.9	1,519.0	1,615.6

[a]Preliminary [b]Estimates

Appendix 3—DISTRIBUTION OF NATIONAL DEFENCE DOLLAR

For Fiscal Years Ended March 31, 1951 to 1962

(Per Cent)

Item	*1951*	*1952*	*1953*	*1954*	*1955*	*1956*	*1957*	*1958*	*1959*	*1960*	*1961*[a]	*1962*[b]
Equipment	18.5	34.3	38.1	42.4	39.0	32.5	26.1	24.7	29.9	19.3	18.9	18.9
Construction	11.0	12.2	14.2	9.2	7.4	7.8	8.0	5.5	5.3	5.8	5.1	5.5
Mid-Canada Line	—	—	—	—	.1	2.6	7.4	2.0	.2	—	—	—
Military Personnel Costs	23.6	24.5	21.6	22.2	26.7	26.5	38.4	32.7	38.9	36.0	37.1	36.8
Operation and Maintenance Costs	24.5	26.8	21.8	24.3	29.2	30.0	32.0	36.1	41.5	38.7	38.1	38.2
Infrastructure and NATO	—	.3	.7	.7	.7	.6	.8	.6	.9	1.2	1.0	1.0
Net Charges to Special Accounts	22.4	1.9	3.6	1.2	−3.1	—	−2.7	−1.6	−16.7	−1.0	−.2	−.4
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[a]Preliminary [b]Estimates

Appendix 4—SUMMARY OF ESTIMATED ANNUAL PER CAPITA PERSONNEL COSTS FOR 1961-62 EXCLUDING MEDICAL AND DENTAL CARE COSTS FOR SERVICE PERSONNEL

	Direct Benefits	*Government Contribution to Pension Fund*	*Sub-Total*	*Travel and Transportation*	*Other*[1]	*Grand Total*
	$	$	$	$	$	$
OFFICERS						
RCN	6,912	700	7,612	208	129	7,949
Army	6,805	689	7,494	235	108	7,837
RCAF	6,469	655	7,124	232	306	7,662
Weighted Average—All Services	6,647	673	7,320	229	196	7,745
OTHER RANKS						
RCN	3,792	388	4,180	208	129	4,517
Army	3,860	394	4,254	235	108	4,597
RCAF	4,099	418	4,517	232	306	5,055
Weighted Average—All Services	3,944	403	4,347	229	196	4,772
ALL RANKS						
RCN	4,247	433	4,680	208	129	5,017
Army	4,235	432	4,667	235	108	5,010
RCAF	4,566	465	5,031	232	306	5,569
Weighted Average—All Services	4,378	446	4,824	229	196	5,249
CIVILIANS						
RCN	4,007	240	4,247	32	4	4,283
Army	3,633	217	3,850	63	68	3,981
RCAF	3,533	211	3,744	62	22	3,828
Weighted Average—All Services	3,702	222	3,924	54	36	4,014

[1]Other allowances include: Risk Allowance, Aircrew Allowance, Clearance Diving Allowance, Submarine Allowance, Isolation Allowance and similar allowances applicable under specific circumstances.

Appendix 5—RATIOS OF SERVICE PERSONNEL TO CIVILIAN STAFFS

December 31, 1955 to March 31, 1962

Date	*Uniformed Personnel*	*Civilians Excluding Casual Labour*	*Ratios Uniformed to Civilian Personnel*
ROYAL CANADIAN NAVY			
31 December, 1955	19,223	11,258	1.7074 to 1
31 December, 1956	19,005	11,550	1.6454 to 1
31 December, 1957	19,815	11,669	1.6980 to 1
31 December, 1958	20,252	11,508	1.7598 to 1
31 December, 1959	20,561	11,477	1.7914 to 1
31 December, 1960	20,539	11,173	1.8382 to 1
31 December, 1961	21,114	11,104	1.9014 to 1
31 March, 1962	21,547	11,067	1.9470 to 1
CANADIAN ARMY			
31 December, 1955	47,162	18,912	2.4938 to 1
31 December, 1956	47,632	18,618	2.5583 to 1
31 December, 1957	47,938	18,937	2.5314 to 1
31 December, 1958	48,682	18,675	2.6067 to 1
31 December, 1959	47,830	17,613	2.7156 to 1
31 December, 1960	47,574	16,940	2.8083 to 1
31 December, 1961	49,923	16,867	2.9598 to 1
31 March, 1962	55,951	16,137	3.2197 to 1
ROYAL CANADIAN AIR FORCE			
31 December, 1955	50,330	13,867	3.6294 to 1
31 December, 1956	50,540	14,220	3.5541 to 1
31 December, 1957	51,661	14,544	3.5520 to 1
31 December, 1958	51,914	14,190	3.6585 to 1
31 December, 1959	51,544	13,342	3.8632 to 1
31 December, 1960	51,193	13,438	3.8095 to 1
31 December, 1961	52,731	13,239	3.9830 to 1
31 March, 1962	53,124	13,456	3.9480 to 1

21 DEPARTMENT OF EXTERNAL AFFAIRS

SPECIAL AREAS OF ADMINISTRATION

REPORT 21: DEPARTMENT OF EXTERNAL AFFAIRS

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CONTENTS

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1

INTRODUCTION

A foreign service has problems of organization and management which distinguish it from most other departments of government. In some respects these problems liken it to the Armed Forces: its operations tend to be multi-centred and its missions dispersed in areas remote from headquarters; its officers are subject to rotational postings and are somewhat removed from direct contact with the public; it operates a widespread communications network which handles a constant stream of information, much of it highly confidential. Furthermore, to say that its role is to "represent abroad the interests of the nation" is comparable—in vagueness and generality—to proclaim the task of the Armed Services as the "defence of the nation".

To fulfil its assignments, a foreign service must engage in extensive research, advisory and co-ordinative activities that entail a mixture of the academic, the political and the administrative, using as raw material the information gathered in various forms by its missions around the world. All these elements, coupled with the high policy content of many of its concerns, give a foreign service a special place in government.

These distinctive features, however, do not relieve the foreign service of certain responsibilities akin to those of any other of the civil departments; the need to recruit, train and manage its staff; the need to budget and allocate its financial resources; the need to develop appropriate systems and procedures to cope with its massive paperwork problems; and the necessity of maintaining a variety of supporting services, which in its own case include supplying and housing its missions abroad and providing channels of communication with its far-flung outposts.

In Canada, the *Department of External Affairs Act* declares that the Secretary of State for External Affairs, as head of the Department, has the conduct of all official communications between the Government of Canada and the government of any other country in connection with the external affairs of Canada. His intercourse, either directly or through his officers, is carried on either through the representatives of other governments in Canada or through the representatives of Canada abroad. The Department negotiates, protects Canadians and Canadian interests abroad, promotes good relations with other countries and fosters Canadian trade in co-operation with other departments of government. All of these are traditional roles of a foreign secretary but, today, notice must also be taken of a comparatively recent and significant obligation placed on the Secretary of State for External Affairs: he is now continuously concerned with the activities of the United Nations and other international organizations. It follows that in a very special way the organization and activities of this Department are of concern to all departments of government.

The Department of External Affairs originated in 1909 as a special division of the Department of the Secretary of State. By 1912, when placed under the Prime Minister, it had two officers and a staff of fifteen in Ottawa, and the annual cost of operations was less than $25,000. The first development of the service outside Canada took place in 1921 when the office of the High Commissioner in London was made part of the Department. By World War II additional missions had been established in Geneva, Washington, Paris, Tokyo, Brussels and The Hague.

Canada's emergence during and after World War II as a "middle power" is clearly reflected in the rapid growth of the Department of External Affairs after 1940, as shown by the following comparisons:

Table 1—DEPARTMENT OF EXTERNAL AFFAIRS OPERATING COSTS, EMPLOYMENT AND FOREIGN MISSIONS IN 1940 AND 1960

	1940	*1960*
Operating Costs	$ 750,000	$20,500,000
Personnel:		
Officers	44	414
Other staff	328	1,462
Total	372	1,876
Number of Missions Abroad	7	65

Growing international commitments have affected not only the Department of External Affairs but also other departments which now maintain offices

abroad. This proliferation of offices and agencies has created new problems of co-ordination and control for the headquarters staff of External Affairs and of the other departments concerned. Two other developments have also served to broaden the responsibilities of the Department of External Affairs. First, Canada's role as a partner in NATO and in the defence of North America has imposed the need for close collaboration between the Departments of External Affairs and National Defence. Second, the scientific and technological explosion, following the second world war, has introduced a new order of international commitments involving such matters as nuclear energy and outer space. The country's scientific policy and programmes have to be harmonized with international obligations, a process in which the Department of External Affairs plays a role.

Faced by internal pressures of rapid growth and the external pressures of Canada's new commitments, the Department has been hard put to perform its task effectively. An increasing degree of specialization has become necessary to meet the complex responsibilities of the day, with the skills of economists, scientists, international lawyers and other specialists more and more in demand. The growth and broadening of scope has likewise placed new pressures on the whole range of administrative and supporting services. The requirements for communications, for the orderly handling of records and documents, for the housing and supply of missions, and for the maintenance of proper facilities for economic and historical research, have all assumed new dimensions. New forms of organization, new techniques and special skills are now required and continued reliance on practices and procedures appropriate only to a small scale organization significantly limit the effectiveness of performance.

In short, the increasing tempo of international affairs has placed new strains on an organization that was originally geared to a more leisurely pace, with administration conducted on informal lines. The growth in staff and of commitments abroad has posed new challenges for senior management. The response of the Department to these converging pressures constitutes the main theme of this report.

2

THE CONDUCT OF FOREIGN RELATIONS

STAFFING THE FOREIGN SERVICE

The prime concern of the Department of External Affairs lies in the development of policy and the conduct of Canada's day-to-day dealings with other governments. The principal duties of the Department are to serve:

- As the chief instrument for advising the government on matters relating to the conduct of Canada's external relations.
- As an official channel of communication between the Canadian government and the governments of countries with which diplomatic relations are maintained.

These tasks call for the employment of highly skilled officers in an Ottawa headquarters and for the maintenance of a system of missions, located in centres of importance throughout the world, and manned by competent and responsible officers. Upon this structure are laid several secondary responsibilities of considerable importance, including protection of Canadian interests and assistance to Canadian citizens in foreign lands; representation of Canada abroad, and projection of the country's image; and the co-ordination of the external activities of other departments and agencies. The substantive work of the Department includes all these tasks and is entrusted to a corps of foreign service officers constantly shifting between Ottawa and the various missions on the basis of a planned rotation. In support of these activities an administrative and service organization of considerable size and complexity is maintained, the adequacy and efficiency of which is considered in the succeeding chapter.

The Rotation of Officers

In common with other Foreign Offices, the Department of External Affairs has nurtured a concept of the foreign service officer as a man of broad competence and experience, capable of adapting rapidly to new assignments. The rotation of officers through a wide variety of tasks and offices clearly follows from this concept of the so-called "generalist". This approach to manpower development and utilization, which stresses the "generalist", may be rationalized on the score that all hands have to be equipped to do everything and have, in fact, been often called upon to take on a great range of assignments.

The system, however, is now being undermined from two directions, as a result of the growth in size of the Department and its necessary participation in a number of specialized fields. First, the very substantial increase in staff and in the number of missions abroad, over the past two decades, has made heavy demands on the housekeeping arrangements within the Department. Personnel management, paperwork and systems management, the handling of large real property operations and an impressive communications network —to mention only a few major items—are tasks which cannot be readily performed as a part of the training of a foreign service officer; they require persons with special skills and sufficient permanency on the job to provide a strong supporting base for the primary functions of the Department. Second, involvement in certain areas of the world now calls for special linguistic skills or esoteric knowledge of some remote country; complex international negotiations require the presence of specialists in particular disciplines or fields of professional knowledge. In such cases the "generalist" concept, when coupled with rotation, tends at worst to break down, and at the very least to be too thin for the needs of effective policy-making and administration.

Nevertheless, experience with the generalist-rotational system, both in Canada and in other countries, appears to justify its continuation. There is general agreement that a foreign service, to be effective, should rely to a large extent on men whose skills are represented by those qualities of intelligence, perception and character which distinguish persons of general ability. To take full advantage of these skills, and to add to them the benefits of a broadly developed interest and experience, rotational assignments are agreed to be essential. On the other hand, carried to extremes this system can weaken and virtually destroy efficiency in those supporting services requiring special skills and continuity of management.

A rational approach to the management of the rotation of personnel involves only simple arithmetic. There is at any time a relationship between

the number of positions at headquarters which can properly be filled by foreign service officers and the number of such officers required in the posts abroad. If these happen to be equal, the foreign service officer class may spend half its time in Ottawa and half abroad. If the number at foreign posts is double the number in Ottawa, the foreign service officer must spend two-thirds of his time abroad. The ignoring of this equation and any striving to achieve an equal division between home and foreign service can lead to a flooding of the headquarters with officers trained for diplomacy assigned, on returning home, to administrative and service tasks for which they may be ill equipped. Some of the present weaknesses in the supporting services trace their origin to this expedient.

Recruiting and Training

The selection of foreign service officers is based on written tests and oral board examinations. The evidence suggests that the average level of persons entering the Department in recent years, while still high, is no longer able to sustain a diplomatic service with the intellectual standards that once characterized the Department. For this there are a variety of reasons, with some beyond the control of the Department. Relatively few advanced students are now entering the foreign service, a consequence being that an increasing proportion of the entrants possess a Canadian university B.A. only. There is virtually no recruiting into the middle or senior ranks of persons with distinguished attainments in academic or other walks of life. Similarly, the inflow from other departments is surprisingly low, despite the fact that the Canadian public service contains many with qualifications and experience which would strengthen External Affairs. Conversely, it is not the practice to second foreign service officers to key departments for experience. One result is that, interdepartmentally, External Affairs personnel frequently display a lack of understanding of other departments and their programmes, particularly where these programmes often involve Canadian interests abroad; and such a lack of understanding by departmental officers is both a weakness in itself and a matter of considerable annoyance to other departments.

Perhaps the most urgent need is to establish sounder procedures throughout the probationary and training period of new officers. The "University of the East Block" with its seventy-five hours of scheduled lectures is not sufficient. A more intensive programme of lectures might be established by treating the probationer as an assistant to a more senior officer during the mornings and leaving the afternoons free for special lecture courses in languages, foreign policy, Canadian government and the like. The second half of the probationary year would find the candidate full-time on departmental duties and pos-

sibly on short-term visits to several missions abroad, and to other departments at home whose affairs have international implications. It should be a condition of permanent appointment that the probationer equip himself with a sound working knowledge of the French and English languages.

Your Commissioners are not disposed to recommend changes that would dismember the present officer corps. However, there are certain dangers in the system which need to be guarded against. Not the least of these is the possibility that the foreign service officer group may develop into a segregated élite. The concept of a separate corps is valid, not because the capabilities of its staff are necessarily greater than those required in other departments of government, but because the proper performance of the representational role abroad calls for a rather different set of qualifications from those demanded of an officer serving in Canada. Direct recruitment into the foreign service officer class appears to be the best means of obtaining the personnel with the required qualifications.

Nevertheless recruitment techniques are far from infallible and there ought to be a readier means of shifting personnel from the corps, without necessarily stigmatizing the officer concerned. By the same token, the boundaries dividing the corps from the administrative and other staff of the Department should not be so impermeable that these personnel should be without access to the foreign service officer group, should they demonstrate an aptitude or the special qualifications required by the corps. A two-way interchange between foreign service officers and the administrative personnel in other parts of the public service would serve to keep the corps from becoming too in-bred, open promising career prospects for other staff, and permit the transfer of those foreign service officers who, for one reason or another, are not suited for representational duties.

In the report *A Plan for Management* reference has been made to the need for developing within departments an environment more congenial to French-speaking Canadians. While this Department has the best record of any in providing an appropriate balance between French and non-French-speaking officers, the essential working language of the Department is English and the culture in which the French-speaking officer is required to work and live is English-speaking. How to develop himself technically and professionally in an unfamiliar English-speaking milieu while yet retaining his French-Canadian roots and contributing to the Department as a representative of the French-speaking culture, remains a vital and serious problem.

Quite apart from the general desirability of having a foreign service that reflects the bicultural character of Canada, there is another reason for stressing proficiency in the use of the French language. For many years French

and English have been the principal languages of diplomacy. As the international community enlarges with the emergence of new states, a large number of them French speaking, and French continues to be the second language in many non-French countries, the use of French as a working language is increasing to the point where bilingualism becomes a practical necessity. It is noted that 256 officers of the Department have a reasonably good command of French but another 172 officers admit incompetence. Clearly, this latter figure is too high.

Remuneration

At March 31, 1962, the Department had an authorized establishment embracing 2,200 positions, of which over 800 related to service in Ottawa and the balance in foreign missions. These positions are classified in accordance with civil service procedure and most, though not all, positions carrying salaries of $6,000 and upward are occupied by foreign service officers. The range of salaries of this senior group is given in the following table:

Table 2—DISTRIBUTION BY SALARY RANGES OF EXTERNAL AFFAIRS OFFICERS RECEIVING OVER $6,000

Annual Salary Range	*Number of Officers*	*Posted*	
		In Ottawa	*Abroad*
$ 6,000—$ 8,000	205	121	84
8,000— 10,000	80	36	44
10,000— 12,000	53	22	31
12,000— 14,000	31	16	15
14,000— 15,000	42	13	29
$15,500	18	1	17
16,500	14	5	9
18,000	5	1	4
22,000	1	1	....
	449	216	233

Employees of the Department serving in Ottawa are entitled to no special allowances, but those serving abroad may qualify for a number of grants and allowances of which the more important are:

- Basic foreign service allowances, graduated by salary and marital status to compensate for the added cost of living abroad.
- Rent allowances, to cover rentals paid to foreign landlords in excess of the amount, determined by formula, which the employee is required to finance.

- Education allowances, which may reach as much as $1,400 annually for each child.
- Representation allowances, based partly on salary and official position and partly on entertainment costs actually incurred.

Various other allowances are made and the Department maintains a scrutiny of changes in the value of money in foreign countries and makes periodic adjustments in allowances to compensate therefor. Heads of missions are provided with official residences and domestic staff, and some employees in certain missions are provided with living quarters.

HEADQUARTERS ORGANIZATION

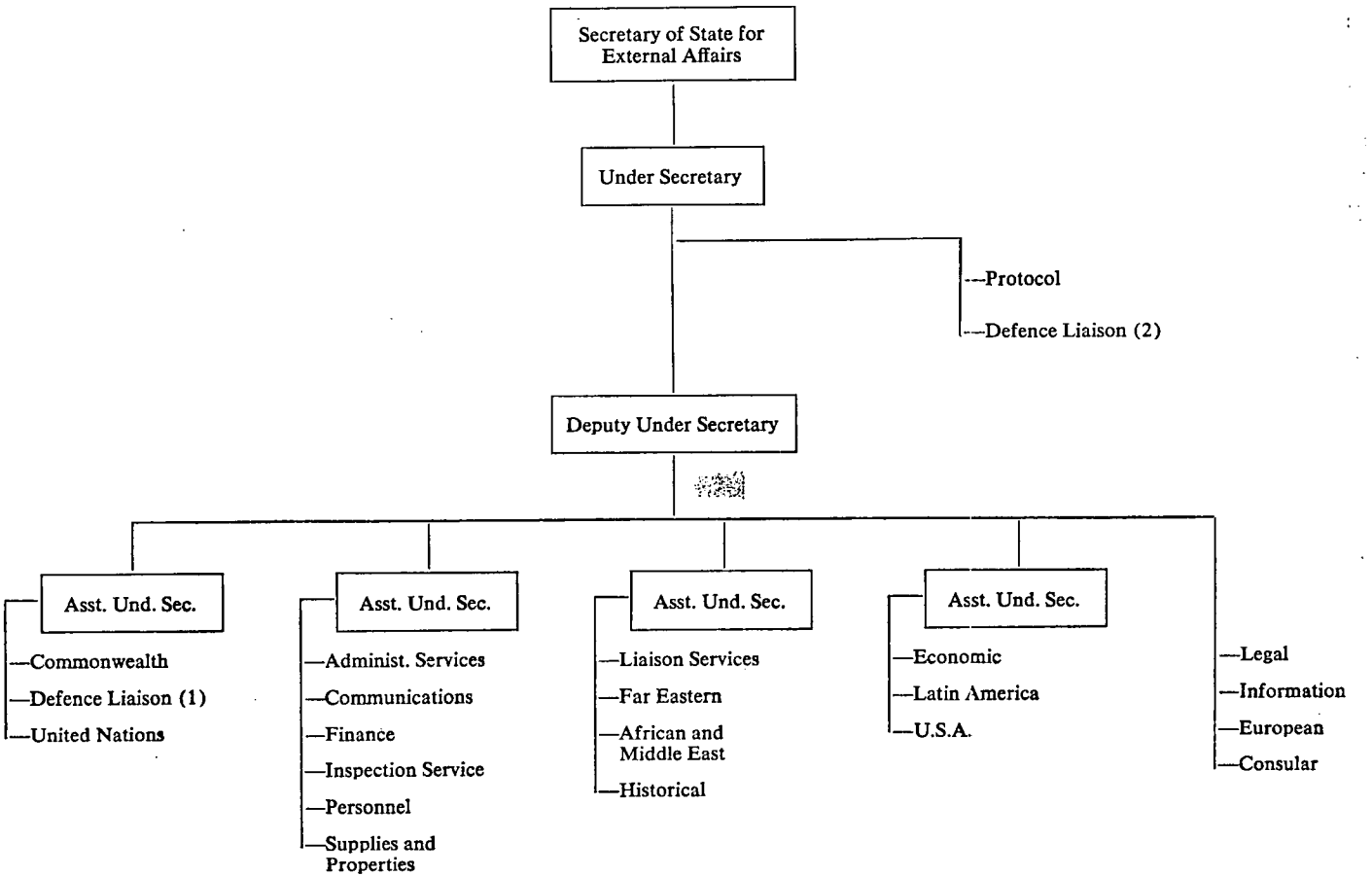
The organization of the headquarters of the Department is depicted graphically in Chart 1. The substantive business of the Department is divided between divisions supervised by a Deputy Under-Secretary and Assistant Under-Secretaries. Within the several political divisions, individual countries or groups of countries are assigned to separate "desks" and the foreign service officers who man these posts are referred to as "desk officers". This assignment of responsibility for specific areas is accompanied by the designation of the desk officer as the point of contact and channel of communication with the departmental missions in his assigned area. Desk officers, classified as foreign service officers of grades 2, 3, or 4, are paid in a salary range of from $5,940 to $9,500 and are subject to rotational posting abroad.

Supervisory Control

Immediately under the Minister (the Secretary of State for External Affairs) responsibility for the management and operation of the Department rests on the Under-Secretary, a Deputy Under-Secretary and four Assistant Under-Secretaries. This small group acts, in effect, as a kind of departmental executive committee, dealing with both policy and administration, but it possesses no formal machinery or staff to assure continuity and to provide follow-up procedures in connection with its supervisory functions. An executive assistant attached to the office of the Under-Secretary could fulfil a needed function in following up decisions taken, keeping the desk officers informed and in other ways fostering effective two-way communication between the top command and the operating level.

The supervisory control suffers from two principal faults. First, the arrangement of the divisions themselves is lacking in consistency. Second, the Deputy Under-Secretary shares with his assistants responsibility for several operating

Chart 1—DEPARTMENT OF EXTERNAL AFFAIRS PRESENT HEADQUARTERS ORGANIZATION



divisions, thus diverting him from his central concern for over-all co-ordination and policy.

The work of the Department falls into two main categories: political, i.e., advice on policy, co-ordination and consultation; and administrative. The scale and importance of the administrative activities, more fully described in the succeeding chapter, have now grown to the point where responsibility for their conduct needs to be placed on a senior officer. Your Commissioners believe that it would be appropriate to consider appointing a deputy under-secretary to assume charge of each of the main functions, one political, the other administrative.

Apart from the need to strengthen the supervisory effectiveness of the top command, there is need to improve facilities for the development of long-range plans. Currently, divisions of the Department that should be devoting attention to such planning are so involved in day-to-day affairs that they are neglecting a prime function. The solution may be to establish a Policy and Planning Research Committee, comprising the divisional heads and senior management, attendance being determined by the relevance of the subject matter to each division. The Deputy Under-Secretary (Political) would be chairman assisted by an experienced foreign service officer as secretary. Supported by a strengthened Historical and Research Division that could prepare background papers, the proposed Committee should be able effectively to fill an existing gap.

Divisional Management

Each of the geographic and functional divisions is responsible for initiating necessary research, absorbing information coming in from missions within its own orbit of interest, and maintaining communications with them. It is at the divisional level that the full impact of changes in the international situation is felt and where there is an imperative need for flexible adaptation to shifts in the volume of work. The ability of the Department to respond adequately to such variations in the workload is impaired by several aspects of the existing plan of organization. First, attempts to adjust staff to meet changing pressures too often resemble improvisations made on the spur of the moment. A more systematic, planned approach is necessary. Second, the growth of the Department and the distribution of its personnel according to age groups has resulted in almost all its divisions being headed by foreign service officers of grade 6 or 7. This means that the divisional head is an officer who has had one or two postings abroad, has served ten to fifteen years in the department, and will go on to be either the head of a small mission or number two in a larger mission.

The responsibilities of the heads of divisions being what they are, and because the aptitude shown and experience gained have significance in 'slotting' the future administrative hierarchy—at home and abroad—it was a surprise to observe that rarely is an ambassador, on completion of a posting, assigned to such duties. The practice of continuous external postings of those having achieved the status of Head of Mission merits review; both from the viewpoint of making certain that Headquarters is ever strongly staffed and to keep these men abreast with trends in government and Canadian life.

A more logical and functional basis for grouping the divisions is required—one less closely tailored to the personal interest and skills of the particular under-secretary concerned. A possible realignment of the divisions could include:

- The grouping of the two Defence Liaison Divisions with the European Division, the latter divided into new East European and West European Divisions.
- The grouping of the United Nations, Africa and Middle East Divisions.
- The grouping of the Economic and U.S.A. Divisions.
- The grouping of the Latin American, Far Eastern and Commonwealth Divisions.

Such a rearrangement would provide for more supervisory personnel; better co-ordination; more unity of general or functional areas reporting through a particular assistant under-secretary; and sufficient lightening of present burdens on divisional heads to free them for planning and policy functions.

The Desk Officer

The desk officers, of which there are a variable number in each division, man the operational front lines of the Department. Ideally, each should have a detailed knowledge of his field and a grasp of its problems, be they economic, legal, cultural, scientific or political. Here the Department is caught between the increasing need for specialization and the traditional need for sound general political judgment. Today desk officers are often junior persons with limited experience who require close supervision. A sudden crisis in one part of the globe may force a hasty re-shuffling of personnel that brings a completely untried probationer to the desk. The same circumstances may engulf his superior in a flurry of activity that leaves little time for proper supervision.

The real problem of staffing today's foreign service is to ensure competence at every level and particularly to cope with the need for training personnel without paying too high a price in terms of errors, delays, marginally adequate

judgment, and the like. Desk officers should not be rotated so rapidly or be given so many subjects that they are unable to become masters of any. At the same time, staffing should be adequate in numbers, and training so developed that opportunity for specialization is created within the framework of "generalist" development and experience.

There is no easy solution to the problem of preserving the desirable elements of the versatile officer with balanced political judgment and the expert with the specialized knowledge now so clearly essential. The most effective compromise may be to encourage the desk officer who shows talent in a particular function or area to add a degree of specialist interest to his general political experience in the Department. This means developing what may be called the "orbital" approach, which to a large extent already exists in the Economics Division and to some extent in the Middle Eastern, Far Eastern, Latin American and European Divisions.

Where exotic cultures are concerned or where, as in United Nations affairs or disarmament, a high degree of specialization is required, assignment of staff within an orbit of related areas or functions appears desirable. For a period of roughly ten years the postings of a foreign service officer would be confined to a single orbit and he might then be expected to move to a different orbit. This modification of rotation as presently practiced would contribute to greater continuity and stability in the Department, and make more effective use of scarce skills or highly specialized knowledge.

FOREIGN OPERATIONS

The latest annual report of the Department shows Canada maintaining diplomatic relations with sixty-five countries, with missions resident in fifty-two. In addition, eight permanent missions are accredited to international organizations and sixteen consular offices maintained.

The missions vary considerably in size, the Office of the High Commissioner in London being the largest. Total authorized staffs, including locally employed and supporting personnel, range downward from London's top figure of 110; two missions exceed 50; another ten fall between 25 and 50; twenty lie in the 15 to 25 range; and a like number have less than 15 approved positions. Of the consulates, New York is the largest with 26 positions and thus exceeds in size over forty missions. Collectively, the sixteen consulates have 116 approved positions.

The multiplicity of relatively small staff units, although unavoidable, is costly. Since World War II a diplomatic crisis has often developed in unanticipated locales; consequently, each mission has, regardless of the volume of

routine work, a defined minimum establishment which includes two senior officers. Provision must be made for home leave, for illness and to fill gaps when transfers of staff take place. Travel and moving expense cost the department over a million dollars each year. Some relief in the diplomatic area, and a considerable saving in the supporting services, could be found through making more use of the services of local residents and your Commissioners believe that too little effort has been made in this direction.

Heads of Post

Each mission is directed by a head of post, usually designated ambassador or high commissioner. He may be either a career officer of the Department or a person chosen from outside the foreign service. At present, almost all heads of post are career officers. The salaries of those who are not are set by the Governor in Council, the highest currently being $18,000 per annum. These heads may also qualify for pension (towards which they contribute six per cent of salary) after completing five years' service, attaining the age of sixty-five and retiring from the public service.

It is upon the head of post that the main burden falls for fulfilling the representational role and he is required to follow diplomatic custom in entertainment and in the extension of various services and courtesies of an official nature. For this reason, he is supplied with an official residence, a domestic staff and special allowances. These are designed to meet the cost of carrying out all representational duties. Non-career representative appointments are generally limited to the position of head of post.

Problems of Missions

The duties of a mission abroad include the gathering and reporting of information of many sorts, treating with the host government through its various ministries on all matters of business between it and Canada, the representation of Canada, and a projection of its image, economic, political and cultural, to the people of the country to which it is accredited. In addition it does consular work, issues and renews passports and in some cases performs specific tasks for other departments and agencies of the government.

The larger missions tend to experience a smaller degree of variation in their work loads than do the smaller posts, but by reason of their larger staffs they can more readily respond to emergencies. The effectiveness of the smaller missions, with limited staffs, appears to be prejudiced as a result of certain management practices of the Department. First, the rotational practices provide rather short periods of service at each post, with the result that a portion of the officers are constantly in the process of "settling in",

establishing the necessary contacts and familiarizing themselves with local conditions. Moreover, due to the constantly increasing area of Canada's foreign activities, the replacement of officers transferred to other posts usually involves a delay during which a mission must run short-handed.

Second, there appears to be insufficient senior direction with regard to the nature and scale of activities to be undertaken. Heads of post are in no doubt as to their responsibility for the day-to-day diplomatic business to which they must attend, but many are, in the absence of senior guidance, often uncertain as to what is required of them in the representational area. How actively are they to promote Canada? What initiatives are they to assume in the cultural field? Because these are questions in which little leadership is provided by headquarters, performance tends to vary considerably and depend on the acumen and energy of the head of post. A third cause for concern, particularly in the smaller missions, is the heightened sense of isolation which results from the way in which they are kept informed of current developments at home. Canadian newspapers and periodicals generally travel by surface mail, arriving so long after publication as to have little value as sources of information. Digests of news are circulated daily but in many missions tend to be so brief that only a part of the picture may be conveyed.

Finally, the frequent lack of responsiveness by headquarters tends to frustrate officers posted abroad. All missions are constantly forwarding to Ottawa despatches containing not only current news and information, but reports and appreciations of various subjects, the preparation of which involves long study and research and constitutes evidence of the initiative and ability of the officers concerned. Too often these despatches are not made the basis for further dialogue with the missions regarding their findings, warnings or suggestions. This clearly reflects the inadequacy of the supervisory procedures and staffing of various divisions in Ottawa. Periodic visits by senior officers and consultations by heads of post in Ottawa are not satisfactory substitutes for a fully responsive headquarters organization.

Personnel Problems

Because a revision of allowances has only recently been put into effect, there has been insufficient experience with the new schedules of rates to justify comment. However, it is noted that all allowances, other than language training and certain medical rights, cease when an officer is posted back to Ottawa. Because your Commissioners are particularly concerned with respect to the state of headquarters' administration, it is noted that some foreign services seek to cushion the sharp drop in living standards on home-coming by a home

allowance which lasts from several months to a year; indeed, some foreign services have a system of permanent home allowances.

In considering the allowance problem generally, there is some doubt as to the practicability of the reporting methods required under the revised allowance system. At the same time, it has to be borne in mind that the day of opulent entertainment and living standards as part of diplomacy is, for all practical purposes, at an end. Since most of the work of a mission has to do with local civil servants who are the opposite numbers of those in the mission itself, allowances should not be permitted to get out of line. As long as they suffice to make private means unnecessary as a condition of serving one's country abroad, the proper balance has been struck.

The provision for leave after the completion of a posting raises several problems. Apart from the frequency and duration of the leave, there is the question of the use to which leave should be put. The extent to which an officer will be given the opportunity to travel, renew his acquaintance with citizens at home, meet interested groups, speak about the work of his Department, write and publish, are all matters requiring clarification. Leave should be viewed not simply as a vacation, but rather as a necessary educational process for the returning officer and an opportunity for valuable contact between the Department and the Canadian public.

Finally, the position of women in a department that has traditionally provided careers for men only, warrants a brief comment. There were at the time of review sixteen women officers in the Department, ranging in rank from probationer to ambassador. In general, the woman officer is given reasonable opportunities to develop and progress, but there is no doubt that her expectation of a senior career is much less promising than is the case of a man. Obviously entertainment and dealing with senior male civil servants and officers of other missions present difficulties for the woman officer. Nevertheless, there is wide scope for a more imaginative use of female officers, and it would be unfortunate were the Department to fail to draw on the talents of the rising generation of women university graduates. It is possible, for example, that the proposed increase in the number of permanent positions, especially in such supporting divisions as the Legal, Historical and Research Divisions, or in a functional division, such as the Economics Division, could provide more satisfactory career prospects for the female officer.

Efficient secretaries are indispensable for the immense mass of drafting—telegrams, despatches, memoranda, etcetera—characteristic of the work of a Foreign Office. In Ottawa, the ratio of secretaries to officers is relatively low and the establishment is seldom filled. This, of course, represents both strain and additional cost. An upgrading of this classification, possibly with a view

to attracting women university graduates, might improve the situation, particularly if ancillary research assignments were made part of the job. This would also provide a better ladder of promotion and a better source of recruits for promotion to the Principal Clerk, External Affairs Officer and Foreign Service Officer classes. The secretarial problem abroad is primarily attributable to the personal loneliness of the secretary posted from Canada. Reference to this problem will be made later in this report.

3

ADMINISTRATIVE AND SUPPORTING SERVICES

Reference to the present organizational plan of the Department shown in Chart 1 reveals a general mix of divisions having political and administrative functions. The suggestion has already been made that the broad differences in the character of these activities be recognized by organizing each under its own deputy under-secretary. At present there are six administrative divisions respectively in charge of:

- Administrative Services
- Communications
- Inspection
- Personnel
- Supplies and Properties
- Liaison Services

In addition there are divisions providing supporting staff services such as the Information, Historical and Legal Divisions.

In the group of reports dealing with *Supporting Services for Government* your Commissioners deal with many of these services on a government-wide basis and in certain cases make critical comment about the manner in which the Department of External Affairs is meeting its special needs. Recognizing the extent of present organizational weaknesses in the Department, your

Commissioners have nevertheless recommended the assignment to it of certain additional responsibilities in co-ordinating or facilitating the provision of supporting services for the foreign operations of other departments and agencies. The more important of these recommendations may be briefly summarized as follows:

- The operations of a communications network outside Canada to serve all departments and agencies other than those served by their own special systems (*see* report on *Communications*).
- The maintenance of a travel office responsible for making foreign travel arrangements for all members of the public service (*see* report on *Transportation*).
- The constitution of an expert legal service to which all departments and agencies should submit questions of international law (see report on *Legal Services*).
- The provision of active leadership in co-ordinating the external information and publicity activities of all departments and agencies (*see* report on *Public Information Services*).

Still other recommendations of your Commissioners would bring about a transfer of responsibility from the Department to common service agencies for two important supporting services:

- The designating of the Department of Public Works as the agency responsible for real property management both in Canada and abroad (*see* report on *Real Property Management*).
- The development of a common procurement agency which would assume responsibility for purchasing and supply, serving both the headquarters of the Department and its missions abroad (*see* report on *Purchasing and Supply*).

The reasons underlying these various recommendations are set out in the reports cited and need not be repeated here. In this report it is necessary to refer only to particular aspects of the organization for supporting service within the Department.

STAFFING THE ADMINISTRATIVE SERVICES

It is within the supporting services of the Department that the policy of rotational postings has had its most damaging effect. The basic conclusion

is that, in pursuing the development of the generalist foreign service officer, administrative and supporting services should be excluded from the training and rotational areas. This conclusion rests on two considerations. First, the scale and complexity of supporting services is now such that in attempting to train the officer corps by rotation through these areas, the end product is likely to be not so much the well-rounded foreign service officer with some specialized abilities, as the jack of all trades—and master of none. Second, the imperative need of the Department for strong and effective supporting services cannot be satisfied without the employment of skilled management and stable personnel arrangements. The assignment of these responsibilities, on a short-term basis, to amateurs as part of their training for a foreign service career closes the door against administrative efficiency.

Several years ago, the Department sought to introduce a programme for developing a better qualified administrative group with genuine career prospects and designed to provide the kind of administrative structure that a rotational foreign service needs at home and abroad. This programme was built around a new class entitled External Affairs Officer (EAO) which, it was hoped, would open up opportunities of promotion for other administrative staff and in turn serve as an avenue into the Foreign Service corps. These expectations have not been fulfilled, partly because the director of the programme left and there were neither staff nor facilities for the necessary training programme. The anticipated movement from "principal clerk" to EAO has not materialized and the system shows no signs of becoming an avenue for promotion to anything. Although a few senior consular openings and at least one ambassadorial post have been filled with senior EAO's, most of the individuals in this class are bunched at grades 1 and 2, with limited career prospects.

The experience of the United Kingdom Foreign Office with its "Branch B" administrative structure is fundamentally sound in a Foreign Office and it would, therefore, be valuable to have something approximating this structure in the Department of External Affairs under the proposed Deputy Under-Secretary (Administration). This proposal assumes a certain mobility between the personnel of "Branch B" and the Foreign Service Officer Corps, should any of the administrative personnel in "Branch B" indicate a talent for the political side of the Service.

The nature of the Department's operations dictates the need for provision of supporting services not only at headquarters but also to the missions abroad. This calls for the posting abroad, particularly to large and medium sized missions, of administrative personnel. It is clearly uneconomic to divert the attention of foreign service officers from their main task by giving them

administrative duties where any possible alternative exists. One such is the use of more locally-engaged personnel. At foreign posts of other departments, especially Trade and Commerce, long-term locally-engaged personnel have proved to be valuable adjuncts in handling accounts, mission dealings with the local government, information, translation and first-level consular or immigration matters. It was observed at a number of posts abroad that the senior locally-engaged personnel provided continuity and stability in the administrative work. The economies inherent in such arrangements reinforce the argument for reconsideration of present policies.

The reason usually advanced against the more widespread use of locally-engaged personnel is the need for security. The enquiries of your Commissioners led to the conclusion that an over cautious attitude in this matter is leading to unnecessary expenditure on a significant scale. In the name of security, junior personnel, male and female, are being posted around the world at considerable expense and at an indeterminate further cost in the complicating of personnel administration at the foreign missions. Recognizing that greater precautions are needed in some missions, your Commissioners believe that in others substantial savings can be made by replacing personnel posted from Canada with local residents whose reliability can be established by appropriate checks.

NOTES ON INDIVIDUAL SERVICES

Communications

The volume of communications, in the form of telegrams, between head office and the missions abroad has expanded greatly since the development of a telex communication network using automatic cypher. About half the missions are now served by this system, on which $750,000 has so far been spent, and it is planned in time to interconnect all the foreign posts. Annual operating costs approximate $1,800,000, with over one hundred employees engaged in the work of the Communications Centre in Ottawa. It is pertinent to observe that this division is staffed at headquarters by non-rotational personnel who have the special skills for this highly technical function.

Efficiency of operation and the economies made possible by improved technology have reduced considerably the unit cost of messages, but substantial increases have occurred in the traffic, with the result that total communication costs have actually increased. A study of the activities of eleven missions revealed an increase from 6,000 telegraphic messages in 1954 to over 75,000 in 1961. In the same period communications by mail decreased by twenty-five per cent. A second study of four missions showed that in the year follow-

ing installation of telex and automatic cypher the annual flow of messages increased from a level of 600 to almost 2,300, while mail communications declined from 1,323 to 1,197. The consequence of making available efficient and relatively inexpensive telecommunications has been to induce a veritable flood of messages which adds to paperwork costs and threatens to engulf those whose duty it is to read and digest them.

To bring this situation under control and achieve orderly use of the several methods of communication available, senior management, both at headquarters and in the missions, must lay down guide-lines. With modern air services, the mails today move so rapidly that a decrease in their use by the Department is astonishing indeed. Telex messages need to be monitored, not only to assure that the urgency of their contents warrants telegraphic despatch, but also to control their length by avoidance of verbosity.

The recommendation that the Department's telecommunication network form the core of a system to serve all departments of the government provides an additional reason for preventing abuse of these facilities. The whole purpose of this recommendation will be frustrated if the Department monopolizes the system for the despatch of messages that lack the element of urgency.

Paperwork Procedures

The flow of paper from the missions abroad and circulating within the Department has been increased by the new communication facilities mentioned above. Paper can be both a blessing and a plague in a Foreign Office. As your Commissioners observe in their report on *Paperwork and Systems Management*, paper constitutes the vital mode of communication as well as the memory of an organization. It is a plague when its volume cannot be controlled or when the information it contains lies buried in poorly organized files. Your Commissioners' strictures on the inadequacies of paperwork and systems management throughout government apply with particular force to the Department of External Affairs: not only is the flow and distribution of paper inadequately regulated, but the system of files and records control leaves much to be desired.

The volume of paper could be reduced by instituting a programme of editorial control; a possible pattern is the system in the British Foreign Office. More precise instructions with respect to the direction of telegrams "for information" could also curtail the unnecessary circulation of paper within the Department. Present procedure allows the sender to determine who gets what, with the result that it was observed that the Canadian mission at The Hague was receiving a large volume of material dealing with Laos. Weekly or fortnightly summaries would suffice. In the Ottawa divisions the number of tele-

grams circulated each day has reached the point where, too frequently, they are being read only by the divisions directly concerned. An orderly screening of these telegrams to determine distribution and a digest of their content for quick reference would make the daily pack of telegrams more useful. The practice followed in the State Department in the United States of producing a morning digest might well be considered by the Department of External Affairs.

The weaknesses of the filing and registry systems in the Department are such as to affect adversely the quality of the work performed by the operating divisions. Your Commissioners' recommendations made elsewhere for an upgrading of the status and qualifications of those engaged on filing and registry work are particularly relevant to this Department. These branches suffer from shortage of qualified staff, from heavy turnover and from an attitude that views the registry as a kind of manning depot. Without some permanency of staff, the registry and filing system will not receive the skilled attention which the importance of its services to a paper-breeding department like External Affairs obviously warrants. The registries in the missions abroad require similar strengthening by persons with training and should be handled in accordance with clearly defined programmes laid down by headquarters. Placing the registry in the Communications Division would provide a more natural home for its operations, associated as they are with the telegrams which occupy an increasingly significant role in all files.

The defects in the filing system and the registry of External Affairs have been a matter of concern for a number of years. There exists, in fact, a recent forthright report on the files which offers positive solutions along appropriate lines, but it has not produced results. Your Commissioners stress the need for immediate remedial measures.

An allied problem is the operation of the Historical Division and the departmental library, both of which are also essential to research and the preparation of background papers required by all operating levels in the Department. Both the library (parts of which are physically separate) and the Historical Division are not suitably staffed for their purposes. Consideration might well be given to enlarging the Historical Division to include a research section staffed by non-rotating specialists. The employment of several professional non-rotating librarians, particularly for the documents section, and the enunciation of a general library policy are requisites in strengthening this service arm.

Purchasing and Supply

The recommended transfer of this function to a common service agency will largely relieve the Department of future responsibility for the purchase of

a host of items for use in Ottawa and abroad. Your Commissioners refrain from developing a detailed prescription for the administrative arrangements required, but point out that the central agency will have to develop certain facilities abroad to be in a position to render prompt and economical service to the client departments. Such a devolution will, however, be largely ineffectual unless accompanied by the granting of substantially greater freedom to the heads of mission to authorize expenditures for local purchases. Present expenditure limits are ridiculous, in most cases limited to $50 a year. The raising of these limits, and allowing the head of the post to exercise discretion, would eliminate a mass of unnecessary paper work, put an end to vexatious delays in the supply of minor necessities, and reduce the frustrations induced by unnecessarily cumbersome control procedures.

Housing

The government has invested approximately $8 million in real property abroad to provide housing and office accommodation for the missions of the Department. Additional properties are held under lease at an annual rental cost of $640,000.

OFFICIAL RESIDENCES. Approximately twenty heads of mission are currently housed in properties acquired by the government at a total cost of over $3 million. The most costly is the residence in Paris for which $465,000 was laid out. Two others each cost more than $300,000 and another eight were acquired at costs ranging from $100,000 to $300,000. Other heads of post are housed in rented residences or apartments, the rental cost of which last year aggregated $240,000. The range of annual rentals includes four rentals exceeding $12,000 annually, seventeen rentals from $5,000 to $10,000 and sixteen below the $4,000 level.

Varying price levels in different countries render the foregoing comparisons somewhat inconclusive, but in terms of actual accommodation a wide variation is apparent in the style and size of residences. Some are quite modest while others are elaborate or even pretentious. However, neither the financial aspects nor the physical character of the respective properties appear to bear any consistent relationship to the size and importance of the mission and the system as a whole displays a patchwork quality which indicates a lack of long-range planning.

CHANCELLERIES. The cost of chancelleries or office accommodation abroad exceeds both in investment and annual rentals that for official residences. The physical properties owned are in London, Paris and Washington: most other

missions operate in rented offices. Rentals from country to country are much more consistent than those paid for residences and the actual standard of accommodation shows less variation. In some of the larger centres all Canadian government activities are housed under one roof and there is some support for the view that this practice should be followed more generally. Added prestige, better security, closer interdepartmental relationships, and exemption from local taxation are among the advantages to be realized. On the other hand, a single location is rarely satisfactory to all departments and the clientele visiting Canadian offices is not necessarily homogeneous. Your Commissioners' view is that the decision in each centre should depend on local circumstances. Inspection of a number of these offices leads to the strong conviction that a greater effort should be made to create a more attractive atmosphere with some Canadian flavour. Present offices often tend to be drab and indistinguishable from neighbouring premises.

STAFF HOUSING. Housing for those posted abroad creates perennial difficulties. Abroad, the Department owns or leases one hundred flats for its staff, mostly in areas where it is difficult to obtain accommodation. These apartments are furnished by the Department. There are complaints that this policy has not been pursued with sufficient vigour and that there should be a policy of long-term lease or ownership of housing for the number two of a mission. In general, while much attention and money has been devoted to residences for the heads of missions, a more orderly policy for providing staff accommodation abroad is required.

The survey made lends support to the policy of providing living quarters, as long as standards are appropriate to the rank of personnel accommodated. In certain cities where suitable accommodation is in short supply, serious waste of money and time is involved when a highly paid officer must spend weeks, some times months, searching for living quarters and in the meantime living at public expense in hotels.

Plans are now being made for enlarging the programme for the housing of staff and careful organization will be needed to achieve optimum results. Fairness and consistency must characterize the methods adopted since they may have marked effect on employee morale.

For those officers posted home, there is only a two-weeks resettlement allowance. Often this leads to the hurried purchase of a house or an unsatisfactory lease on an apartment. An experienced individual in Ottawa might well be made responsible for maintaining detailed lists of suitable accommodation, notifying officers before their posting back to Ottawa, and generally providing competent advice to those concerned.

CONCLUSIONS. With the adoption of your Commissioners' recommendation for the transfer of responsibility for all real property management to the Department of Public Works, a careful study of the whole problem of foreign premises should be carried out and recommendations for future policy in this field submitted to the Treasury Board, after consultation between the Department of Public Works and the other departments and agencies engaged in foreign operations.

Personnel Management

The management of personnel in a foreign office is fraught with more than the usual number of difficulties when one considers the need for planned assignments of staff at home and throughout the world. That the Personnel Division in the Department of External Affairs should be strengthened is both obvious and pressing; it appears to be in arrears with its work and unquestionably the system of rotation at the senior level of direction is a plague. In the report on *Personnel Management,* and in other reports, your Commissioners stress that every department must have a skilled personnel officer who is well informed about the public service and who may be shifted from department to department. Application of this recommendation to the Department of External Affairs will bring about sophisticated personnel planning and promote training programmes that are now lacking.

4

SPECIAL ACTIVITIES

Lying somewhat outside the regular run of the conduct of international business and foreign policy development, are two operational activities of importance which are examined in this chapter.

PASSPORT OPERATIONS

The issue and renewal of passports and certificates of identity is a growing (and profitable) activity of the Department, as indicated by the following comparisons:

Table 3—VOLUME AND VALUE OF PASSPORTS AND CERTIFICATES OF IDENTITY

Year	*Passports*		*Certificates of Identity*		*Revenue*
	Issued	*Renewed*	*Issued*	*Renewed*	
1955	79,228	12,474	4,601	2,277	$428,262
1958	100,594	15,446	3,276	801	549,069
1960	134,637	18,411	6,004	2,184	730,605
1961	139,218	19,987	4,237	3,209	746,796

Fifty years ago few countries demanded that visitors identify themselves by means of an official passport. Canada had no passport facilities of its own, such passports as were required being issued from London. The Parliament of Canada has never enacted legislation requiring a person, either entering or leaving the country, to possess a passport, but regulations made by the Governor in Council under the *Immigration Act* require it of immigrants. The cur-

rent requirement by foreign countries, excepting the United States, that visitors from Canada present passports when seeking admission has resulted in the universal possession of passports by Canadians who travel outside North America.

A passport simply requests those "whom it may concern to allow the bearer to pass freely without let or hindrance and to afford the bearer such assistance and protection as may be necessary." A passport may not be demanded as of right and its issue or renewal constitutes an exercise of the Royal prerogative. While accepted generally as a document of identity, the passport does not purport to guarantee the accuracy of the information it contains. In the absence of verification of the facts recited in a passport application, there exists ample opportunity for irregularity and fraudulent misrepresentation.

The grant of Canadian passports based on fraudulent representations occurs sufficiently frequently to call for reconsideration of the traditional practices of the Department, in order to preserve the good name of Canada abroad. The basic existing safeguard is the requirement that each application be supported by a declaration of a guarantor, that he has known the applicant for two years and that to the best of his knowledge and belief the declarations in the application are true. This declaration is neither witnessed nor made under oath. Since the end of World War II the list of acceptable guarantors has been enlarged—as a convenience to the public—and now includes all mayors of municipalities, magistrates, police officers, postmasters, collectors of customs, clergymen, lawyers, notaries, doctors, dentists, school principals, chartered accountants, professional engineers and bank and trust company managers. Such a list, especially in urban centres, embraces a great many individuals and where abuses occur, the pertinent provision (section 58) of the Criminal Code is one not easily enforced. Under present practice the guarantor is presumed to exist and to be both occupationally qualified and a person whose word is as good as his bond. A more effective check of the *bona fides* of guarantors is desirable, but this is something that a department without a chain of offices across Canada is ill-equipped to perform.

The operation of the Passport Office of the Department involves little more than a clerical function and the large volume results in a low unit cost for the processing required. Thus, fees charged, though unchanged for many years, exceed direct operating costs by approximately $300,000 a year.

Like most foreign offices, the Department of External Affairs is traditionally responsible for the issue of passports and on it rests the duty of taking a continuing interest in holders when they are abroad. The latter duty is a logical one for a Foreign Office, but your Commissioners question whether the

Department should continue to be responsible for the working of the Passport Office.

Throughout the reports of this Commission, stress is laid upon the need to avoid duplication of effort in public administration and the recommendation is frequently made that departments best equipped to render specialized services act in an agency capacity for other departments when this will promote efficiency and economy.

In Canada, the department directly concerned with national origins, naturalization and citizenship is that of Citizenship and Immigration, which maintains comprehensive records of the citizenship status of many individuals. In these circumstances the appointment of the Department of Citizenship and Immigration as agent for the Department of External Affairs for the issue and renewal of passports would be logical and in the interests of efficiency. Such a move could also contribute to the convenience of the public since the Department of Citizenship and Immigration possesses a branch organization which would permit the verification of passport applications in the principal cities of Canada, and, in addition, facilitate a continuing scrutiny of guarantors.

EXTERNAL AID OFFICE

The Department of External Affairs spent over $93 million in the 1962 fiscal year, of which $28 million represented operating costs of the Department—an increase of over $6 million since 1960. The balance consisted largely of various forms of assistance to other countries, the $50 million spent on the Colombo Plan being the major single item. These outlays were undertaken in support of programmes to improve conditions in underdeveloped countries. Power plants have been constructed, irrigation schemes assisted, fisheries programmes promoted, and vast quantities of foodstuffs, industrial equipment and commodities have been supplied. Canada has furnished many technicians, teachers and other specialists to these countries and, in turn, their students are assisted when they come to Canada to further their education.

As a by-product of Canada's involvement in world affairs, these programmes have come into being under the guidance of the Secretary of State for External Affairs who is accountable to Parliament for their conduct. In recognition of the growing importance of such activities, operating responsibilities were transferred in 1960 from an interdepartmental organization to an External Aid Office which, at the time surveyed, was administering Canadian participation in the following:

- The Colombo Plan,
- The Commonwealth Technical Assistance Programme,
- The Commonwealth Scholarship and Fellowship Scheme,
- The Special Commonwealth Africa Aid Programme,
- The Programme of Canadian Aid to French-speaking Countries in Africa.

The External Aid Office is treated, for administrative purposes, as a special agency of the government reporting to the Secretary of State for External Affairs. Its administrative and staffing costs, about $575,000 last year, are included in the expenditures of the Department and staff is seconded to it from the Department. The Office is not a body created by statute but consideration might usefully be given to the passage of legislation for its governance, defining more explicitly the degree of its independence from the Department.

In this connection it should be noted that, because programmes are carried on outside Canada, only the Department of External Affairs is in a position to assess performance in terms of the wise application of these large funds. If such assessment is to be impartial, the External Aid Office should be independent of the administrative direction of the Department. The latter cannot sit in judgment on itself.

Chart 2—LOCATION OF DEPARTMENT AND AGENCY PERSONNEL OUTSIDE CANADA
(Excluding Department of National Defence, Canadian National Railways, Trans-Canada Air Lines and Polymer Corporation)

LEGEND

O — CANADIAN OFFICIALS
A — CANADIAN ADMINISTRATIVE STAFF
L — LOCALLY ENGAGED PERSONNEL

ALL PERSONNEL FIGURES AS AT JUNE 30TH, 1961.

Department / Agency	Category	Total
DEPARTMENT OF AGRICULTURE	O	1
	A	
	L	1
CANADIAN BROADCASTING CORPORATION	O	10
	A	
	L	17
CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION	O	
	A	
	L	1
CANADIAN PENSION COMMISSION	O	1
	A	
	L	3
CANADIAN COMMERCIAL CORPORATION	O	1
	A	
	L	4
CANADIAN WHEAT BOARD	O	5
	A	
	L	5
DEPARTMENT OF CITIZENSHIP AND IMMIGRATION	O	98
	A	15
	L	247
COMPTROLLER OF THE TREASURY	O	10
	A	
	L	37
DEFENCE CONSTRUCTION LIMITED	O	2
	A	3
	L	5
DEFENCE RESEARCH BOARD	O	24
	A	11
	L	5
DEPARTMENT OF DEFENCE PRODUCTION	O	26
	A	
	L	62
DEPARTMENT OF EXTERNAL AFFAIRS	O	239
	A	492
	L	694
DEPARTMENT OF FINANCE	O	
	A	4
	L	1
DEPARTMENT OF LABOUR	O	2
	A	2
	L	
NATIONAL FILM BOARD	O	5
	A	12
	L	14
DEPARTMENT OF NATIONAL HEALTH AND WELFARE	O	56
	A	
	L	46
DEPARTMENT OF NATIONAL REVENUE	O	7
	A	1
	L	5
NATIONAL RESEARCH COUNCIL	O	3
	A	1
	L	5
DEPARTMENT OF NORTHERN AFFAIRS (TRAVEL BUREAU)	O	3
	A	4
	L	3
PRIVY COUNCIL OFFICE (EMERGENCY MEASURES ORG'N)	O	1
	A	1
	L	
PUBLIC ARCHIVES	O	1
	A	
	L	4
DEPARTMENT OF PUBLIC WORKS	O	1
	A	
	L	12
ROYAL CANADIAN MOUNTED POLICE	O	3
	A	42
	L	23
DEPARTMENT OF TRANSPORT	O	10
	A	
	L	
DEPARTMENT OF TRADE AND COMMERCE	O	124
	A	31
	L	313
UNEMPLOYMENT INSURANCE COMMISSION	O	3
	A	
	L	6
DEPARTMENT OF VETERANS AFFAIRS	O	3
	A	1
	L	20
TOTALS	O	641
	A	619
	L	1598
GRAND TOTAL		2,853

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CO-ORDINATION ABROAD

The expansion of the Department of External Affairs' system of foreign missions has been accompanied by significant growth in the establishments of other departments abroad to meet an increasing range of specialized commitments. In June, 1961, twenty-seven departments and agencies had 2,853 employees scattered throughout 104 cities outside Canada. One-half of these are employed by the Department of External Affairs. These figures do not include the offices of commercial Crown corporations or of the Armed Services.

There is a substantial concentration of staff, 37 per cent of all employees being located in six cities. Not all of these employees were recruited in Canada and posted abroad: over one-half are locally engaged and ordinarily resident in the host country. Most of these locals are employed on relatively routine work and some have long service in the government's employ, e.g., thirty to forty years in the United Kingdom.

The numbers of Canadian and locally engaged personnel employed by the departments principally involved are shown in Table 4.

The offices abroad (in June 1961) of all departments and agencies are shown on Chart 2. In London, England, twenty-one different departments and agencies maintained offices, but there were 37 cities in which one department only had an office or mission. In 25 other cities both External Affairs and Trade and Commerce (but no others) had offices and in a further 34 cities three or more departments were represented. It is in this latter group that evidence of maldistribution of manpower and duplication was most frequently found.

Table 4—EMPLOYEES AT OFFICES OUTSIDE CANADA—JUNE, 1961

Department or Agency	*Posted from Canada*	*Locally Engaged*	*Total*
External Affairs	731	694	1,425
Trade and Commerce	155	313	468
Citizenship and Immigration	113	247	360
National Health and Welfare	56	86	142
RCMP	45	23	68
All Others (22)	160	230	390
TOTALS	1,260	1,593	2,853

Inquiries made in a number of representative cities abroad revealed a serious lack of co-ordination between the offices of the several Canadian departments and agencies represented. The situation is characterized by waste and misuse of manpower; a reluctance to rely on the skilled resources or administrative services of other departments because of the pervasive departmental attitude of self-sufficiency; inflexible establishments, ill adapted to changing workloads; and, more generally, a compartmentalization that is wasteful and weakens Canada's representation abroad.

The assignment of personnel to posts abroad to perform only those duties prescribed by a particular department can have ludicrous results, as illustrated by the immigration missions in Europe. On the continent of Europe a minimum immigration mission consists of: an officer of the Department of Citizenship and Immigration who conducts the civil interview and issues the visa; a doctor from the Department of National Health and Welfare who medically examines the applicant; a member of the RCMP who conducts the security interview; usually a secretary for each, who acts as interpreter; and clerical staff for processing documents. None of these departmental representatives is permitted to perform the tasks of the others; in fact, the doctor is under orders to maintain his own administrative staff and telephone separate from the others.

One immigration officer cannot process enough applicants to keep a doctor and an RCMP officer busy, even if the applicants are lined up at the door, which they are not. Minimum staffing for an efficient immigration mission requires two or three immigration officers plus a doctor and an RCMP constable, and the mission should process about 5,000 immigrants a year. Since there are few currently operating on such scale, many of our immigration missions are no longer economically justifiable as independent offices, and

the resulting idleness imposed upon the Canadian staff not only represents monetary waste but is destructive of morale. An obvious solution is to integrate the immigration work with that of other departments and agencies in the same city, which necessarily involves a relaxation in the present rules prohibiting individual employees from performing more than a single specified task.

In the area of administrative services many examples of lack of co-ordination were observed. There is no valid reason to accept the waste that results from the existing compartmentalization. Five departments under one roof in the Chancellery in Paris operate independent administrative units. In London, the Treasury Office provides centralized accounting and Public Works offer some common services, but eight departments and agencies employ administrative officers, six of them in the same building.

There is ample evidence of a need for broad supervision of the activities of the various departments and agencies by a senior representative of the Canadian government. The immigration office in London has processed an average of ten thousand immigrants a year for the last three years. Medical examinations for this volume would require the services of two or possibly three doctors. Nevertheless, the Department of National Health and Welfare recently took over and equipped an entire floor of the Sir John A. Macdonald Building, staffed it with fifteen doctors and twenty-eight clerks and technicians and installed x-ray facilities capable of handling one thousand persons a day. At the Hague, the Ambassador, at the time of the inquiry, was keeping in close touch with the immigration mission a few blocks away from the Chancellery but was powerless to put to other use any of the four immigration officers, four doctors, two RCMP officers, and an administrative staff of twenty-six when the workload dropped to about one-tenth of their rated capacity.

THE HEAD OF POST

An ambassador or high commissioner is not just the head of the External Affairs mission; he has the over-riding answerability to the host country for the manner in which Canadian government activities are conducted, and so should exercise a general supervisory role. Unfortunately this has never been clearly stated for the guidance of departments, nor may it be said that Heads of Post make it a practice to concern themselves with the affairs of other departments. Surveys made point to the conclusion that departments stoutly resist any local direction of their own affairs, although accepting a subordinate role in matters relating to representation and diplomatic privilege. Two major exceptions to the lack of authority of the Head of Post were noted, and they provide an interesting contrast: one has *de facto* authority without

statutory basis, the other has statutory authority which he is unable to exercise. The North Atlantic Treaty Organization mission in Paris is a highly integrated operation with all administrative services provided by the Department of External Affairs. Personnel of various departments, assigned to the mission, carry out a wide variety of duties, but these assignments may have no direct bearing on their particular departmental interests. All the various departmental representatives unquestioningly work under the detailed direction of the Ambassador and the arrangement works most satisfactorily.

The High Commissioner in the United Kingdom Act states that the High Commissioner shall "supervise the official activities of the various agencies of the Canadian Government in the United Kingdom". The principle embodied in this stipulation was recognized in 1922 in the face of a condition of waste, confusion and overlapping very similar to that existing today. While over the years there have been instances of intervention by the High Commissioner, it is fair to say that the managerial role envisioned has never been developed. There is today no integrated administrative machinery and the High Commissioner has no means of assessing the performance of the offices for which he is statutorily responsible.

The evidence gathered by your Commissioners leads clearly to the conclusion that, not only in London but wherever two or more departments have offices in a foreign country, there should be senior supervision and co-ordination. Moreover, to be effective this task must be performed on the spot and there seems no real alternative but to place the responsibility on the Ambassador or High Commissioner. He is the official who represents the Government of Canada as a whole in the host country. He is best able to assess local needs and deploy available resources to meet requirements, and is in a position to communicate directly with the ministerial heads of departments. The assumption of responsibility for co-ordination should not, however, closely engage the head of post in the substantive work of other departments; he should bear no responsibility for the manner in which local personnel respond to the instructions of their several departments. His duty in the briefest terms should be to see that the personnel in his area are kept working effectively and that the talents available are employed to the best possible effect in the interest of the government as a whole.

ADMINISTRATIVE SERVICES

A requirement, closely related to the foregoing, exists for avoidance of duplication of administrative services. The recommendation has been made elsewhere that the Department of Public Works assume responsibility for all

real property management abroad; also that External Affairs handle telecommunications with Ottawa for all departments. There remains, however, a number of supporting services in organizing for which there is danger of duplication and waste in countries where a number of departments are represented. No single formula is offered. However, your Commissioners believe that an administrative career service is required in the Department of External Affairs. Further, since the Department now employs over half of the administrative staff abroad, consideration should be given to the use by other departments and agencies of External Affairs administrative services where local circumstances permit.

Over fifty per cent of all Canadian employees overseas are locally engaged and serious consideration should be given to the greater use of such personnel. The experience of the Department of Trade and Commerce with locally engaged commercial assistants demonstrates that local employees can be recruited who are capable of dealing with more than routine administrative work. The advantages of an effective usage of locally engaged personnel are not to be measured in money alone; the local employee knows the language and customs of his country and can prove to be an invaluable bridge to the Canadian in a foreign environment. In addition, the local employees provide an important measure of continuity to a post staffed by Canadians rotated on tours of duty. A basic requirement for the successful use of locally engaged personnel is fairness in remuneration and other benefits. Because local employees work side by side with Canadians, major differences in such matters as pension rights have a bearing upon morale and the esteem in which the Canadian government is held as an employer by the local staffs.

The proliferation of small departmental units abroad is wasteful alike of manpower and money. Wherever practicable, in lieu of establishing or continuing an existing small office, the department concerned should seek an arrangement whereby another department that necessarily operates an office in the locality acts as its agent. In some cases a simple agency arrangement will suffice, while in other instances specialists may need to be seconded.

6

RECOMMENDATIONS

The headquarters organization suffers from a lack of separation between divisions engaged in the substantive work of the Department and those charged with provision of administrative and supporting services. The efficiency of the Department will be improved by placing the responsibility for each of these areas of activity upon a Deputy Under-Secretary of State and making a corresponding re-alignment of the various divisions.

We therefore recommend that: The operations of the Department in the political field be placed under a Deputy Under-Secretary of State (Political) and all administrative and supporting services be provided under the direction of a Deputy Under-Secretary of State (Administrative).

In the training and development of foreign service officers there is need for more intensive training and instruction during the probationary period. In their future development, the divisions to which foreign service officers should be posted upon their return to Ottawa should exclude the administrative and supporting services. As a consequence, the period during which such officers are posted outside Canada should be adjusted to harmonize with the number of non-administrative positions available at headquarters for their further training and development.

We therefore recommend that: 1 The preliminary instruction of probationary foreign service officers be expanded.

2 In managing the rotation of foreign service officers the positions to which they are posted upon return to Ottawa be confined mainly to those within the political divisions of the department.

The evidence suggests that improvement is required in the skills and experience of the foreign service officers in charge of the various headquarters divisions. Further, properly to discharge their supervisory duties, divisional heads should be provided with deputies on a broader scale than at present.

We therefore recommend that: The positions of divisional head be staffed with more senior and experienced personnel and deputies be provided to them where necessary.

With the recommended withdrawal from the administrative and supporting services of foreign service officers serving on a rotational basis, the need arises for staffing the various service divisions with personnel of the requisite skills and experience. To preserve reasonable continuity of management a number of such personnel will require to be stationed permanently in Ottawa and such rotation with posts abroad as may be required must avoid any weakening of the headquarters services.

We therefore recommend that: Supporting and administrative services be staffed with experienced personnel possessing such special skills as may be required.

As a means of providing better career opportunities for administrative personnel and creating a ladder of promotion to the more senior positions, as well as facilitating transfers of individuals between the administrative staff and the foreign service corps, consideration should be given to creating a single career service for administrative personnel which would parallel that of the political branch.

We therefore recommend that: Consideration be given to the development of an administrative career service within the Department.

The rather limited career opportunities for capable women within the Department suggests the desirability of attempting to recruit a larger proportion of well-educated women and assigning them to senior secretarial duties

with opportunity to participate in research activities. The recruitment of women of superior capabilities could well lead to a strengthening in both the political and administrative phases of the activities of the department.

We therefore recommend that: An attempt be made to increase the employment of female university graduates with a view to assigning them in particular to senior secretarial and research duties.

As a result of what appears an over-cautious approach to the question of security at posts abroad, the extent to which local staff is engaged and entrusted with responsible work now appears unreasonably low. The greater use of locally engaged personnel could result in important savings without unduly endangering the maintenance of necessary secrecy, except at sensitive posts. An increase in the use of locally engaged personnel would be particularly effective in reducing rotational requirements for administrative personnel, and experience of other departments shows that they may be entrusted with quite responsible work.

We therefore recommend that: Steps to be taken to increase the number of locally engaged personnel at posts abroad.

A study of the nature and volume of telegraphic communications between headquarters and the posts abroad revealed very sharp increases in the use of telecommunications facilities. At the same time there were reductions in the number of messages sent by post. Unless the communication facilities of the Department are properly managed the available facilities will be inadequate for the larger task recommended, whereby the network of the Department will become available to all departments and agencies.

We therefore recommend that: The Deputy Under-Secretary of State (Political) and the Deputy Under-Secretary of State (Administrative) be made severally responsible for the prevention of misuse of telecommunication services by their staffs, both in Ottawa and the field.

The management of the Department's paperwork, in particular its filing and registry system is in most urgent need of re-organization. Until such is undertaken the effectiveness of the Department will continue to be impaired.

We therefore recommend that: The filing system and registry at headquarters be re-organized forthwith, with experienced staff assigned thereto on a permanent basis, and

instructions be issued to all posts abroad for the adoption of common paperwork procedures.

The present regulations whereby local purchases on the authority of heads of post are limited, in most cases, to $50 a year are unrealistic. The adoption of more sensible limits will significantly reduce unnecessary communications, frustration and delay.

We therefore recommend that: Limits of expenditures to be made at posts abroad within the discretion of the head of post be increased substantially.

An element of duplication exists in the operation of the passport office by the Department of External Affairs and the maintenance by the Department of Citizenship and Immigration of extensive records of the national status of individuals. A transfer of responsibility for the operation of the passport office to the latter Department would appear logical; moreover, the convenience of the public would be served through the opening of passport offices in the principal cities of Canada.

We therefore recommend that: The operation of the passport office be assumed by the Department of Citizenship and Immigration as agent for the Department of External Affairs and consideration be given to the acceptance of passport applications in the principal cities of Canada.

The inspection made of selected offices abroad reveals unmistakable evidence of waste and duplication on a large scale. In the absence of any co-ordination or local control, the continued independence of the various Canadian government departments and agencies in the operation of their foreign posts cannot but worsen the present conditions. Having regard to the constitutional position of the Head of Post, the solution appears to be to place on him the responsibility for the control and co-ordination of all Canadian government activities in the country to which he is accredited, other than activities of the Armed Forces.

We therefore recommend that: At posts abroad, the Head of Post be made responsible for the supervision and co-ordination of all activities of civil departments and agencies of the Government of Canada.