



Crown corporations

Careful, Joe, some Canadians like them

Twenty years ago I had an argument with the late Donald Gordon. He was president of the CNR, I was an MP with 800 odd miles of CN track and several thousand CN workers in my riding. Four years ago I had largely the same argument with Robert Bandeen, the present head of the big crown corporation.

Why do you persist, I put to Gordon, that you must show a profit or be seen, above all other objectives, to be trying to make a profit? (Remember that in the late 1950s the crown corporation had only been partially relieved of the debt burden it had been saddled with when it was created in 1919 out of the chaos of many failed enterprises. Gordon was long years from this life when Parliament in 1978 wiped out some three-quarters of a billion indebtedness of the CN, immediately brightening the "profit" picture for Bandeen.)

Gordon's answer was not complicated. He told me that it wasn't for him or his staff as managers of a commercial enterprise to worry about social needs or objectives. The only possible standards they could pursue, partly because they were the accepted ones in commerce, even more because they best provided for the right decisions on staffing, expansion, technical innovation, and service to customers, were those of a private enterprise with the prime purpose of making a profit.

I would argue, in return, that the very reason for the CNR's creation was the failure of its predecessor lines to make a profit. Despite such failure, the community as a whole through its government did not want the marketplace test to apply. It wanted the jobs, the services, the alternate competition (to the CPR) which a government-controlled railway could supply or protect.

I made no headway in convincing either railway president that he should make much publicly of the "other" functions which the CN had, beyond trying to make a profit. Indeed, Bandeen told me shortly after taking over the CN that he was going to "rip out the fat" in management. Some 1,500 "chiefs" were going to be separated. He was not only going to get a profitable railway, he hoped to move toward one which, in part, if not in whole, could be put on the stock market as an attractive investment, both in dividends to come and share value. He seems to be nearing his goal, perhaps the obstacle which is

insurmountable ahead being a public still favorable to crown corporations.

It has seemed to me that the summer of 1979 has demonstrated in a soft, hazy, hard-to-define way that phasing out or selling off or turning back to private enterprise many of the crown corporations of Canada have not gained momentum. Rather, they have lost it. The obscurantism of the Clark government on Petrocan's future is partly due to discovery that for all the chatter about neoconservatism many Canadians still have more faith in the CN than CP, in Air Canada than CP Air, in Petrocan than in Esso.

If we are not to get the rather wholesale disposition of most of the federal crown corporations engaged in commerce (as I assume) we are still left with the intrinsic problems of crown corporations.

Key questions

Consider this striking example, created by a minister in the Clark government, Sinclair Stevens, who almost idolizes private enterprise. In his search for a reduction by 60,000 in the man-years of the Federal Government he has come up with the figure of 20,000 as the contribution to the cutdown which must come from crown corporations like the CN, Air Canada, the CBC, etc.

How can any management team, board of directors, etc., run a corporation with either confidence or clarity when ukases such as Stevens' hang in the public air?

Two years ago the Privy Council Office published an analysis of the problems of crown corporations, with some proposals. These were the key questions with which it was concerned:

"To what extent should crown corporations be used as instruments of public policy when the pursuit of policy objectives may detract from the financial performance of such corporations?"

"How can increased responsiveness to public policy be reconciled with the arms'-length relationship which the theory of public enterprise requires government, ministers and Parliament to maintain with crown corporations?"

"Since public policy is defined by Parliament and the government of the day, how can managements of crown corporations be held responsible for overall

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corporate performance if many of the general policies which they are expected to pursue are developed outside of their corporations?"

Good questions. You can see how Stevens, in "wringing the fat" out of crown corporations, is giving some leaders of crown corporations goals which may well impede their pursuit of more narrow and very sensible corporate objectives.

The Lambert report (i.e., the Royal Commission on Financial Management and Accountability, March 1979) gave almost a hundred pages to examining the accountability of "crown agencies" and to developing a "re-ordering" of them into four main categories, plus a fifth one, "quasi-public corporation" whose very label reminds us how legislatively fertile we have been at creating institutions.

Under the Financial Administration Act (1951) there are three classes of crown corporations; the Lambert people would have the classification finer or more explicit; so would the recommendations of the PCO paper. The concern which occasioned both sets of proposals came less from the apparent climate of opinion which brought the Progressive Conservative Party to talk about "privatizing" many crown corporations and more from the trenchant criticisms of "weak and ineffective" management in crown corporations carried in the Auditor General's report of 1976.

There seem to be some 60 rather "official" crown corporations but there are several hundred other agencies, subsidiaries, and "joint" enterprises in which the Federal Government is involved, sometimes just as "first cause." Many of these are only partly or marginally commercial. While one can imagine "contracting out" or "privatizing" something like a harbor commission or even the Mint, what can be done with something like the recently created Via Rail Canada, created because the profit prospects for rail passenger service are so poor that the CP and the CN argued successfully they should not be saddled with it?

How could one privatize the Bank of Canada or the Economic Council of Canada? How does one begin to take apart and dispose of such a host of agencies representing enormous investment? For example, between 1968 and 1978 the government investment in corporations grew from \$8 billion to \$21 billion.

What I wanted to do in this essay was not to take a stand for or against privatizing those crown corporations with apparent commercial viability. Indeed, I have come to agree with the Gordons and Bandeens that (willy-nilly) the best test they can find for themselves as effective managers must relate to a balance sheet with income and expenditures, not one which totes up social responsibilities done well. Rather, I wanted to suggest (as I'm sure most of you know) that the issues of crown corporations are complex and certainly cannot be harangued to any short-term conclusion.

And there is an intangible out in the body politic, one that Joe Clark did not quite appreciate in mid-1978 when he advocated selling off the CN, or in the campaign of 1979 when he was determined to get rid of Petro-Canada. There is less animosity and more liking of publicly-owned corporations than almost anyone thought. 