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The Continuing Relevance of the DREE Decentralization

A paper prepared by J. D. Love, Dalhousie University, for presentation to the Annual Conference of the Institute of Public Administration of Canada, St. John's, Newfoundland.

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The Department of Regional Economic Expansion, an institution that came to be known by its initials, was established in 1969 and brought to an end in 1982. For most of the intervening period, it was a lively outfit. Its experience has left behind some food for thought in a number of areas, including economic development, federal-provincial relations and public administration. In this session, we will be expected to focus on the influence of only one aspect of the DREE experience: its decentralization, which was heralded in a Speech from the Throne at the beginning of 1973 and actually carried out during the first eight months of 1974.

I am afraid that, before getting into this subject, I must deal with definitions just long enough to make it clear that, when referring to decentralization, I will not be talking about the degree to which powers are exercised and money is spent by provincial governments rather than the national government. Nor will I be talking, as such, about the extent to which personnel in an organization are located outside Ottawa. In his classic article on "Administrative Decentralization in the U.S. Bureau of Reclamation", Frederic Cleveland refers to

...the New England postmaster who, following a severe snow storm which had catapulted a tree branch through the roof of his post office, sat the next day amidst a snow drift within the building and penned a note to Washington requesting permission to use money from his service fund to have the hole in the roof repaired.

The postmaster understood only too well that, although the Post Office Department had a far-flung field force, it was not decentralized. "Delegation of authority to the field", says Cleveland, "is the stuff of which decentralization is made"¹. I agree with him -- but I will be wishing also to emphasize the importance, at least in a federal state, of the geographical distribution of policy-oriented analytical personnel and of the capacity of regional administrators to influence the policy formulation process, to engage in interdepartmental coordination and to relate effectively, at high levels, to provincial governments and the private sector.

Background

Let me now turn to background. Oddly enough, I would like to begin with the Royal Commission on Government Organization which said, among other things, in the early paragraphs of the first volume of its 1962 report:

The most obvious feature of the Canadian setting is the size and regional diversity of the country. The effect of this diversity on the political process in Canada has long been recognized, but its relevance to the machinery of administration seems to have been largely overlooked.²

In spite of this important and accurate statement, the Glassco people never really came to grips with the possibility of using organizational structure as a means of giving federal departments a better appreciation of the country and an increased capacity to deal effectively with its size and regional diversity. Their findings and recommendations did set

the stage, however, for a liberating set of administrative reforms, which were gradually developed throughout the 1960's and finally put into effect in 1966 and 1967, when Parliament gave its blessing to a new set of central arrangements designed to permit departmental deputy heads to use, and to delegate, various kinds of managerial authority in the fields of financial, personnel and contract administration.

During the decade of the 1960's, when these things were happening, the Diefenbaker and Pearson governments were also putting in place the disparate programs now recognized as the modern beginnings of regional development policy. Let me mention these quickly.

- In 1961, under the influence of Alvin Hamilton, the Agricultural Rehabilitation and Development Act (ARDA) was passed, providing a flexible basis for serious work on the problems of agricultural adjustment.
- In 1962, the Atlantic Development Board (ADB) was created, as an advisory body with limited powers.
- In 1963, the ADB, under Jack Pickersgill, began to pick up the idea of "growth centres" and was given a new program mandate in the field of infrastructure.
- In the same year, the Department of Industry was established and, under its aegis, the Area Development Agency (ADA) came to life. Pursuing the theory that "manufacturing is the engine of economic growth", it began to offer incentives for industrial investment in depressed areas.
- In 1964, ARDA, by this time under Maurice Sauve in the

Department of Forestry and Rural Development, was refurbished. Under revised legislation offering a wider mandate, it took aim at rural poverty and began to work, with some success, under federal-provincial agreements.

-- In 1966, the Fund for Rural Economic Development (FRED) was established. An outgrowth of ARDA, it made possible a more comprehensive approach to the problems of severely disadvantaged areas.

The work of these agencies made an important contribution to emerging policy. It also led to growing public criticism about lack of coordination and to some internal unease, centred in the Treasury Board, which was not enthusiastic about what some of its staff probably viewed as ill-controlled experiments in a dangerous form of discretionary programming.

That is where things stood when the general election of 1968 took place, bringing Pierre Trudeau to power. It was said that the new Prime Minister took office, having really made only two promises. One had to do with languages, which are outside the subject of this paper. The other called for a strengthened and coordinated attack on regional disparities led by a new Department that would bring together the programs already mentioned, together with a couple of others from an earlier era, including the Prairie Farm Rehabilitation Administration (PFRA).

Beginnings

And so, in April 1969, DREE began to function.

The new Department had a lot on its plate. It had to absorb old programs and, at the same time, introduce and get underway some new ones. The Regional Development Incentives Act (RDIA) was passed, making industrial grants available, on a discretionary basis, in designated regions. The Departmental Act itself authorized the creation of Special Areas, offering new forms of financing for various types of infrastructure under federal-provincial agreements. The Comprehensive Development Plan for Prince Edward Island, based on the FRED authority, was launched.

Given the circumstances, it is not surprising that Jean Marchand, the first Minister, and Tom Kent, the first Deputy Minister, fresh from their teamwork in establishing the Department of Manpower and Immigration, tended to give priority to policy rather than organizational matters. It is also not surprising, perhaps, that the organizational structure that emerged was characterized by a high degree of centralized decision-making. There was, after all, a need to take hold of that collection of predecessor agencies -- almost all of which, incidentally, were concentrated in Ottawa.

In September 1971, Kent departed for Cape Breton and, for reasons unknown then or now, I was appointed to take his place. It is true that I had been around the system for over twenty years and had had some involvement in some of the developments leading to the administrative reforms already mentioned. But I knew very little about either the process of economic development or the regional dimensions of the country.

These shortcomings did not prevent me from sensing rather quickly that the department had a fair amount of trouble on its hands.

- Some of the trouble was political. Marchand, who frequently said that he had entered politics "to define issues for public debate", loved a good Parliamentary scrap -- and, after a while, he did not have to look far to find one. The Tory opposition focussed on the discretionary nature of the program, claiming that it was being administered in a partisan manner. The NDP did not like the idea of financial incentives for corporations and was gradually working up its concept of the "corporate welfare bum", which was to have a fair run in the 1972 election.
- Part of the political trouble resulted from a testy set of federal-provincial relationships. Many of the provincial governments had emerged from the Pearson era feeling badly bruised. In their view, some of the most recent bruises had been put in place during the period of fast-moving policy change in Manpower and Immigration.
- Despite the attention given to the subject, there was still a lack of cohesion in the policy framework. New programs had been added to old programs in a hurry, leaving a certain amount of confusion and an overall situation that was hard to explain, difficult to defend.
- Finally, there were a number of administrative shortcomings. As already mentioned, the Department was run from Ottawa in a highly centralized manner. It was structured, as we shall see, in a way that did not encourage integration of functions, which was resisted in any event because of the centrifugal effects of old program loyalties.

Taken together, these problems represented pretty serious stuff for a Department that had a good deal of natural opposition within the federal bureaucracy, in substantial elements of the private sector and in other nooks and crannies of the Toronto-centred Canadian power base.

Reorientation and Reorganization

I concluded that, unless something could be done quickly, the resources of the whole outfit would be caught up in an unproductive kind of trench warfare. In the early weeks of 1972, the need for a major policy review was informally discussed with the Minister. By February or March, the review had been launched under a new ADM, a remarkable fellow by the name of Rod Bryden, who was recruited for the purpose from outside the Department. Somewhat later, a task force on organization was put in place, reporting directly to the Deputy Minister. The work moved under forced draught, drawing upon the talents of a large number of people. In order to cope with the review process while maintaining the regular business of the Department, transitional arrangements of various kinds were introduced. The most important of these gave to Jack Francis, the ADM (Planning), who held the respect of most people in the Department, the responsibility for ongoing operations.

By November, 1972, soon after the election that reduced the Liberals to minority status, the preliminary results of the policy review were put forward to the Minister. Marchand responded with enthusiasm, indicating that he wanted the material moved immediately to Cabinet over his signature. The required memorandum was hurriedly prepared, signed and dispatched to the Privy Council Office, where it arrived on the eve of a major Cabinet shuffle. Obviously, Marchand had known or suspected

that he was about to be moved and had wanted, before leaving, to associate himself with the results of a review launched under his aegis.

The new Minister was Don Jamieson. After several days of intensive briefings, he decided that he, too, was supportive. The memorandum to Cabinet, which had of course been withdrawn at the point of the shuffle, went forward again, under a new signature. In the next few weeks, there were heavy skirmishes in Cabinet Committee and some refinement of recommendations. But, in the end, sometime before Christmas, approval was secured.

The essential elements of the new approach can be briefly described.

1. There was to be a new emphasis on coordinated pursuit, by the federal and provincial governments, of identified developmental opportunities.
2. To manage this approach, a new mechanism was to be put in place in each province: a General Development Agreement (GDA) running for 10 years, containing a set of general objectives and providing authority for the negotiation and implementation of Subsidiary Agreements, each related to a defined opportunity or constraint. Although the RDIA program was to be retained, it was understood that the GDA system, which had great flexibility, would gradually replace most of the other bits and pieces of programming -- except in PEI, of course, where the existing comprehensive Development Plan provided an equally flexible framework.

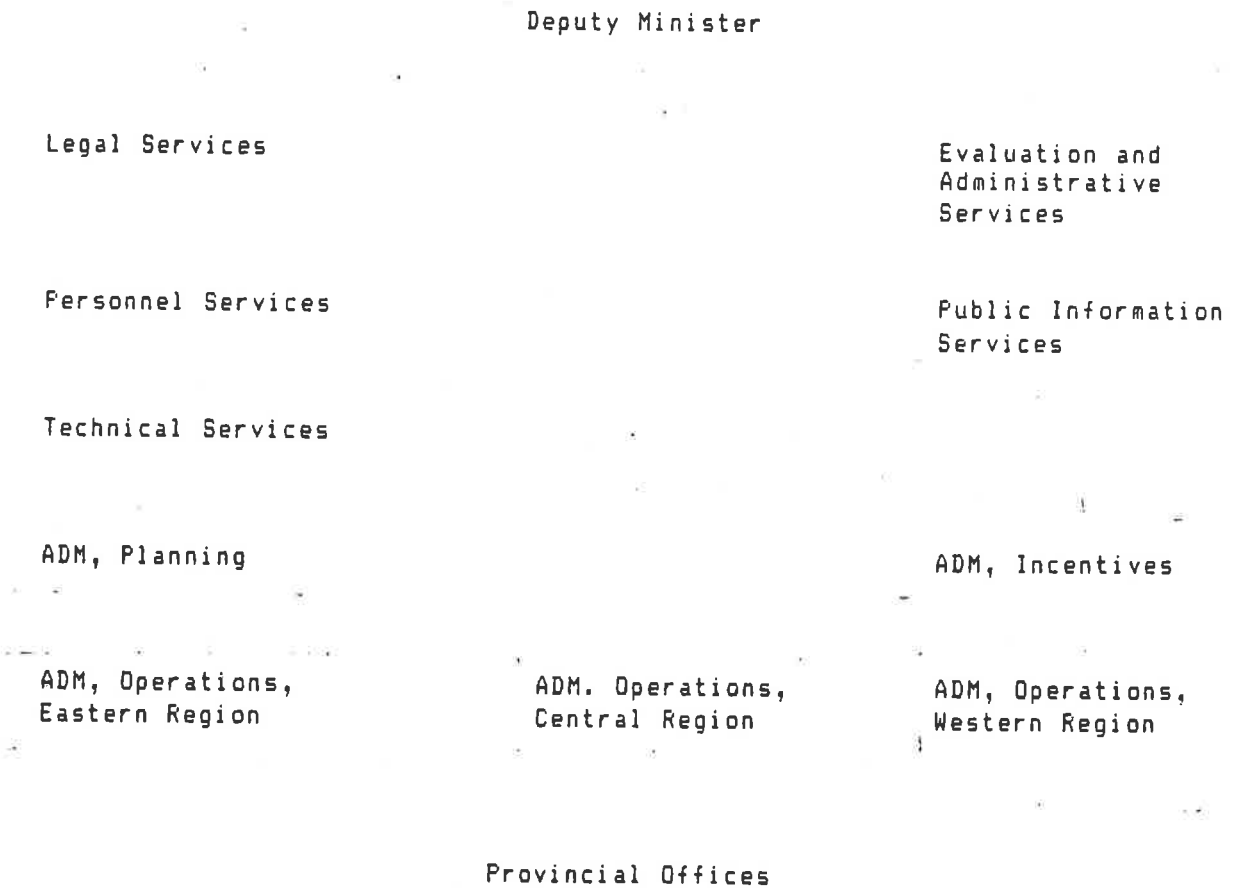
3. In support of this new system, DREE was to be given a strengthened analytical mandate and would be expected to provide the Cabinet with periodic reviews of regional economic circumstances and opportunities.
4. Finally, to make everything else possible, there was to be a new Departmental organization, an organization marked by a degree of decentralization not before tried in the Government of Canada.

The Government rushed to include general mention of the approved changes, including a reference to the planned decentralization of the Department, in a Throne Speech that just happened to be in the final stages of drafting -- the Speech of January 1973. It took another six months to complete the work required to seek Treasury Board approval. That was obtained in July 1973.

It is now time to look at the organizational changes themselves. Let us start with what is described as the "old" organization, the one I inherited in the fall of 1971. It is shown in Figure 1.

-- Although the Department was concerned with regional development, it was highly centralized. Not including PFRA, 80 per cent of staff, including executive personnel, were in Ottawa. The Planning Branch, responsible among other things for all economic analysis and all negotiations with provincial governments, was in Ottawa. The Incentives Branch, responsible for assessing RDIA applications from across the country, was in Ottawa. The three Operations Branches, one of which was supposed to cover Quebec and Ontario, were substantially in Ottawa and were frequently in

Figure 1: DREE, The Old Organization (1971)



The dotted line marks the break between head office and the rest of the Department.

conflict with their provincial offices, which seemed to lack the authority required to carry their limited responsibilities for program implementation.

- In a Department expected to maintain effective high-level relationships with a large number of other federal departments and agencies and with the provincial governments, the span of control, at 11 or 12, was too large. It was also unwieldy because of substantial differences in the size and nature of responsibilities carried by the people reporting to the Deputy Minister. Among other things, this lack of balance meant that it was difficult to use the Management Committee as a consensus-building forum for discussion of the more important policy and administrative issues facing the Department.
- There was a serious lack of program integration, resulting largely from an absence of communication between Planning, Incentives and Operations. In my early months, for example, I became unpleasantly involved in a situation in which the Government of P.E.I., having consulted at length with the Planning Branch and having agreed with the politically difficult proposition that future investment in wharves, docks and other fishing infrastructure should be restricted to about 20 designated ports around the Island, was understandably surprised and angered to learn that the Incentives Branch had offered incentive grants for fish processing plants to be located in non-designated ports.

-- The distribution of policy-oriented analytical staff was far from ideal. I have already mentioned the fact that the Planning Branch was concentrated in Ottawa. If memory serves me well, it had well over 100 people but they were not organized along regional lines. Shortly after my arrival, I asked a simple question: "How many economists are working full-time on the problems and possibilities of Nova Scotia?" The answer was "one", which made me stop and think.

-- Finally, it has to be said that nowhere in the organization could one find a focal point of responsibility for a seemingly large and uncoordinated complex of federal-provincial committees, which had been set up under a number of separate programs at different points in time.

The new organization, shown in Figure 2, was quite different. The existing provincial offices, which had been concerned only with program implementation, in a routine sense of the term, were given a comprehensive mandate and the analytical and other staff to go with it. Regional headquarters under Assistant Deputy Ministers, the first of their kind in the federal Public Service, were established in Saskatoon, Toronto, Montreal and Moncton. The head office was substantially reduced in size and rationalized under two ADM's, one concerned with Planning and Coordination, the other with Administrative Services.

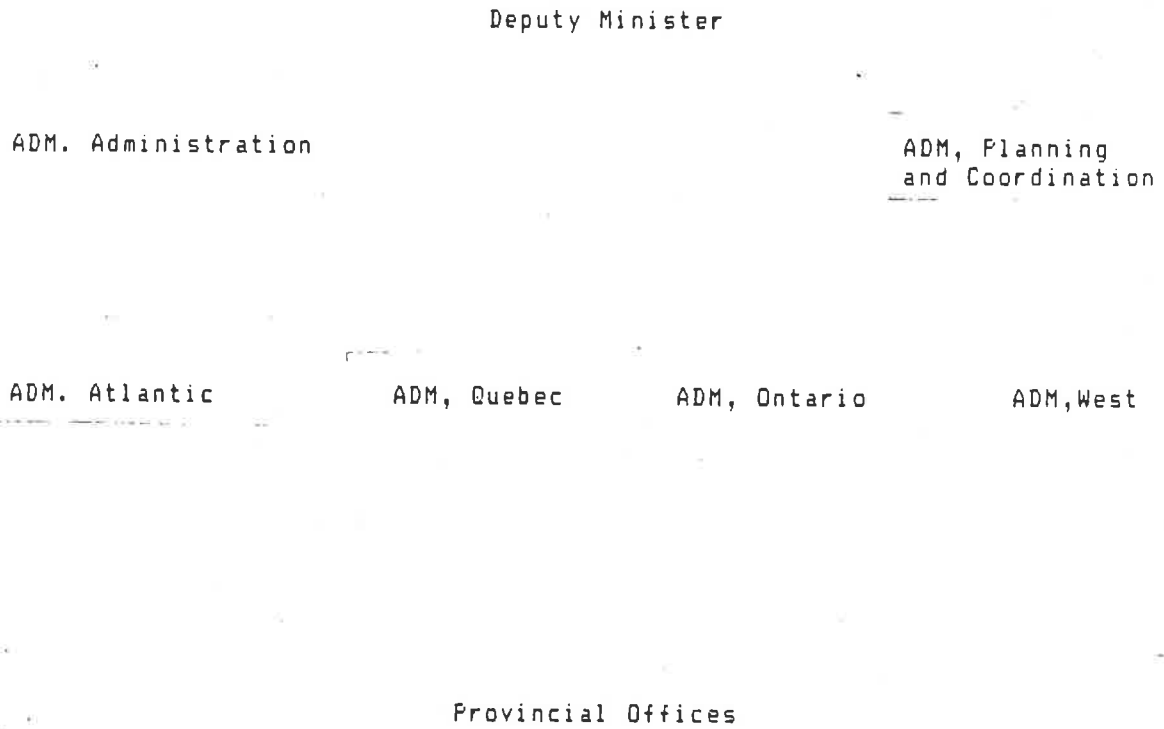
Under this formulation, the high degree of decentralization disappeared. As a proportion of the total (excluding FFRA), Ottawa-based staff, including executive personnel, fell from about 80 to less than 40 per cent. The comparable shift for professional personnel must have been

at least as great. These figures represented a dramatic turnaround, one that gave the Department a much stronger regional presence.

At my level, the span of control was greatly reduced. Furthermore, the weight and breadth of responsibilities carried by the six ADM's reporting to me was more or less equalized. Among other things, this made possible a remarkably effective Management Board, which helped greatly, for a while at least, to create a good corporate sense of loyalty and direction.

Program integration was achieved to a much greater extent, if only because responsibility was carried through a line organization of general managers, who were required to concern themselves with all aspects of programming. This was the line used for delegation of authority. For example, a Provincial Director General was responsible for the assessment of all incentive applications relating to his territory. Within guidelines issued by the Minister, he was expected to make decisions on all "non-sensitive" incentive cases involving eligible capital costs of \$500,000. He was also expected to make recommendations pertaining to all other cases -- recommendations which, in the normal manner, had to be reviewed and either supported or revised by the relevant regional ADM, who had responsibility for decisions on "non-sensitive" cases involving eligible capital costs between \$500,000 and \$1.5 million. Larger cases and sensitive cases -- i.e. those involving a problem of legal interpretation, a possible policy conflict or a known federal-provincial issue -- had to go before the Advisory Board on Regional Incentives, an interdepartmental body at a senior level chaired by the Deputy Minister. Each of these cases, with the view of the Advisory Board and the final recommendation of the Deputy Minister

Figure 2: DREE, The New Organization (1973)



The dotted line marks the break between head office and the rest of the Department.

(which might differ from the view of the Board), then moved to the Minister for decision.

I could go into similar detail about other factors but space must receive some respect. Suffice it to say that most of the other concerns raised by the old organization were removed or resolved. The distribution of policy-oriented analytical staff was greatly improved. A much simpler system of federal-provincial coordination and management was achieved, largely by reason of the GDA system. Finally, of course -- and, here, I am repeating myself -- the process of decision-making was substantially decentralized. I would say that this was done without any significant loss of control by the Deputy Minister or the Minister or the Government.³

At this point, we should probably back-track for a few minutes to say a word or two about some of the problems encountered in the process of implementation. Before getting into this, I must confess to a long forgotten fact. At the end of August 1973, about a month after Treasury Board gave its approval to the reorganization, I left for Brussels, to take up a long-planned special assignment. When I returned to Ottawa a year later, the new organization was largely in place. During the interval, Jack Francis had been in charge as Acting Deputy Minister. I cannot, therefore, speak at first hand about this part of the story -- although I can say that, by all accounts, Francis did a remarkably fine job.

By definition, a major departmental reorganization, particularly one involving a significant shift in the regional distribution of resources, creates a good deal of uncertainty, unease and upset for most employees. It certainly did so in this case, although it is worth

noting that it also created enthusiasm and excitement among a core group of the best managerial and professional personnel. The potential for general employee concern was substantially increased by the fact that, as already indicated the timing of the initial announcement had been determined by political rather than administrative considerations. It was the policy of the Department to consult fully with union representatives and to maintain a steady flow of information to individual employees. However, this policy could not be applied in an effective manner in the six-month period between the Throne Speech announcement and the Treasury Board approval. During this period, the nature of the proposed structure for each function at every level of the organization had to be worked out and the contents of more than a thousand positions had to be described and tentatively classified. For obvious reasons, little could be said about the results until they were reasonably firm and known to have Treasury Board support. The consequences -- some loss of faith, some loss of morale -- were worrisome. Fortunately, as one might expect, there was some recovery after information could flow and regular consultation between union representatives and the Deputy Minister could take place.

Time continued to be a problem, however, mainly because the planners, headed by myself, had succumbed to a very old administrative disease called excessive optimism. In December 1972, when approval in principle was given by Cabinet, we thought that it should be possible to have much of the new organization in place by the autumn of 1973. In reality, that was the point in time when the first of the new appointments was made. And it was not until the following summer -- the summer of 1974 -- that most employees managed to relocate with their families.

The principal challenge, of course, was in the staffing process. It was handled very carefully, with due regard for both the sensitivities of existing employees and the requirements of the merit system. Perhaps for this reason, very few appointments were challenged. More than a thousand positions were filled. Only 15 appeals were filed -- and six of these were withdrawn before they reached the state of final consideration.

As expected, there were losses and gains in the process. In a period of almost two years after the reorganization began, the Department suffered a staff loss of about 250, much of it among people holding head office jobs in the Administrative Support Category who were unwilling or unable to move and who could foresee the possibility of redundancy. Most of the gains were outside Ottawa, where over 600 positions had to be filled. About 29 per cent of the appointees to these positions came from the old provincial offices; another 22 per cent came from the head offices of DREE (or other departments) in Ottawa; the balance, some 49 per cent, came from new recruitment. From my point of view, that new recruitment, amounting in total to about 300 people from all parts of the country, represented valuable new blood. Along with some turnover at the ADM level, and the general reshuffling of personnel within a line organization of general managers, this new blood allowed the Department to leave behind much of the tension formerly caused by its old program loyalties and to concentrate instead on the possibilities of its new mandate.

I do not want to suggest that implementation was over when staffing was completed. At that point, the structure was in place; and the people were correctly positioned, with the authority they were

supposed to have (more or less); but everyone, including the Deputy Minister, still had a lot to learn about working effectively in a decentralized mode.

Some of the early difficulties were attitudinal. For example, the head office people in personnel and financial administration believed intellectually in what was happening but were emotionally not quite convinced that the specialists advising a Regional ADM in, let us say, Moncton could be professionally as competent or responsible as the ones advising the Deputy Minister in Ottawa. The answer to that, of course, was that they had to be.

There were similar but more complicated problems in developmental analysis. The regional analysts were understandably inclined to believe that, when the specifics of a possible project fell within their borders, they should have the responsibility and resources to handle it. The head office analysts, rightly concerned about inter-regional implications, sometimes fought for control in Ottawa. Decisions in this area had to be terribly pragmatic. As I recall them, they frequently turned on the kind of team that could be put together in particular cases. Sometimes, the lead was given to the regional office, with assistance from head office. Sometimes, this arrangement was reversed. Most of the time, responsibility was carried by a provincial office, working with the general supervision and support of the regional ADM.

In all cases, however, work relating to the GDA system had to conform with the requirements of an instrument of delegation which, according to memory, was called the "Initiative Appraisal and Approval System". Under this system, a new developmental idea could be discussed by a provincial Director General with his federal or provincial

counterparts at any time. Once it went beyond discussion however, and required the commitment of significant analytical resources, the approval of the ADM was required. Discussion and analysis could not be elevated to serious consideration of a possible subsidiary agreement without approval of the Deputy Minister -- which, as a minimum, usually meant informal consultation with the Minister. An actual agreement required the approval of the Treasury Board, the issuance of an Order in Council and the signature of the DREE Minister (and sometimes the signature of other federal Ministers as well).

I should add that most agreements took quite a long time to work up and were therefore, as part of the budgetary process, the subject of a number of detailed discussions over a period of at least a year or two. These discussions involved the Deputy Minister, the relevant Regional ADM supported by his financial and program people, the two head office ADM's and the Director General of Financial Administration. And, of course, at each of the principal stages in the preparation of program forecasts and Estimates, the Minister was briefed and consulted.

Another important aspect of DREE management was the process of discussion and debate made possible by the Management Board, which was well positioned to consider major proposals with inter-regional implications. Following Board meetings, I felt that I could talk with the Minister about such proposals with a good understanding of the views of the whole Department. I doubt, incidentally, that I ever felt quite that kind of confidence at any other point in my Public Service career.

Reaction and Results

The DREE reorganization received a fair amount of attention. The different reactions are worth mentioning and can be quickly summarized.

1. Ministers and officials at the provincial level were ambivalent, pleased with the decision to decentralize, nervous about the implications of an invasion of senior federal bureaucrats, who might in some way reduce their influence, or their capacity to "get through" to Ottawa. Those in the Atlantic and in the west had reservations, which did not quickly fade, about the concept of a multi-province region and about the choice of Moncton and Saskatoon as locations for regional headquarters.
2. The federal opposition leaders were supportive. Robert Stanfield had been a public advocate of DREE decentralization. When it was announced, both he and David Lewis made positive statements in the House of Commons.
3. Although there was support in the Treasury Board, which was in one of its rare periods of enlightenment, senior civil servants in Ottawa were, for the most part, somewhat negative, viewing the decision as an experiment that might in time produce a spreading and troublesome infection.
4. Federal Ministers were, if anything, enthusiastic. Some were so enthusiastic as to cause concern -- and, for some days, I was at pains to point out that, although the proposed new set-up might work in a Department engaged in regional development, it would be a mistake to generalize, trying to apply it (or anything like it) to other

departments, without some solid experience on which to base decisions. I can now say that, years later, after that kind of experience became available, I changed my position. In my opinion, organizationally speaking, DREE was a success and its structure should have been taken more seriously, if not as a model then at least as a directional signal, by most departments and agencies.

As expected, the new DREE was not organizationally well synchronized with the rest of the federal government, which meant that its regional ADM's and Directors General, and many of its other senior people, had to spend a lot of time travelling to Ottawa for discussions with officials in other departments who had a capacity to interpret and influence policy. This is not to say that the regional chiefs of other departments were ignored. Quite the contrary. In Regina, where the process started, and in a number of other centres, informal meetings between the DREE Director General and interested officials from other departments with an interest in economic development began to occur. Important forms of communication began to take shape. But, for the most part, the authority needed to make interdepartmental coordination work was back in the National Capital. In those days, most head office bureaucrats did not travel much to the peripheral parts of the country, which meant that, when travel was needed to sort out an interdepartmental problem, it was normally done by the DREE people.

This is one of the reasons, perhaps, why a Departmental study done in 1975 suggested that, when all factors were balanced out, the costs of doing business in a decentralized mode were somewhat higher than they would have been in a centralized mode. Although unable to quantify the other side of the equation, the same study concluded that the higher costs were probably more than offset by increased effectiveness. I believe this to be very true.

The positive reaction of Federal Ministers to the DREE reorganization offered a certain amount of encouragement to departments and agencies that were interested in applying increased resources to their structures outside Ottawa: outfits like Manpower and Immigration, which had obtained senior classification levels for its Regional Directors General long before DREE came into being; and CMHC and the FBDB, which undertook major decentralizations; and Agriculture and Environment, which began to experiment with forms of regional coordination; and IT&C, which decided to upgrade the leadership of its rather small provincial offices by utilizing Trade Commissioners on rotation from posts abroad.

The same Ministerial reaction was also an important factor in a decision of the Government in May, 1975, to establish, in the Treasury Board Secretariat, a Special Task Force on Decentralization and Relocation of Units. The mandate given to this Task Force was quite broad and, in the beginning, it looked as if the pressure it was exerting would lead all departments and agencies to look carefully at the possibility of increased decentralization. It gradually became clear, however, that Ministers had less interest in administrative decentralization (which was unattractively coupled with bureaucratic resistance) than in relocation of units (which was thought to offer, at least in "receiving communities", some tangible political benefits). Over time, a fair number of units were relocated but the more important part of the Task Force mandate was increasingly ignored. And an important opportunity was lost.

DREE continued to function. In my view, all things considered, it continued to function reasonably well. General Development Agreements were signed with all provinces, except P.E.I., and with both territorial governments. Under these 10-year umbrella agreements, 134 subsidiary agreements were planned and put in place, an average of more than one per month (which is not bad when you consider the fact that many agreements required at least two years of planning.) The total public investment involved was about \$5.5 billion, to which can be added about \$1 billion in private investment committed by the same instruments. The federal share of the public investment was 65 per cent or \$3.6 billion. Of this amount, about \$1.5 billion went to the Atlantic provinces (not including P.E.I. which benefitted, under the 15-year Development Plan, from over \$350 million in federal spending). Another \$1 billion went to Quebec. The balance went to Ontario, the West and the North. I mention these figures, not to suggest that money equates with economic development but simply to indicate that the GDA system was a substantial affair. That it worked in a fairly smooth fashion, touching most corners of the slow-growth economies, and did so without causing significant federal-provincial tension, was due in part to the DREE organization which, for the most part, had the right kind of people in the right places and a good capacity for analysis, diplomacy and decision-making.

Decline and Demise

This is not, of course, to suggest that the Department moved steadily onwards and upwards, from one success to another. On the contrary, as time went on, it collected a fair amount of scar tissue, most of it the result of wounds suffered in interdepartmental skirmishes fought along the boundaries of vertical and horizontal mandates or sectoral and regional strategies. Generally speaking, this type of thing was not very serious. Indeed, from my point of view, it was inevitable and it frequently produced results that were clearly in accord with government policy on regional development. I used to counsel, however, against too many engagements on too many fronts at the same time, which suggests that I understood the possibility of permanent damage.

Much more serious were a number of long-term developments that might have been discerned by wise men observing the Canadian scene in the mid-1970's. Somewhere within these developments sat the real seeds of DREE's decline.

1. There was, I think, a gradually changing perception of conditions in Eastern Canada. It was a changing perception that did not sit well with all the facts, particularly those pertaining to Quebec, where some serious new forms of economic deterioration were taking place. It was a changing perception nonetheless. The relative measures used most frequently to define regional income disparities had not shown great progress. But neither had they shown significant retrogression. This meant that, for some time,

there had been important absolute gains in many of the slow-growth parts of the country, particularly in some of the urban parts. It also meant that, for many Canadians, regional disparities were less frequently and less dramatically associated with the visible forms of poverty that had created widespread sympathy, even outrage, in the period following the Second World War.

2. Sometime after the oil price shocks of 1974, confidence began to ooze out of the international economy and, in Canada, as elsewhere, the seeming certainty of economic growth disappeared. In an oil-producing country, it was difficult to feel this happening, particularly when the senses were diverted by boom conditions in Alberta. But, in due course, as the language of depression returned to southwestern Ontario (and, for the first time, mainstream automobile workers qualified for regionally extended benefits under the Unemployment Insurance Act), one knew that a new type of economic trouble had arrived, a type that would adversely affect popular support for the struggle against regional disparities.
3. Associated with economic trouble was fiscal trouble, which in turn produced something called "restraint". I put this word in quotations because I mean by it a mood that crept over the federal machinery rather than a firm policy imposed at a particular point in time. In this generalized sense, restraint meant that, increasingly, some Ministers got from the Treasury Board a good deal less than they expected.

Some of these began to look longingly at the DREE Budget, especially the sums set aside for GDA subsidiary agreements. They also began to argue that it would be better to spend this kind of money on federal programs, federally conceived and delivered, than on federal-provincial agreements supporting programs frequently delivered by provincial departments and agencies. This argument usually ignored the fact that important public elements in the process of economic development -- such as those associated with mineral exploration or forest management or highways or municipal infrastructure or education -- fall within the constitutional jurisdiction or administrative competence of provincial governments. The argument nonetheless tended to gain strength, for quite another reason.

4. For a while, the separatist challenge in Quebec, brought stunningly to a head by the provincial election of November 1976, changed the nature of Canadian politics. It also injected into the relationship between the Government of Canada and the Government of Quebec, a toxic substance that slowly spread, without organized intent, to federal-provincial relations generally. Resistance to this substance, at first quite high, was steadily reduced as the remaining Liberal governments at the provincial level were toppled, one after another. Finally, an essentially anti-provincial position, to which a small number of Ministers were prone, tended to take over as the de facto policy of Government.

Before all of this could come together, however, the Trudeau Government was replaced by the Clark Government. During its short period of power, the position of DREE and of regional development policy remained more or less unchanged.

But, by this time, there was something else taking place -- an effort to use new forms of central machinery to rationalize and improve the coordination of policies and programs affecting economic development. The process started under the Liberals, which created a new kind of Cabinet Committee called the Board of Economic Development and a new Ministry of State for Economic Development to support it. Under the Conservatives, the terminology was altered slightly but the concept was retained and extended to social development and, in less dramatic ways, to the other principle functions of the federal government. The rationale was to bring together in policy committees of Cabinet, with full-time chairmen and high-powered secretariats, the consideration of policy and funding issues that had been historically separated, policy being considered by Cabinet or its committees, funding by the Treasury Board. On the economic side, it was hoped that programs could be "crunched" together in such a way as to eliminate duplication and overlap, to improve efficiency and effectiveness and to optimize expenditure. The atmosphere created was not entirely healthy for DREE, whose interests, by definition, cut across those of all other departments within the MSED baliwick. I will say no more about this development, except to note in passing that one of its effects was to inflate a phenomenon recently described in academic circles as "the proliferation of central agencies" -- a phenomenon that was later to induce a reaction.

At this point, there is need once again to situate the author. In October 1979, there was a shuffle of Deputy Ministers that took me from DREE to Employment and Immigration, a Department that does not allow its senior people much time to observe what is going on elsewhere. It is my impression, however, that, following the sudden defeat of the Tories and the return to power of the Liberals, DREE began to feel the full impact of the long-term developments described earlier. In any event, it went through a difficult period that had some of the characteristics of a terminal illness.

The end came in January 1982, when Prime Minister Trudeau announced a major reorganization of the machinery of government. DREE disappeared. So did IT&C. Most of their functions and people were merged to form a new Department of Regional Industrial Expansion. The DREE analytical and coordinating functions were transferred to MSED, renamed MSERD (the Ministry of State for Economic and Regional Development), which assumed general responsibility for regional development policy and was authorized to establish in each provincial capital an office of some substance under a senior official known as the Federal Economic Development Coordinator (FEDC). The announcement emphasized something called "regional sensitivity", indicating that each department would be expected to cultivate the quality by adjusting its programs and operation in such a way as to provide additional support for regional development. The announcement also recognized the fact that the GDA's were coming to an end and it committed the Government to enter into new federal-provincial umbrella agreements, to be called Economic and Regional Development Agreements. To be more precise, the GDA system was to be replaced by an ERDA system, which was to be simpler

and more effective (in ways that were not described and never discovered) and which, incidentally, was to give more attention to things like "federal presence" and "federal delivery".

I read about these changes, in the newspapers, with some considerable detachment -- because, at the time, I had just entered into my first retirement. I have to say, however, that I reacted in a reasonably favourable way, for it seemed clear that the new arrangements would offer opportunities for improved interdepartmental coordination while preserving, in principle at least, and in interesting new forms, both the DREE decentralization and the GDA system. In any event, I offer this as a plausible excuse for the fact that, within three months of retirement, I was persuaded to return to the Public Service as a FEDC. This was a fateful decision, for it turned my wife and I into Nova Scotians. And it brought me, once again, but from quite a different perspective, up against the issues of organization and interdepartmental coordination that had occupied much of my time in DREE.

Recent Times

In January 1982, when the basic changes in the machinery of government were announced, MSERD seemed to have everything going for it. As a central agency, it was thought by many to have a good track record. Proof of this was to be found in the fact that its mandate, already large and important, had been considerably expanded. It had some good people, including those at the top, and it was acquiring others, who would give it eyes and ears outside Ottawa. On the bureaucratic tube, it probably looked for a few months like the most powerful, up-and-coming outfit in the Government of Canada.

The underlying circumstances, however, were really quite bad. Indeed, one can hardly think of circumstances so unsuited to an important experiment in administrative decentralization. The country had just been through a very severe recession and was not to enjoy an encouraging recovery. The Government was in an increasingly chaotic state, offering proof for the proposition that the orderly operation of a Cabinet is terribly dependent on a sense of Prime Ministerial authority, which was of course quickly evaporating as it became more and more evident that Pierre Trudeau would be stepping down and requiring, as leader of his party, a successor. The "lame duck" phenomenon was very much at work. Also at work among Ministers, I think, was a growing sense of desperation for even they must have known that they were in trouble politically. With the desperation, there was frustration, much of it directed against MSERD and the other central agencies who were expected to defend a seemingly tight fiscal position at a time when the political instinct was to spend money. One might add the fact that the provincial governments, representing for the most part the political colours of the Official Opposition, were not in a mood to be particularly helpful.

Coming closer to home, one has to say that the 1982 reorganization, developed as usual by a small number of people grouped around the Prime Minister in PCO and announced without much consultation with anyone, was not popular. It was not popular among Ministers, who saw it as further evidence of the growth of central agency power and control. It was not popular in the slow-growth areas of the country, where it was seen as a move against regional development policy. And it was not popular among a fair number of senior federal bureaucrats who

thought that the time had come to get rid of such "costly" notions as decentralization and regional development.

Unfortunately, there was some of this thinking in the head office of MSERD, which had in any event had little time to consider the implications of embracing ten regional offices headed by senior coordinating officials. There was a sense in which the Coordinators were simply grafted on to an outfit which, for the most part, had no experience with their functions, little sympathy with their concerns and limited resources to support their activities. This is simply to say that, to a surprising degree, the Coordinators were left to their own devices, which is not a recommended means of achieving a satisfying form of decentralization.

Before long, it became clear that there were strains and stresses within the expanded new mandate. The basic role of MSED had been assessment: the process whereby Departmental proposals moving to the Cabinet Committee were examined for conformity to Government policy, including expenditure policy. The results of this examination, frequently critical, were incorporated in written assessment notes and circulated to all Committee members prior to discussion. Effectiveness in this role, which was not much liked by departmental Ministers and their deputy heads, required many things including objectivity in matters relating to program expenditures. And, in some measure, the appearance of objectivity was distorted once MSERD assumed responsibility for regional development policy and, more particularly, for the negotiation of the Economic and Regional Development Agreements (ERDAs) and the packaging of the first set of federal-provincial initiatives proposed under these new long-term Agreements. Faced with

major program proposals generated internally by the Coordinators and their head office associates -- proposals that involved substantial spending commitments -- the assessment side of the Ministry felt, I think, that it was caught up in a conflict of interest, one that was inherent in the expanded mandate of the Ministry.

In spite of the difficulties described, a number of useful things were accomplished. Important work was done on an up-to-date developmental strategy for each province. A series of ERDAs, each accompanied by an initial group of subsidiary agreements, was negotiated and signed. A variety of interdepartmental problems and issues, some related to major industrial projects, were tackled and resolved by individual Coordinators. More generally, in each region modest progress was made in achieving a more integrated federal function.

The word "modest" is used here with care, for I would not want anyone to think that MSERD was able to increase significantly the "regional sensitivity" of the principal federal departments and agencies in fields affecting economic development. Indeed, although the Prime Minister, in writing to his colleagues, had called for improvements from this point of view, in both operational and program terms, there developed an understanding the MSERD would be unwise to press for changes on the organizational side of things. And, on this side, nothing much happened, although one or two deputy heads did undertake organizational studies that could still bear fruit.

Each of the Coordinators was expected to establish and to chair, for his or her region, a federal coordinating committee on economic development, comprising the most senior officials representing the principal economic departments and agencies in the province. This was

done. But not without difficulty, because of the widely differing administrative areas, organizational forms and patterns of delegation involved. The Committees varied a good deal in terms of composition and level but they did meet regularly and, because they were frequently discussing recent policy developments at the Cabinet level, the officials sitting on them had reason to seek and obtain information on what was happening in related areas within their own departments. In this sense at least, the effect was salutary.

Most of the serious work of the Coordinators could not be pursued in the coordinating committees, however. Issues singled out for attention had to be pursued along departmental channels that usually led to Ottawa -- which is to say that, in most departments and agencies, most of the policy-oriented analytical resources and most of the capacity to influence policy formulation were to be found in Ottawa. For this reason, the MSERD Coordinators in the 1980's spent probably as much time travelling back and forth to the national capital as did the Regional DREE ADM's in the 1970's.

The work of the Coordinators gained a measure of respect in both Ottawa and the regions, which may explain why they and their offices survived and were transferred to DRIE when, in June 1984, Mr. Turner, freshly arrived as new leader of the Liberal Party and newer Prime Minister, decided to wind up MSERD. This, he said, was one of a number of steps designed to "strengthen the role of Ministers and to streamline the Cabinet decision-making system."

The Turner arrangements continued after the general election that fall, which produced a rousing victory for the Progressive Conservatives under Brian Mulroney, who has yet to make clear the position his

government will eventually be taking on questions relating to regional development and administrative decentralization.

Conclusions

At the end of this long and tortuous story, where does one come out? I think the basic conclusion is clear. In spite of the opportunities offered by the administrative reforms of the 1960's, the pressures generated by regional development policy, the example shown by DREE and a few other departments, the work done by the Task Force on Decentralization and Relocation of Units and the more recent efforts of the Federal Coordinators under MSERD and DRIE, the Government of Canada still has a long way to go in optimizing its use of administrative decentralization. This is particularly true if one is talking about a degree of decentralization that involves a significant capacity in the regions to undertake policy-oriented analytical work, to influence the central process of policy formulation, to undertake interdepartmental coordination and to liaise effectively and at high levels with provincial governments and the private sector. This is the kind of decentralization that is important in economic development and in other fields where there is a continuing need for both interdepartmental and intergovernmental coordination. It is important because we are a federal state and because we have a country marked by great size and regional diversity.

If the basic conclusion is that insufficient progress towards administrative decentralization has been made, how does one explain it? One does so, I think by concluding also that no one has yet taken the matter all that seriously. Glassco was interested but failed to focus on the issues unrelated to narrowly managerial forms of delegated authority. DREE had a limited mandate to seek interdepartmental coordination of policies and programs; but it had no mandate to interfere with the organizational structures of other departments. The Task Force on Decentralization and Relocation of Units was distracted by the least important part of its wide-ranging terms of reference. In the period from 1982-1984, MSERD had a responsibility to promote greater regional sensitivity at departmental levels; and it was recognized that administrative decentralization was one of the means by which this might be accomplished; but, when the chips were down, there was a conscious tendency to back away from any intervention on organizational matters. I have to assume that this tendency will be even more pronounced in DRIE, which has no central agency powers or pretensions. One can say, then, that, during twenty-odd years of concern about regional development, which for a time was mixed in with a bewildering concern about "federal presence", the Government of Canada has failed to look seriously and across the board at the way in which it is organized, department by department, at regional and local levels. It has failed to do so in spite of a situation that has probably worsened since it was described by Ted Hodgetts in 1973, who said that

...as the resort to regionalization grows apace and as each department develops its own organizational solutions...the administrative map becomes increasingly confused and incoherent.⁵

If progress has been slow because the Government has so far failed to explore the matter thoroughly, one must once again ask the same question. Why? This time answers come less easily, for we are into a murky atmosphere and must feel our way. I am convinced, however, that the answers have something to do with a widely accepted idea that organization is an administrative matter, separated on the old Wilsonian scale from policy and therefore of limited significance. This, I think, is a thoroughly bad idea. Nonetheless, it probably lies behind the fact that, in Ottawa, with certain exceptions, organizational changes tend in reality to be made or proposed by deputy heads rather than Ministers and to be approved by the Treasury Board rather than Cabinet. The exceptions are changes affecting the "machinery of government". Which are basically those altering the distribution between departments of powers and responsibilities. These changes fall within the prerogative powers of the Prime Minister and are handled analytically by a small group of officials in PCD. The decisions emanating from this source may announce the birth or death of an institution but they rarely have much to do with the way in which departments are structured inside or outside Ottawa or with the manner in which they are meant to relate to each other across the country.

All in all, this is not good enough. In my opinion, the present structure of federal departments and agencies at the regional level represents a major problem of policy, and a major opportunity, and should be treated as such.

In 1949, James Fesler, wrote a great book called "Area and Administration:", which I recently discovered but should have read a long time ago. In the book, he says at one point that the problem of

area and administration is not a problem of administrative mechanics to be left to administrative technicians. "It opens up", he says, "the fundamental problem of reconciling the parts and the whole, of introducing coherence into an age of specialization, of keeping in view the individual citizens on whom converge the multiple activities of government".⁶

With this, one can only agree.

Notes

1. Frederic Cleveland: "Administrative Decentralization in the U.S. Bureau of Reclamation", Public Administration Review, Volume 13, Winter 1953, p. 128.
2. Report of the Royal Commission on Government Organization, Volume 1, p. 26.
3. A contrary view has been suggested by Donald J. Savoie in "Federal-Provincial Collaboration: The Canada-New Brunswick General Development Agreement", The Institute of Public Administration of Canada (McGill-Queen's University Press, 1981).
4. The figures in this paragraph on the operation of the GDA system are based on data obtained from the Department of Regional Industrial Expansion -- data that were obviously subject to revision.
5. J. E. Hodgetts: "The Canadian Public Service. A Physiology of Government, 1867-1970". (University of Toronto Press, 1973), p. 225.
6. James W. Fesler: "Area and Administration" (University of Alabama Press, 1949), p. 122.