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PUBLIC POLICY DELIVERY: FEDERAL GOVERNMENT ORGANIZATIONAL MODELS

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INTRODUCTION

Traditionally, the federal level of government in Canada has been innovative in its choice of instruments for the delivery of public policies; it has made extensive use of Crown corporations to perform functions ranging from the national broadcasting service to the postal service. From the time of the creation of the Canadian National Railway (CN) as a Crown corporation after World War I, it has been recognized that public ownership does not necessarily imply the conventional mechanism of a line department to deliver a service. CN lent itself clearly to a Crown corporation format, because of the commercial nature of running a railroad; however, the Crown corporation mechanism has in many cases not been as obvious a way to organize the undertaking. For example, the corporations which promote exports and the growth of small business (e.g., Export Development Corporation, Canadian Commercial Corporation, etc.) could well function as components of the several federal departments with which they must work closely (e.g., External Affairs and International Trade, Canadian International Development Agency and Western Economic Diversification/ Atlantic Canada Opportunities Agency).

Recently, the federal government has launched a program of privatization both with regard to Crown corporations and within the conventional government organization of departments and agencies. In some cases, hybrid governmental entities have been created, including mixed public/private companies and the Special Operating Agencies. The mixed ownership enterprise may still be controlled by the government, or the terms and conditions of its privatization may place restrictions on its operations that make it an instrument of public policy in some measure. The Special Operating Agency, in contrast, remains part of a government department but is reorganized on a profit/loss basis and may develop into a halfway house on the road to privatization.

The objective of this paper is to outline briefly the key features of each of these organizational forms for the delivery of federal policies and services. The appendices to the paper list all federal departments, agencies and Crown corporations (Appendix "A").

DEPARTMENTS AND AGENCIES

Departments and agencies are generally viewed as being within the Government of Canada or the federal public service. The hallmark of these varying organizational forms is the relationship of the entity to the minister who speaks for it in Parliament. Thus, the departments *per se* each has a minister through whom it reports to Parliament and under whose direction it conducts its affairs. Needless to say, the large complex government departments of today are not directly managed by the minister but, under the doctrine of ministerial responsibility, the minister remains accountable to Parliament for the actions of the department.

The next order of departmental organization consists of the departmental corporations that are established to carry out a particular self-contained function and have the special legal status of a "corporation."* As defined under the *Financial Administration Act,* departmental corporations are "responsible for administration, supervisory, or regulatory services of a governmental nature" (section 2). The only common feature of departmental corporations is the use of a collegial form of management: some sort of board directs their activities rather than a single deputy minister as in the case of departments. In

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* Not to be confused with Crown corporations, which are outside the public service.

some cases, the departmental corporation has the same accountability relationship to a minister as does a department; however, in other cases, such as the granting councils (Medical Research Council, Social Sciences and Humanities Research Council, etc.), the agency operates at arm's length from the minister, for obvious reasons.

In the final organizational category are a variety of many different kinds of agencies, boards, commissions, etc. These entities may be characterized in several ways, according to: their status under the *Financial Administration Act* (FAA); their relationship to their designated minister; and whether or not their employees are public servants.

The FAA, in providing the legislative framework for financial administration in the federal government, allows for the designation of large numbers of agencies as departments:

> "department" means
>
> (a) any of the departments named in Schedule I,
> (b) any other division or branch of the public service of Canada, including a commission appointed under the *Inquiries Act,* designated by the Governor in Council as a department for the purposes of this Act,
> (c) the staffs of the Senate, the House of Commons and the Library of Parliament, and
> (d) any departmental corporation.
> (FAA, R.S. c. F-10, s. 2)

There are at present 61 agencies of various kinds which have been accorded departmental status following Cabinet designation under the Act. The status of these entities in terms of their designated minister varies considerably. Royal commissions, for example, are appointed under the *Inquiries Act* and are independent of the Government of the day. At the other extreme, the Privy Council Office is indistinct from any other department in its reporting relationship to its minister, the Prime Minister. (Further discussion of these 61 agencies will be provided below.)

One key organizational element common to most parts of the public service is the complex human resource management system of staffing, classification and control which has been established over many years. However, not all agencies which are departments for the purposes of the FAA are required to follow the dictates of the public service personnel system. From this point of view, agencies such as the Office of the Auditor General and the National Film Board are, for quite different reasons, "separate employers" not integrated with the rest of the governmental apparatus in this important respect.

A. Departments

The choice of a departmental form of organization may be traced through the historical evolution of the federal government in Canada. A variety of factors such as the geographic dispersion of population, the impact of federal-provincial relations and the division of powers with the provinces have determined the pattern of organization within the Government of Canada.

There are a variety of ways to depict the choice of organizational form. Classic organization theory is oriented towards the function served - work is allocated to departments based on five possible unifying themes or concepts: a common purpose, clientele, location, skill or profession, or the use of common facilities or materiel. The question of why a government department carries out the function in question may be addressed by examining the history of the Canadian public service. The noted authority J.E. Hodgetts identified five categories within which departments fall:

1. Public security and external relations,
2. Public works, communications and transportation,
3. Coordination and services for the public organization,
4. Conservation, development and promotion of human resources, and
5. Protection and development of human resources.(1)

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(1) J.E. Hodgetts, *The Canadian Public Service,* University of Toronto Press, Toronto, 1973, p. 90.

Hodgetts pointed out that the first two categories were equivalent to Adam Smith's "laissez-faire" concept of what properly belonged to the state; he then went on to depict the historical evolution of the Canadian federal departments within each category.

Hodgetts also analyzed the roster of federal departments in terms of four categories of internal work division. In terms of the 23 present-day departments as identified in the *Financial Administration Act* (Schedule I), Hodgetts' categories would break down as follows:

1. Departments with one primary purpose or function which can best be performed by a centralized headquarters staff: (numbers of employees in brackets):
   - Finance (908)
   - Justice (1,611)
   - Treasury Board (785)
   - Labour (872)
   - Solicitor General (271)
   - Communications (2,346)
   - Environment (9,057)

2. Departments with more than one major function for which a centralized organization is also required:
   - Secretary of State (2,892)

3. Departments with one primary function that is best performed by means of a dispersed staff and organization:
   - Veterans Affairs (3,555)
   - Public Works (7,462)
   - External Affairs (4,279)
   - National Defence (civilian - 32,278)
   - Transport (19,285)

4. Departments with more than one major function in which dispersed operations are essential:
   - National Revenue (28,339)
   - National Health and Welfare (8,490)
   - Employment and Immigration (23,843)*
   - Indian Affairs and Northern Development (3,953)
   - Fisheries and Oceans (5,500)
   - Consumer and Corporate Affairs (2,187)
   - Energy, Mines and Resources (4,321)
   - Industry, Science and Technology (2,320)
   - Supply and Services (9,129)
   - Agriculture (10,010)

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* Combined with the Canadian Employment and Immigration Commission, a departmental corporation that formerly comprised the Unemployment Insurance Commission.

B. Departmental Corporations

The 17 departmental corporations listed in FAA Schedule II comprise quasi-departmental, regulatory, granting, and advisory agencies. Quasi-departmental agencies are branches of the public service which are separated from their corresponding departments for particular purposes, usually administrative, but which could just as easily be part of a department. For example, the Canada Employment and Immigration Commission was created out of the merger of the Department of Employment and Immigration and the Unemployment Insurance Commission, a departmental corporation; it functions as a line department. In contrast, departmental corporations that carry out a regulatory function, such as the Atomic Energy Control Board and the Canadian Aviation Safety Board, are quasi-judicial tribunals, which must have some measure of autonomy from the government. Similarly, the granting councils require independence to ensure an unbiased award-granting process based on merit. The following granting councils are organized as departmental corporations: Medical Research Council, Natural Sciences and Engineering Research Council, Science Council of Canada and Social Sciences and Humanities Research Council.

Advisory agencies classified as departmental corporations include the Economic Council of Canada and the Science Council of Canada, both of which advise the government in their respective areas and carry out a program of research. The Economic Council, with 1989-90 expenditures of $10.4 million, is the larger of the two (comparable Science Council expenditures were $3.3 million), but both organizations retain comparatively small staffs, often engaging outside researchers to carry out their work. These advisory bodies also have a status as employers that is separate from the rest of the public service: they are outside the central staffing, classification and human resources management system. The only truly unifying feature is that by definition all these entities have the status of a department for the purposes of the *Financial Administration Act*.

C. Agencies, Boards and Commissions

In the face of the wide variety of organizational forms represented by federal agencies, boards and commissions, Professor Hodgetts found it difficult to identify common characteristics apart from obvious distinctions, such as the special class into which royal commissions fall, with their generally short duration and independence under the *Inquiries Act.*

These agencies may be grouped as quasi-departmental and regulatory. Good examples of the former are the Canadian Space Agency, Statistics Canada, the Correctional Service of Canada, and Multiculturalism and Citizenship Canada. The major regulators include the National Transportation Agency and the Canadian Radio-Television and Telecommunications Commission. Some of these entities are comparable in size to major departments, e.g., the Correctional Service has 10,275 employees and the National Transportation Agency has 519 employees.

Another notable category consists of the parliamentary agencies, including: the Office of the Auditor General, the Office of the Chief Electoral Officer, the Commissioner of Official Languages, and the Public Service Commission. Each of these agencies reports to Parliament by statute. For example, the Auditor General with approximately 700 person-years,* produces annual reports which are transmitted directly to the Speaker of the House of Commons; under the *Auditor General Act,* the audit office is a separate employer from the rest of the public service and is not subject to the financial controls exercised by Treasury Board over other departments and agencies. Quite a different model of parliamentary agency is presented by the Public Service Commission, which has a special relationship to Parliament as the defender of the merit principle in appointments to the public service under the *Public Service Employment Act.* With 2,152 employees, the PSC is a large organization that carries out a wide range of human resource functions in addition to its key staffing role, including training and employment equity programs.

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* Person-years do not directly correspond with numbers of employees and are average levels of personnel resources authorized for departments over a one-year period.

D. New Organizational Forms

In 1989, as part of the search for more cost-effective ways to deliver services, the federal government established "Special Operating Agencies" (SOAs) in the form of the Passport Office, the Government Telecommunications Agency and several others. The unifying concept of the SOA organizational model is the private enterprise framework of clearly defined financial and performance targets, together with the adoption of a business plan for product and service delivery to an identified clientele. In order to realize these objectives, SOAs are allowed a certain freedom from the complex regime of department-wide (and government-wide) rules. While these agencies remain a part of their host departments and their employees continue to be public servants, considerable flexibility is allowed in the financial, personnel and administrative areas. The Secretary of the Treasury Board, I.D. Clark, recently summarized the objectives of SOAs as follows:

- to promote cost-effective and more businesslike service delivery (including cost-recovery),
- to improve service to the client by identifying the clients clearly, establishing levels of service in consultation with the clients and focusing on service quality,
- to demonstrate government commitment to and concern for efficient management, and
- to promote innovation and initiative in the workplace.(2)

In the Budget of February 1991, the government stated its intention to extend the use of SOAs: "(this) action will yield significant improvement in the delivery and cost-effectiveness of those services by setting more demanding performance targets and monitoring performance." The Budget also announced the conversion of three branches of the public service to SOA status: Canadian Grain Commission, Race Track Supervision and Intellectual Property Directorate. It is noteworthy that these SOA references in the Budget were under the heading of "Crown corporations and

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(2) I.D. Clark, "Improving Government Service Delivery," *Business Quarterly,* Autumn 1990, p. 88.

agencies" as a management initiative to control and reduce federal expenditures. In other words, the SOAs are closely identified with privatization of Crown corporations.

Quite a different organizational approach is seen in the "employee takeover." This approach was exemplified by the March 1990 employee takeover of the Canadian Government Expositions Centre, in which a group of service provision employees left the public service in return for a directed multi-year contract to provide the same service to the government. In effect, the service in question was privatized; after the expiry of the initial contract, the government plans to put the service to tender, with the former employees and others having full rights to bid.

A third new kind of organizational model is the Government-Owned Contractor-Operated (GOCO) arrangement, where the government owns a facility that is operated in whole or in part by a third party, usually a private sector contractor. While discussions are at present underway with respect to a unit of Environment Canada, no GOCO arrangement is yet in operation. As in the employee takeover, under a GOCO arrangement the public servants of the former departmental unit leave the government's employ and become employees of the contractor. The aim of GOCOs is to bring private sector management, marketing or other expertise to the provision of a government service.

The logical extension of employee takeovers and GOCOs is a greater reliance on various forms of contracting out to replace the work of public servants. In a sense, contracting out is not an organizational issue: a department or agency need not change its structure at all in order to cut public servants and replace them with contractors. But the phenomenon is growing; although precise figures are not available, the Secretary of the Treasury Board recently estimated annual personal service contracts to total approximately $285 million, with the level of use of these contracts more than doubling over the 1979-89 period. At some point, the conventional departmental organization may become a hollow shell filled with contractors; the implications of this for accountability, financial management and control may be significant.

One further innovation that bears upon the departmental organization is the recent privatization of services (and facilities) previously constructed, owned and operated by a line department. The Department of Transport followed this model in the development of Terminal 3 at the Toronto International Airport; only $6.2 million of the estimated $365-million construction cost will be financed by the federal government, with the rest coming from the private sector. While it is too soon to assess the impact of the mix of public and private facilities in the airport case (Terminal 3 opened only a few months ago), the Auditor General pointed out in his 1990 Annual Report that in the absence of sound planning and management to accommodate the department's changed role, the risks of costly mistakes are great.

CROWN CORPORATIONS

The 1989-90 Public Accounts of Canada reported financial information for 53 parent Crown corporations which, with their subsidiaries, employed a total of approximately 136,000 people; the major commercially-oriented Crown corporations controlled assets of $18.2 billion. Crown corporations vary greatly in size and economic impact, but taken together they form a large element of federal employment (30% of the total) and represent a major mechanism for policy delivery. Crown corporations are by statutory definition wholly-owned by the government and should therefore be distinguished from mixed and joint enterprises, which are part-owned by the federal government and part-owned by private sector participants and/or other governments.

The framework for control and accountability of Crown corporations resides in the *Financial Administration Act,* as a result of comprehensive amendments to that Act in 1984.* Unlike departments, Crown corporations operate "at arm's length" from ministerial direction; their accountability to government is based on an interesting contradiction - the need to balance commercial independence with the prerogatives of ownership

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* The Bank of Canada and several other mostly cultural Crown corporations, such as the CBC, are excluded from these FAA provisions.

and control. The corporate form was adopted by the federal government to enable these entities to function effectively in a businesslike way, free of the bureaucratic restraints of a department.* In this way, a specific task could be carried out on behalf of, but not directly by, the government.

The legislative framework in the FAA strikes a balance between the rights of the minister (acting as the shareholder or on behalf of the government as shareholders, and through whom the Crown corporation reports to Parliament) and the responsibilities of the directors and officers to carry on the affairs of the corporation effectively, in accordance with sound business practices. For example, parent** Crown corporations are required to report expenditures before and after they are made. Budgets and corporate plans are approved by the Treasury Board on the recommendation of the responsible minister. A summary of these plans is also tabled in Parliament and referred to the appropriate committee for potential scrutiny. Similarly, annual reports containing historical financial information are tabled in the House of Commons and follow a format dictated by Treasury Board regulations. A secretariat has been established jointly by the Treasury Board and the Department of Finance to administer the control and accountability provisions of the FAA.

The FAA provides for the power to issue binding directives to a Crown corporation and the appropriate minister also exercises key powers such as the appointment of directors (subject to Cabinet concurrence) and initial approval of funding and borrowing (also approved by Treasury Board). In practice, however, the ministers tend to leave the day-to-day management of Crown corporations to boards of directors and officers. For example, the directive power, which includes a requirement that the directive be tabled in Parliament, has rarely been used. As the Auditor General observed in his 1989 audit of the implementation of the framework for the control and accountability of Crown corporations:

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* Crown corporation employees are not public servants and the administrative rules and regulations of the public service do not apply.

** Subsidiaries are prohibited under the FAA from carrying on a business not consistent with the mandate of their parents.

> Despite the formal allocation of powers (in the FAA), our interviews with directors as well as with senior officials showed that in practice the government has usually given boards considerable scope for action. It has provided strategic direction to Crown corporations and exercised its other powers sparingly.

Crown corporations have traditionally been categorized on the basis of their degree of dependence on public funds. There are two broad categories, reflected in Parts I and II of Schedule III to the FAA:

- Part I corporations are ordinarily dependent on parliamentary appropriations for operating purposes and/or operate in a non-competitive environment,

- Part II corporations:
  (a) operate in a competitive environment, and
  (b) are not ordinarily dependent on appropriations for operating purposes.
  (FAA, s. 3(5))

The following discussion of the corporate organizational model distinguishes between commercial and non-commercial corporations. Some comments will be offered on mixed enterprises, on privatization, and on fiscal, regulatory and other factors that make nominally private enterprise serve as an instrument of public policy.

A. Non-Commercial Crown Corporations

From a functional point of view, the 31 corporations included in Part I of Schedule III of the FAA may be categorized as engaging in governmental trading, lending, insurance, regulatory and procurement activities, among others. The question of what distinguishes this use of the corporate form from departmental organizations may be difficult to answer. In many cases, there would appear to be no reason why the function could not be carried on by a line department. A good example is the Canada Mortgage and Housing Corporation, which from time to time has had virtually a one-on-one relationship with a minister (albeit a junior minister) and acts in many respects as if it were the federal department of housing.* However, CMHC was set up in 1946 to provide low-cost financing for home buyers and the administration of its mortgage funds gives it a near-banking function well suited to the corporate organizational form. Similarly, each of the non-commercial Crown corporations was established in particular conditions and circumstances that justified the use of the corporate form.

The trading corporations include the Canadian Commercial Corporation and the Export Development Corporation. The Canadian Commercial Corporation, with 1989-90 assets of $829.8 million and 97 employees, serves as prime contractor when other countries wish to purchase goods and services from Canada on a government-to-government basis. The Export Development Corporation (1989-90 assets, $6.6 billion and 490 employees) administers insurance and financing in support of export transactions that are considered to be in the national interest.

Examples of lending corporations are the Farm Credit Corporation (which lends to farmers) and the Federal Business Development Bank (which lends to small business). In fiscal year 1989-90, the federal government, through these agencies, had $3.6 billion in outstanding loans to farmers and $2.7 billion in loans to small and medium-sized businesses.

The insurance function is well represented by the Canada Deposit Insurance Corporation, which provides limited deposit insurance for federally-registered banks, trust and loan companies (and for approved provincial trust and loan institutions). Although it had only 63 employees in 1989-90, CDIC has recently played a critical economic role in light of several bank failures; because of losses associated with these bank failures, the corporation's insurance fund was in a substantial deficit position ($851 million in 1989).

Major examples of the regulatory and procurement functions, respectively, would be the Canadian Dairy Commission and Defence Construction (1951) Ltd. To some extent, the Dairy Commission bridges the trading and regulatory areas with its marketing activities, but it also administers a comprehensive system of support payments to producers

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* For example, CMHC acts as the government's agent in the provision of housing grants, contributions and subsidies.

($280 million in 1988-89) through which, in concert with provincial agencies, the dairy industry is regulated. In contrast, Defence Construction contracts for major military construction and maintenance projects required by the Department of National Defence. For example, the building of a major military base involves the corporation in calling tenders, selecting a contractor and managing the contract through to completion.

Quite another way to depict non-commercial Crown corporations is in terms of a possible progression to commercial status. Thus, Canada Post Corporation, initially classified after its creation in 1981 as non-commercial, graduated to commercial status in June 1989, when it began to show a "profit" on postal operations. Similarly, it is possible that corporations such as Atomic Energy of Canada Ltd. and Via Rail Canada Inc., which are now listed as non-commercial (Part I of FAA Schedule III), could be transferred to the commercial category (Part II of the same Schedule) should they become profitable and thereby cease to be dependent on appropriations.

In terms of the accountability and control framework, the reporting requirements for non-commercial corporations are more onerous than for their commercial counterparts. Two examples of these additional requirements for non-commercial entities are the submission of operating budgets for ministerial and Treasury Board approval, and more extensive audit provisions involving Parliament's auditor, the Auditor General, who must be at least the joint auditor of each non-commercial corporation. Such provisions are tied to the need for greater scrutiny of enterprises that have regular need of public funds.

Also non-commercial, but excluded from the FAA control and accountability provisions, are eight parent Crown corporations, some of which form major parts of the public policy apparatus. Thus, the Bank of Canada is the central bank and is responsible for the formulation and implementation of monetary policy; it also acts as the government's fiscal agent, handling securities such as Treasury Bills and Canada Savings Bonds. Another exempt corporation, the Canadian Wheat Board, also plays an extremely important economic role: it is responsible for all exports of wheat and barley grown in the Prairie provinces and parts of B.C.

Several exempt corporations, notably the Canadian Broadcasting Corporation, are cultural in nature. The CBC provides a radio and television broadcasting service in both official languages across Canada and is a keystone of government support for the arts and cultural development; its preponderant source of funding is a government grant ($981 million in 1989-90).

B. Commercial Crown Corporations

The distinguishing feature of commercial Crown corporations is their relative financial self-sufficiency and freedom from reliance on public funds. It must be borne in mind, however, that large expenditures of public funds were often involved in the acquisition and capitalization of these corporations. Even though their current operations may return a "profit," this information should be placed in the context of the substantial public investment involved.

The choice of the commercially-oriented corporation as a means of pursuing public policies may be viewed in historical terms as a response to the obstacles of Canada's geography and the challenges of a dynamic and more developed U.S. economy to the south.(3)

Another way of looking at public ownership of commercial undertakings is in terms of the options available to government for obtaining the private sector's compliance with policy objectives. This approach generates a sliding scale of government involvement ranging from fiscal and regulatory measures to outright public acquisition of private companies.(4)

There are relatively few parent Crown corporations classified as commercially-oriented (i.e., listed in Part II of FAA Schedule III). In addition to the seven port corporations (for the ports

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(3) J.K. Laux and M. Molot, *State Capitalism,* Cornell University Press, Ithaca, 1988, p. 59.

(4) M. Berkowitz and Y. Kotowitz, *The Organization and Control of Crown Corporations,* Economic Council of Canada, Ottawa, 1985, p. 34.

of Halifax, Montreal, Quebec City, Prince Rupert, Saint John, St. John's and Vancouver), there are only six such entities:

Corporation	Assets	Liabilities	Employment
	- $ millions -		
Canada Development Investment	550.2	723.7	10
Canada Ports	118.2	5.1	84
Canada Post	2,507.8	1,017.7	50,522
Canadian National Railway	7,137.1	3,590.7	38,450
Petro-Canada	7,276.0	4,494.3	6,468
Royal Canadian Mint	94.0	35.8	776

Source: 1989-90 Public Accounts of Canada, Vol. III.

The Canada Development Investment Corporation is a holding company which was formed in 1982 mainly to deal with crises in two publicly-owned aircraft companies (Canadair and de Havilland). Its mandate includes privatization and many of the firms it has managed, including the aircraft manufacturers, have been sold. In the case of Canadair, a subsidiary was also formed to hold the $1.23 billion in outstanding debt (later assumed by Canada) so that the assets could be more readily marketed.

The Canada Ports Corporation (formerly the National Harbours Board) plans and coordinates the development of 15 ports and harbours across Canada. The corporation is directly responsible for the management of eight of these 15 ports; the other seven (cited above) are separately incorporated and operate with a high degree of local autonomy.

The Canada Post Corporation has evolved from a government department, to a non-commercial Crown corporation (converted in 1981), to a financially self-sustaining Crown corporation. In 1989-90, a profit of $149 million on revenues of $3.6 billion was recorded and in June 1990, a dividend of $60 million was paid into federal coffers. However, a profit on operations was also realized from time to time while the post office was a government department, although, as a department, the structure of the post office was quite different. For example, the extensive real property and office accommodations that a national postal operation entailed were managed by the Department of Public Works at no charge to the post office department, while the Canada Post Corporation is in full control of all its assets. The rationale for the conversion to corporation status, as Professor Hodgetts has pointed out, was that the agency "bears most of the marks of an industrial, revenue-producing enterprise."[(5)]

Canadian National was established to consolidate and continue the operation of more than 200 non-viable or bankrupt railways just after World War I. It formed a complete transcontinental rail network operating in competition with the comparable private system, Canadian Pacific. Although CN has shown a profit on operations for many years of its existence, the debt structure inherited from the insolvent railways has led the government to recapitalize the company three times (1937, 1952 and 1978). Faced with increasing competition from other modes of transportation, the corporation sold its hotel, telephone and telecommunications subsidiaries in 1988 and applied the proceeds to reducing its corporate debt.

Petro-Canada, created as a means for Canadians to control a major oil company through acquisition of Petrofina and several smaller companies, has recently been the subject of privatization legislation (Bill C-84, which received Royal Assent in February 1991).

The last of the commercial Crown corporations, the Mint, was a departmental agency of the government until 1969, when it was incorporated by legislation. The minting of coins and related activities (e.g., numismatic and precious metal sales) are essentially business operations and profitable (for the fiscal year 1989, the Mint made a profit of $7.8 million on revenues of $749.5 million) and are therefore well suited to the corporate model.

C. Mixed and Joint Enterprises and Other Entities

The following definitions of mixed, joint and other enterprises are taken from the Public Accounts of Canada:

Mixed Enterprises:	Share capital partly owned by Canada, the rest being owned by private sector parties

(5) Hodgetts (1973), p. 118.

Joint Enterprises:	Owned partly by Canada, partly by other levels of government
Other Entities:	Corporate entities without share capital and for which the federal government has a right to appoint members to the boards of directors.(6)

In terms of the choice of organizational form, the Auditor General's 1985 study of mixed and joint enterprises* noted their advantages and disadvantages in comparison with other ways in which the government might participate in the economy. For mixed enterprises, some of the advantages were that less public capital was needed to achieve public purposes and that there was access to private sector entrepreneurial skills; disadvantages were the difficulty of limiting government's obligations in the event of default or failure and the potential for disagreements between the government and private sector shareholders. For joint enterprises, advantages included enhanced intergovernmental cooperation and the spread of fiscal responsibility among governments; disadvantages might be preponderant federal financial responsibility without full control, and divergence of views between governments.

The extent to which the mixed ownership corporation serves as an instrument of public policy has been questioned in a number of studies. For example, a 1987 survey which included case studies of two federal and one Quebec mixed corporation advanced the argument that these corporations were an ambiguous form of organization that limited the ability of the government shareholder to impose its policy goals in the event of serious disagreement with the private shareholders.(7)

As part of the privatization policy of the government, the ranks of mixed and joint enterprises have thinned out considerably since 1984. Their numbers have dropped from 13 to 8, with the major reduction

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(6) *Public Accounts of Canada,* Vol. III, 1989-90, p. 86-87.

(7) S. Brooks, *Who's in Charge? The Mixed Enterprise Corporation in Canada,* Institute for Research on Public Policy, Halifax, 1987, p. 3.

* The major concern of the Auditor General's study was the inadequacy of financial and other information provided to Parliament.

taking place in 1988, when the privatization of the Canada Development Corporation was completed. This sale reduced the value of the mixed and joint portfolios by 36%, excluding the holdings of the Superintendent of Bankruptcy under the terms of the *Bankruptcy Act.*

Of the five mixed companies listed in the 1989-90 Public Accounts, the largest by far, with assets of $781 million and liabilities of $523 million, is Telesat Canada, in which the federal government holds a 50% share (although a further 3.75% is held by CN, a Crown corporation). Telesat's mandate is to operate satellite telecommunications systems; the responsible minister is the Minister of Communications. Other mixed enterprises include arctic shipping and energy exploration ventures.*

At present, there are only three joint enterprises, the largest of which (with Manitoba) involves redevelopment of part of the city of Winnipeg (North Portage Development Corporation: assets $77.6 million, liabilities $1.3 million, federal ownership 33.3%).

Examples of other entities are benevolent institutions, such as the Asia-Pacific Foundation (which promotes harmony among Pacific Rim peoples) and research institutions such as the Forest Engineering Research Institute or the Western Grains Research Foundation. There are 35 such other entities listed in the 1989-90 Public Accounts. Also listed are nine harbour commissions. (See Appendix "A".)

D. Privatization and Public Policy Constraints

As the Auditor General observed in his 1989 study, the Crown corporations portfolio is a dynamic one: from 1984 to 1988, 10 parent Crown corporations** were created and 12 others either dissolved or privatized. By far the greater impact is from privatization. In 1984, there were only five truly large federal Crown corporations, with annual revenues in excess of $2 billion: one of these, Air Canada, has been sold;

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* Fifty-nine additional mixed enterprises have been identified by one study, based on various smaller (under $50 million) federal investments, see W. Stanbury, E.C. Elford, "Mixed Enterprises in Canada," Paper presented to the Royal Commission on Economic Union and Development Prospects for Canada, Ottawa, June 1984.

** Not to mention a large number of subsidiaries created and dissolved over the same period.

another, Petro-Canada, is up for sale; while significant parts of a third, Canadian National, have also been sold. That leaves only the Wheat Board and Canada Post untouched and the recent postal profits have led to speculation about privatization of the latter.

The government has advanced five reasons for its privatization initiative:

- The changing economic environment - the public policy objectives that led to the creation of the corporation are no longer valid and/or other options than ownership, e.g., fiscal or regulatory measures, better meet policy needs;

- Effectiveness - many Crown corporations are considered to be less effective than the private sector in serving clients, etc.;

- Public funds - excessive demands on the government's resources and difficulties in managing ministers' accountability for Crown corporations;

- Management styles - aversion to risk-taking in overly bureaucratic Crown corporations may inhibit a flexible response to rapid change in business conditions; and

- Fairness and equity - tax dollars used to compete with the private sector.(8)

Air Canada has been called the "big test" of privatization. Bill C-129, authorizing its sale, received Royal Assent in August 1988 and the sale of shares to the public took place in two stages: 43% in October 1988, realizing $234 million; and 57% in July 1989, realizing $474 million. Although deregulation and mergers in the 1980s have significantly altered Air Canada's position as the predominant Canadian air carrier, the airline was established with a public policy goal in mind: providing a national air service. Given the regulatory influences that can still be brought to bear and the conditions imposed on the sale, the federal government has not necessarily abandoned this goal. Among the notable conditions on the Air Canada sale: Bill C-129 limited shareholders ownership to 10% with a 25% ceiling on foreign control; the legislation also included operational restraints such as requirements to adhere to

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(8) The Honourable Barbara McDougall, Minister of State for Privatization, *Excerpts from Statements on the Reasons for Privatization,* May 1987, p. 2-4 (abridged).

the *Official Languages Act,* to preserve the maintenance bases and to keep the headquarters in Montreal.

As one study noted, a broader conception of privatization includes a variety of public policies that serve to reduce the role of government in the economy and strengthen competitive market forces,(9) i.e., policies such as deregulation, trade liberalization and increased contracting out. These privatization-type policies raise the larger question of the extraordinary variety of government activities that constrain undertakings in the private sector. Fiscal policies, from tax expenditures to tax reform, critically influence business, while the impact of the spending power ranges as far as the creation of small-scale "quasi-departments" of government that receive and administer federal grants year after year. A complex of contribution payments to businesses are paid on the basis of conditions that may transform an incentive payment into a means of ensuring compliance with public policy. For example, one major contribution program, the Defence Industry Productivity Program, disbursed $301 million in 1989-90 to several hundred companies. The companies that acquired the two aircraft production Crown corporations, Boeing of Canada (de Havilland) and Bombardier (Canadair) each received more than $50 million under this program.

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(9) A. Tupper and G.B. Doern, "Canadian Public Enterprises and Privatization," in *Privatization, Public Policy and Public Corporations in Canada,* Institute for Research on Public Policy, Halifax, 1988, p. 1.

APPENDIX "A"

FEDERAL DEPARTMENTS, AGENCIES AND CROWN CORPORATIONS

1. **DEPARTMENTS (Schedule I, *Financial Administration Act*)**

Agriculture
Communications
Consumer and Corporate Affairs
Employment and Immigration
Energy, Mines and Resources
Environment
External Affairs
Finance
Fisheries and Oceans
Indian Affairs and Northern Development
Industry, Science and Technology
Justice
Labour
National Defence
National Health and Welfare
Public Works
Secretary of State
Supply and Services
Solicitor General
Transport
Treasury Board
Veterans Affairs

2. **DEPARTMENTAL CORPORATIONS (Schedule II, FAA)**

Agricultural Stabilization Board
Atomic Energy Control Board (separate employer)
Canada Employment and Immigration Commission
Canadian Aviation Safety Board
Canadian Centre for Occupational Health and Safety
Canadian Transportation Accident Investigation and Safety Board
Director of Soldier Settlement
Director, The Veterans' Land Act
Economic Council of Canada (separate employer)
Fisheries Prices Support Board
Medical Research Council (separate employer)
National Battlefields Commission
National Research Council (separate employer)
Natural Sciences and Engineering Research Council (separate employer)
Science Council (separate employer)
Social Sciences and Humanities Research Council (separate employer)

3. BRANCHES DESIGNATED AS DEPARTMENTS FOR THE PURPOSES OF THE *FINANCIAL ADMINISTRATION ACT*

Atlantic Canada Opportunities Agency
Auditor General (separate employer)
Canada Labour Relations Board
Canadian Centre for Management Development
Canadian Forestry Service
Canadian Human Rights Commission
Canadian Intergovernmental Conference Secretariat
Canadian International Development Agency
Canadian International Trade Tribunal
Canadian Radio-television and Telecommunications Commission
Canadian Security Intelligence Service (separate employer)
Canadian Sentencing Commission
Canadian Space Agency
Chief Electoral Officer
Civil Aviation Tribunal
Commissioner for Federal Judicial Affairs
Commissioner of Official Languages
Competition Tribunal
Copyright Board
Correctional Service of Canada
Emergency Preparedness Canada
Federal Court of Canada
Federal-Provincial Relations Office
Governor General's Secretary
Grain Transportation Agency
Hazardous Materials Information Review Commission
Immigration and Refugee Board
Information and Privacy Commissioners
Investment Canada
Multiculturalism and Citizenship Canada
National Energy Board
National Farm Products Marketing Council
National Film Board (separate employer)
National Library
National Parole Board
National Transportation Agency
Northern Pipeline Agency (separate employer)
Patented Medicine Prices Review Board
Petroleum Monitoring Agency
Privatization and Regulatory Affairs*
Privy Council Office
Procurement Review Board
Public Archives

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* The February 1991 Budget announced that this Office will be redeployed to the Department of Finance (and the Treasury Board).

Public Service Commission
Public Service Staff Relations Board (separate employer)
Royal Canadian Mounted Police
RCMP External Review Committee
RCMP Public Complaints Commission
Royal Commission on Electoral Reform
Royal Commission on National Passenger Transportation
Royal Commission on New Reproductive Technologies
Royal Commission on the Future of the Toronto Waterfront
Security Intelligence Review Committee
Statistics Canada
Status of Women, Advisory Council
Superintendent of Financial Institutions
Supreme Court
Tax Court

4. **SPECIAL OPERATING AGENCIES (Host Department in Parentheses)**

Training and Development Canada (Public Service Commission)
Canada Communications Group (Supply and Services)
Passport Office (External Affairs)
Government Telecommunications Agency (Communications)
Consulting and Audit Canada (Supply and Services)
Canadian Grain Commission* (Agriculture)
Race Track Supervision* (Agriculture)
Intellectual Property Directorate* (Consumer and Corporate Affairs)

5. **CROWN CORPORATIONS (Parent Corporations)**

a. **NON-COMMERCIAL (Schedule III, Part I, FAA)**

Atlantic Pilotage Authority
Atomic Energy of Canada Ltd.
Canada Deposit Insurance Corporation
Canada Harbour Place Corporation
Canada Lands Company Ltd.
Canada Mortgage and Housing Corporation
Canada Museums Construction Corporation
Canadian Commercial Corporation
Canadian Dairy Commission
Canadian Livestock Feed Board
Canadian Patents and Development Ltd.
Canadian Saltfish Corporation
Cape Breton Development Corporation
Defence Construction (1951) Ltd.
Enterprise Cape Breton Corporation
Export Development Corporation

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* Announced in the February 1991 Budget.

Farm Credit Corporation
Federal Business Development Bank
Freshwater Fish Marketing Corporation
Great Lakes Pilotage Authority
Harbourfront Corporation
International Centre for Ocean Development
Laurentian Pilotage Authority
Marine Atlantic Inc.
Mingan Associates Ltd.
National Capital Commission
Pacific Pilotage Authority
St. Lawrence Seaway Authority
Standards Council
Via Rail Canada Inc.

b. COMMERCIAL CROWN CORPORATIONS (Schedule III, Part II, FAA)

Canada Development Investment Corporation
Canada Ports Corporation
Canada Post Corporation
Canadian National Railway Company
Halifax Port Corporation
Montreal Port Corporation
Petro-Canada
Port of Quebec Corporation
Prince Rupert Port Corporation
Royal Canadian Mint
Saint John Port Corporation
St. John's Port Corporation
Teleglobe Canada
Vancouver Port Corporation

c. EXEMPT CROWN CORPORATIONS (Not Included in the Schedules and Exempt from the FAA Accountability and Control Provisions)

Bank of Canada
Canada Council
Canadian Broadcasting Corporation
Canadian Film Development Corporation
Canadian Institute for International Peace and Security
Canadian Wheat Board
International Development Research Centre
National Arts Centre Corporation

6. **MIXED AND JOINT ENTERPRISES (Parent Corporations Listed in 1989-90 Public Accounts, Vol. III, as of 31 March 1990)**

Canarctic Shipping Company Ltd.
Co-operative Energy Corporation
Lower Churchill Development Corporation Ltd.
National Sea Products Ltd.
North Portage Development Corporation
NPM Nuclear Project Managers Canada Inc.
Société du parc industriel et portuaire Québec-sud
Telesat Canada

7. **OTHER ENTITIES (Listed in the 1989-90 Public Accounts, Vol. III, as of 31 March 1990)**

Asia-Pacific Foundation of Canada
The Army Benevolent Fund
Association for the Export of Canadian Books
The Blue Water Bridge Authority
Board of Trustees of the Queen Elizabeth II Canadian Fund to Aid in Research on the Diseases of Children
Buffalo and Fort Erie Public Bridge Authority
Calgary Olympic Development Association
Canada Grains Council
Canadian Centre on Substance Abuse
Canadian Fitness and Lifestyle Research Institute Inc.
Canadian International Grains Institute
Canadian Livestock Records Corporation
Canadian Sport and Fitness Administration Centre Inc.
Coaching Association of Canada
Forest Engineering Research Institute of Canada
FORINTEK Canada Corp.
International Centre for Human Rights and Democratic Development
International Fisheries Commission Pension Society
Last Post Fund
Maritime Forestry Complex Corporation
Medical Council of Canada
The Nature Trust of British Columbia
Northern Native Fishing Corporation
NWT Co-operative Business Development Fund
PARTICIPaction
POS Pilot Plant Corporation
Pulp and Paper Research Institute of Canada
Roosevelt Campobello International Park Commission
Saint John Harbour Bridge Authority
Terry Fox Humanitarian Award Inc.
The Vanier Institute of the Family
The Victoria Commonwealth Games Host Society
Western Grains Research Foundation
The 1991 Canada Games Society (P.E.I.) Inc.
The 1989 Jeux Canada Games Society Saskatoon Inc.

Harbour Commissions

Fraser River Harbour Commission
The Hamilton Harbour Commissioners
Thunder Bay Harbour Commission
Nanaimo Harbour Commission
North Fraser Harbour Commission
Oshawa Harbour Commission
Port Alberni Harbour Commission
The Toronto Harbour Commissioners
Windsor Harbour Commission