

CROWN CORPORATIONS

The classification scheme for Crown agencies developed in Chapter 16 and summarized in Appendix A identified a category for *Crown Corporations*. They share a number of characteristics. They are incorporated by special statute, by letters patent or articles of incorporation under the *Canada Business Corporations Act* or comparable provincial enactments. They undertake tasks akin to those in the private sector, normally in a market setting. They are wholly-owned by the Crown in right of Canada, and responsibility for the care and management of the corporation is directly delegated to a board of directors, although the responsible minister can issue directives. Each is a separate employer, and is not subject to the *Public Service Employment Act*.

Applying these criteria, we identified 46 candidates, exclusive of their subsidiaries, for inclusion in this category. We have left aside the eight or so marketing and commodity trading agencies, even though most of them now have a corporate form. Our reason is that their tasks straddle both regulatory and commercial activities and we believe the Government should determine whether these bodies fit more appropriately into the accountability régime we have proposed for *Independent Deciding and Advisory Bodies*.

That the corporate form is extremely versatile in its capacity to manage a great variety of undertakings is amply demonstrated by the range and importance of the tasks assigned to the organizations we have categorized as *Crown Corporations*. We observe that half of the total group are involved in transportation, the provision of facilities and services for transporting people and goods by rail and air, or the provision of port and harbour facilities designed to service the needs of water transportation. The twenty-three bodies

associated with these services are all within the single portfolio of the Minister of Transport to whom, or through whom, each reports. The proposed addition of the Post Office Department to the ranks of Crown corporations would extend the reach of these agencies in the area of communications. Government financial institutions in corporate form range from a central bank to lending and guaranteeing activities for farmers, small businesses, housing, and export development. In manufacturing, *Crown Corporations* produce coins, airplanes, films, petroleum products, hydro-electric power, nuclear reactors, and nuclear materials. A government corporation operates the largest scientific research establishment in the country. An arts centre and several museums, as well as federally-owned real property in the national capital region are managed by *Crown Corporations*.

In terms of the resources placed at the disposal of this group of Crown agencies, the global figures are impressive. Assuming the transfer of the Post Office, which employs 68,000, from departmental to Crown corporate status, the total personnel employed by *Crown Corporations* comes to well over 200,000. Set against the 300,000 or so employees in *Ministerial and Other Designated Departments*, it is apparent that our earlier reference to "a second public service" is not an exaggeration. In certain sectors, such as transportation and storage or communications and utilities, where government enterprises are numerous, employment by *Crown Corporations* represents roughly one-quarter of the total labour force. The concentration of much of this *Crown Corporation* labour force in vital industries means that the consequences of collective bargaining are felt far beyond the limits of the particular corporation involved.

Crown Corporations also command an impressive share of the Government's budget. Their expenditures from appropriations in 1977-78 amounted to about one-seventh of the \$38.9 billion appropriated for all of government's needs. They generated revenues of their own, close to \$12 billion, while gross loans and advances to them came to an additional \$3 billion. Out of total governmental assets of over \$74 billion, the share controlled by *Crown Corporations* amounted to \$29 billion.

The diversity of *Crown Corporation* undertakings belies the notion that, despite their common form of corporate organization, they are all "commercial" enterprises. Even where the tasks of *Crown Corporations* directly parallel those of private sector enter-

prises, as in broadcasting or operating an air service, they are engaged in something more than a business venture. Most are created as instruments of national purpose and that purpose, as expressed in their mandates, extends beyond the business at hand. Indeed, if this were not true, there would be little to justify government involvement in them.

Possibly the most distinctive feature of the evolution of Canadian public enterprises in corporate form is that, unlike the giant nationalized undertakings in the United Kingdom, for example, few occupy a monopolistic position with respect to their assigned tasks. As a consequence, government involvement in the Canadian economy, as developed through *Crown Corporations*, is a genuine reflection of a "mixed economy" where public and private ventures are operated in parallel, and normally in competition, with one another.

It is at this point that government, acting as entrepreneur through its *Crown Corporations*, coincides with government acting as regulator of the economy. Wherever government has moved to regulate a sector of the economy that is occupied by public and private undertakings, both groups come under the jurisdiction of those Crown agencies that we identified in the previous chapter as regulatory bodies. In a number of instances, it is possible that a regulatory instrumentality of government reports to a minister who is also designated as being responsible for the *Crown Corporation* that is subjected to regulation. The Atomic Energy Control Board regulates certain activities of Atomic Energy of Canada Ltd. and Eldorado Nuclear; all report through the same minister. Canadian National and Air Canada are regulated by the Canadian Transport Commission and all report to the Minister of Transport.

Because ministers, individually and collectively, must make the final determinations that affect the interpretation of the national interest, reconciliation of possible differences of that interpretation by a regulatory agency and by a *Crown Corporation* falling under its jurisdiction will have to occur at the ministerial level. Given that requirement, it is probably not unreasonable to find one minister faced with this arbitral task for two different agencies within his portfolio. Our purpose in calling attention to this phenomenon is that in designing an accountability régime for *Crown Corporations* it is important to recognize that, for genuinely commercial types of governmental undertakings, like their private sector counterparts, there is an accountability to an

independent regulatory body in matters such as rate setting or safety standards.

While government regulation is not unimportant in ensuring the accountability of some *Crown Corporations*, its presence does not eliminate the need to develop for them an accountability régime that is consistent both with the arm's length relationship that is thought desirable and with their role as instruments of public purpose. Canadian experience suggests, and practice elsewhere confirms, that when governments become involved in market-place operations, such as financial and lending activities, and particularly commercial and industrial undertakings, a sensible method of achieving administrative devolution is to entrust such tasks to a corporate board of directors. Not only are already overloaded departments relieved of the added burdens of unfamiliar tasks for which they may not be well suited, but the board form also establishes a "buffer" for the managers of such operations, thereby lessening bureaucratic and political interference with the continuing operations specifically conferred on the corporation's board. This buffer function is at least as important for those corporate organizations involved in sensitive areas like broadcasting or the arts as it is for the more strictly commercially-oriented corporations.

Clearly, in adopting the corporate form of organization, governments seek to take advantage of the autonomy, flexibility, and special skills that have made the private sector corporation the successful entrepreneurial instrument it can be. The *Crown Corporation*, however, differs from its private sector counterpart in a number of important and inescapable ways. It is an organizational hybrid with relationships with Government and Parliament that are neither clear nor simple and that differ, moreover, in significant ways from the normal relationship of a corporation with its shareholders.

While the corporate form offers a proven capability for efficient management of particular types of tasks that encourages governments to resort to its use, its adaptation to governmentally determined purposes creates problems that do not exist for private sector corporations. By law, directors and officers of all corporations have certain duties and obligations imposed upon them, but in public sector corporations, a board of directors not only assumes these same obligations but must contend with a designated minister, other ministers and central agencies, the Cabinet, and, ulti-

mately, Parliament. Obviously, the boards of Crown corporations are required to respond to the Crown as owner in a far more extensive and complicated way than is true for the private sector board's relations with corporate shareholders.

Herein lies the dilemma and challenge for the accountability of *Crown Corporations*: the managerial requirement for insulation from the political process can, at times, be in conflict with the need to be responsive to the national interest as determined by the Government. The boundaries between policy and management should be clearly recognized, for trespass imperils the successful functioning of the corporation and calls into question the very reason for adopting the corporate form. Yet, if the relationship between the *Crown Corporation* and its owners is such that the corporation cannot responsibly adjust its policies and objectives to the national interest, it fails in placing its special managerial attributes at the service of that interest. In the final analysis, the Government must accept responsibility and account to Parliament for decisions that determine what interpretation is to be placed on the national interest. It is this responsibility and this accountability that give form to the role of ministers and the Government with respect to *Crown Corporations*. It is the resolution of the tension, which must necessarily exist, between the duties of directors to the corporation and the national interest which the corporation exists to serve, that gives substance to the role of the political executive and underlines the essential difference between public sector and private sector corporate boards.

Years ago, Lord Macaulay remarked that the essence of responsible government was "to choose wisely and confide liberally", an injunction that would appear to be apposite for government in establishing appropriate working relations with, and an accountability régime for, its *Crown Corporations*. Although Government continues to espouse the corporate form of organization, it has sometimes been remiss in honouring Macaulay's dictum "to choose wisely" and, in recent years, has more explicitly demonstrated a reluctance to "confide liberally" by re-asserting controls that countermand the original direct delegation of powers to its board of directors.

Our own extensive investigation of these corporations and of official proposals for coping with them has convinced us that, if government is to secure real benefits from resorting to this

administrative form, two sets of fundamental decisions must be confronted squarely and clearly.

First, we believe that the board of directors for each *Crown Corporation* should have assigned to it a clear and unequivocal mandate, together with the attendant powers to manage and direct the operation. Just as we have had occasion to observe the inadequacy of planning and objective setting in departments, we find the same deficiencies apply to *Crown Corporations*. Unless tasks and objectives are clearly formulated, Governments will continue to harbour distrust of organizations to which they have entrusted, by liberal delegation, such extensive but ill-defined powers. Distrust then engenders increasingly extensive governmental intervention which undermines the managerial authority of the board.

The decision "to confide liberally" to the board of directors carries with it the assumption that the Government's power to appoint, evaluate, and remove directors will be exercised "wisely". But this decision, however carefully the appointment power is used, is not sufficient by itself to enable the Government to "confide liberally". A second decision is required to help restore confidence in the corporate form of administration. What is needed is an assurance that the corporate board is held accountable for those decisions that its mandate and delegated powers entitle it to make. Directors and officers of *Crown Corporations* need to know not only what they are accountable for, but how they are to be held to account. Comparable clarification is also required for ministers, the Governor in Council, central agencies and Parliament, if *Crown Corporations* are to be the efficient and responsible instruments of public purpose they are intended to be.

We trust that the elements of an accountability régime for *Crown Corporations*, to which we now turn, will harness the full potential of corporate boards so that carefully selected directors entrusted with clearly defined tasks will be in a position to make efficient, effective, and responsible contributions to the implementation of public purposes.

Accountability for Crown Corporations

We have identified what we believe to be the four essential elements of an accountability régime—**mandate, direction, con-**

trol, and evaluation and reporting. Our comments and recommendations are organized around these four elements, but, since they are interrelated, no attempt will be made to contain the flow of analysis in water-tight compartments.

Mandate We begin with the mandate for it is there that we find a statement of tasks and objectives, provision for the corporate organization, and a description of the powers conferred on the organization. If the mandate is unclear on any of these matters, the board of directors may be left with too much latitude to define its task and objectives, or the Government may over-compensate by constantly interfering with the board's responsibilities. In either event, the question of who is to be held accountable for what cannot be answered with any certainty.

Ideally, Parliament should approve the mandate for every *Crown Corporation*, as is indeed the case where individual constituent acts are used to establish a *Crown Corporation*. Involvement of Parliament at the moment of creation provides no guarantee, however, that the mandate will clearly define the nature of the task, the objectives to be met, and the powers to be delegated. Reference to the statutes shows that, with a few exceptions, mandates are deficient in providing even minimal guidance to *Crown Corporations* with respect to their purposes and objectives.

In the five situations where the Government has created a *Crown Corporation* by seeking incorporation through letters patent under the *Canada Business Corporations Act*, Parliament has had no say in approving the mandate; nor is there automatic provision for ensuring that Parliament has an opportunity to scrutinize the letters patent in which, presumably, there is a statement of purposes, objectives, and the relationship of the Government to the corporation.

While we find merit in employing the *Canada Business Corporations Act* as an alternative vehicle for launching a *Crown Corporation*, we take strong objection to the failure to publish and table in Parliament the legal instrument under which the corporation is to act and be held accountable. It is paradoxical that, in examining several of these legal instruments, we find they are much clearer and more precise than the constituent acts of most *Crown corporations* in defining task, purposes and objectives, and the relationship of the corporation to the Cabinet. The fault lies in the failure to make Parliament aware of them.

We should observe, further, that resort to the *Canada Business Corporations Act* should not be viewed by Government as an open invitation to launch corporate ventures at will. Under the predecessor to the *Canada Business Corporations Act*, the *Dominion Companies* (later the *Canada Corporations*) Act, only a minister whose own act empowered him to apply to the Governor in Council for permission to seek incorporation of a company was permitted to take this route. We understand that legal opinion is divided on this point but, with deference, we would submit that a return to the earlier practice is desirable. Parliament should give prior approval, in the departmental or constituent act, to permit a minister to recommend to the Governor in Council the incorporation of a company under the *Canada Business Corporation Act*.

We note that in at least two recent instances—Loto Canada and VIA Rail—the Government has adopted a procedure for incorporation generally referred to as “legislation by appropriation” or “\$1 votes”. In company with successive Auditors General, dating back at least to the 1950s, we find this procedure objectionable, even where, as in the case of Loto Canada, the letters patent (again scarcely visible from Parliament’s perspective) are admirably clear and precise about the mandate of the corporation. The implementation of our recommendation with respect to the creation or acquisition of *Crown Corporations* should preclude this occurring in the future.

Closely related to the foregoing observations is the question of the right of these corporations themselves to create subsidiaries. If ministers, as we have just argued, should require statutory authorization to resort to the *Canada Business Corporations Act* for creating *Crown Corporations*, these parent corporations should require similar parliamentary sanction to create subsidiaries by means of that Act. Moreover, just as a minister must seek Governor in Council approval to incorporate, so should a *Crown Corporation* seek similar approval. Where letters patent or articles of incorporation are issued for subsidiaries we also see the need to table them in Parliament. In summary, with reference to mandate, we recommend that

19.1 in the constituent act, or letters patent issued under the Canada Business Corporations Act, for each *Crown Corporation*, the mandate provide a clear definition of the task, purposes, objectives, and powers devolved upon the corporation, and, where letters patent are used to constitute the

corporation, that these automatically be tabled in Parliament; and that

19.2 the creation of a *Crown Corporation* or subsidiary or the acquisition of a company by a *Crown Corporation* or subsidiary require express parliamentary sanction in the relevant departmental or *Crown Corporation* constituent act and prior Governor in Council approval.

Direction In the broadest sense, where the mandate defines task, purposes, and powers, it establishes the initial general direction for a Crown corporation. If our recommendations are implemented, there will still be a need to refine and interpret the mandate. For these purposes two important instruments should be set in place: a Corporate Strategic Plan and a ministerial power to issue directives to the corporation.

We find ourselves in complete agreement with the concept of corporate plans outlined in the Blue Paper on Crown Corporations. The Corporate Strategic Plan is essentially the vehicle for defining and refining the corporation's mandate. It should cover a period of three years, or longer, depending on the nature of the enterprise. The development of this plan is the responsibility of the chief executive officer, acting within policies established by the board of directors. The plan is presented to the board for its approval and then stands as the comprehensive strategic framework within which capital and operating budgets will be formulated. It should be updated annually, although we would not foresee radical changes in the plan from year to year.

While the precise nature of Corporate Strategic Plans will vary from one corporation to another, all should be expected to contain several basic components.

- 1) a situation review: the past year's performance, the environment ahead and the corporate outlook
- 2) a statement of corporate objectives, both general and specific
- 3) corporate strategies for moving the enterprise toward its objectives and for achieving its goals
- 4) corporate policies for implementation of strategies under certain prescribed circumstances
- 5) a strategic financial plan, outlining the cost, timing, and financing of proposed capital commitments required to implement strategies

The Blue Paper proposes that the corporate plan be approved by the Government. In contrast, we believe that governmental approval processes should be centred on the budget, an instrument requiring that specific decisions be taken. In our view, the value of the plan lies in its use as an instrument for direction-setting and, most important, as the medium for communicating a corporation's intentions to the designated minister. When the corporate plan is forwarded to the minister for his information, the opportunity is provided for him and his departmental officials to ascertain whether the corporation's strategy is consistent with the policy interests of the Government and to ensure that there will be no surprises when capital and operating budgets come to the minister for approval. The consultation engendered by the preparation and presentation of the Corporate Strategic Plan in no way constitutes an invasion of the prerogatives of the board; but at the same time, consultation keeps the minister sufficiently informed to enable him to carry his responsibilities for the corporation when the occasion demands, and to ensure that he has a full understanding of the corporation's performance and its outlook. We recommend that

19.3 the chief executive officer be responsible for preparing a *Corporate Strategic Plan* for the approval of the board and for the information of the designated minister.

Adoption of this recommendation would be a departure from current practice, but the existence of this instrument should put in proper context the second instrument, the ministerial directive, which is also a major proposal contained in the Blue Paper. The power of directive is not new; Petro-Canada and Air Canada, for example, have provisions in their constituent acts that accord this power to the Government. What is new, and a matter upon which a number of Crown corporations have registered their concern with us, is the proposal to apply the power to all such corporations.

The rationale upon which the directive power is based is that Crown corporations are instruments of national purpose and that the interpretation of national purpose, in the context of each corporation's specific mandate, must, in the last analysis, rest with the Government, which is responsible to Parliament for its decisions in this regard. We do not dispute this contention; however, we believe that the power of directive is essentially an instrument of last resort to be used sparingly by Government and subject to clearly defined constraints.

The adoption of the corporate planning process we have recommended should open the door to communication and consultation between corporation and Government. This process, when formally established and fully understood by both parties, should head off the need to resort to directives. A directive is more likely to be issued at the request of the corporation rather than come as an arbitrary thunderbolt from the Government.

We are disposed to this view by two considerations. The first is that the over-riding duty of directors of *Crown Corporations*, like that of directors in the private sector, must be to act in the best interests of the corporation. Here we differ fundamentally from the position put forward by the Government in the Blue Paper. The Government's proposal is that the directors of Crown corporations act first "in the best interests of Canada", and secondarily, "in the best interests of the Crown corporation . . . insofar as [they are] not incompatible with the best interests of Canada". We do not agree that the duties of directors of Crown corporations can be different from those that the *Canada Business Corporations Act* sets down in Section 117 for other directors. That section states that "every director and officer of a corporation, in exercising his powers and discharging his duties shall (a) act honestly and in good faith with a view to the *best interest of the corporation*; and (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances."* However, because Crown corporations exist to serve broad public purposes and the national interest, Parliament, but more usually ministers acting with Parliament's confidence, may have national interest objectives which they wish to superimpose on those of the corporation. These national interest objectives must be taken into consideration by the directors of *Crown Corporations* when these objectives are clearly identified and not in conflict with their legal responsibilities. If they are in conflict, however, the Government will have to decide which should prevail. In such circumstances, a board would be wise to seek a directive from the Government that at the same time would excuse the directors from liability with respect to the duties imposed on them by the *Canada Business Corporations Act*.

The second consideration which we believe would lead corporate boards to seek directives from Government relates to the

* Our emphasis.

vagueness and generality of mandates. Even if more effort is made to clarify mandates, there will inevitably be a penumbra of doubt when it comes to interpreting and refining them. As we have suggested, we believe that the existence of a corporate planning process should normally provide a means of mediating differences between the corporation and the Government as to the interpretation of mandate. In the event that such differences cannot be resolved through consultation or where the corporation is unwilling to proceed because it is not clear about the Government's policy, then again it would seem the better part of wisdom to seek clarification from the Government in the form of a directive.

In situations where the implementation of a directive by a corporation results in additional, identifiable costs, provision should be made, as the Blue Paper recommends, for fair and reasonable compensation to the corporation, subject to independent arbitration if agreement cannot be reached between the minister and the corporation.

In the final analysis, the directive power, as an instrument for making the corporation conform to the Government's definition of national purpose, is a power for the exercise of which the Government must be held accountable. To this end, directives should be approved by the Governor in Council, tabled in Parliament, and duly recorded in the annual report of the corporation.

We have noted the concern expressed to us by some Crown corporations that the power to issue directives constitutes the thin edge of the wedge of political interference with the prerogatives of the board. From the perspective we have described, with the existence of corporate planning, and with the safeguards of publicity and fair compensation where relevant, we believe that these concerns should be allayed. Indeed, rather than constituting additional exposure to interference, the directive used in the fashion we have suggested should, in fact, be a protection for the board against ad hoc or irresponsible interventions. Accordingly, we recommend that

19.4 directives issued to a *Crown Corporation* by the designated minister be subject to Governor in Council approval, be tabled forthwith in Parliament, and be duly recorded in the annual report of the corporation; and that

19.5 directives issued to a *Crown Corporation* be binding on the corporation but that they relieve the directors of their

responsibility in the matter, and that, where directives result in additional costs to the corporation, compensation on an agreed or independently arbitrated basis be awarded.

Control We indicated in a previous chapter that it is the element of control in an accountability régime for *Crown Corporations* that is most likely to violate the autonomy of such organizations and raise the risk of undermining the reason for their existence. We also observed that control exercised by the Government over the continuing operations of the corporation should be minimized if the full benefits of delegating the care and management of an enterprise to a corporate board are to be realized. We have concluded that with fuller attention paid to formulating and clarifying mandate and with proper use of the control instruments, the Corporate Strategic Plan and the ministerial directive, the need for detailed control over on-going operations should be minimized.

This suggestion of a "hands-off" posture towards *Crown Corporations* does not mean that Government is deprived of all instruments of control. Indeed, the Government's undisputed right to appoint and replace members of corporate boards is possibly its strongest instrument, and when used wisely it can reduce the need to use other controls that might constitute serious invasions of the powers delegated to boards.

The appointment power vested in the Government is consistent with its role as shareholder/owner. As we explained in our introductory comments to this chapter, if Government is to rely on the corporate form of organization as a means of bringing special talent and skills to the service of the public interest, it will have to place genuine trust in the boards of directors. This trust cannot be established or maintained unless care is taken in selecting directors; without it, government will eventually abrogate the delegation of powers to boards by introducing detailed controls. At that point, one could genuinely question the wisdom of resorting to the corporate form.

Only through the selection of board members with a variety of experience, background, and outstanding competence, and reflecting the interests of differing constituencies, will the board form approach its potential as a source of responsive guidance and sound managerial direction. Nevertheless, with respect to the

corporation, board members should represent no other interests than those of the corporation itself.

This raises the question of the appointment of public servants to boards of directors. While in some cases the practice may prove workable, there are serious limitations. We find it difficult, for example, to see how a senior official from a central agency can serve on the board of commercial *Crown Corporation* when he must also serve in his own departmental capacity as adviser on financial and operating decisions that involve the corporation. We also find unacceptable the concept of the ex officio director, that is, the non-responsible watchdog. All directors must be of equal status; they must vote, abstain when conflicts of interest exist, and protect the confidences of the corporation. To the extent that public servants can carry out the full responsibilities and assume the accompanying liabilities of board members, we cannot question their appointment; but in fact, this is seldom likely to be the case and it therefore remains a serious issue in the proper functioning and accountability of boards. Finally, as is the practice in the private sector, we endorse a board comprising a majority of non-management members, with only the chairman, chief executive officer and possibly one additional officer appointed to the board.

We believe the chairman of the board should provide the formal link between the board and the designated minister. Consistent with the responsibilities of the board to the minister and the Government and the fact that the corporation is wholly owned by the Crown and thus has a single effective shareholder, we fully support the traditional arrangements whereby the chairman is appointed by Governor in Council. Further, we would urge that such an appointment be made only after the board has been consulted by the designated minister. Indeed, the chairman ideally should be selected from among the incumbent members of the board of directors in order to ensure that he has prior knowledge of the workings of the corporation over whose board he is being called upon to preside. We also feel that the responsibilities of a chairman, which include liaising with the Government and Parliament, dealing with matters of mandate, the corporate plan, and reporting, as well as running an effective board with its important committee responsibilities, are separate and distinct from the responsibilities of a chief executive officer, particularly in the major *Crown Corporations*. Therefore, with regard to the appoint-

ment of directors and chairmen of the boards of *Crown Corporations* we recommend that

19.6 directors of *Crown Corporations* be appointed for three year staggered terms by the Governor in Council on the recommendation of the designated minister, after consultation with the chairman of the board of directors; and that

19.7 the chairman of the board of directors of a *Crown Corporation* be appointed by the Governor in Council after consultation with the board.

These recommendations do not represent a departure, apart from the more formal involvement of the board in the selection of the chairman and a clarification of the role of chairman with respect to the composition and management of the board. What is new is that we have deliberately omitted the appointment of the chief executive officer by the Government. Just as we feel that the Government must use the instrument of appointment to control the composition of a board of directors and declare who shall be its chairman, so we believe that the board of directors should use the instrument of appointment of the chief executive officer to manifest its responsibility for the care and management of the corporation. One of the most important responsibilities of the board is to put management in place, monitor and support management's performance, and to change management when required. If the integrity of the board's responsibilities in these areas is to be preserved, then they should not be shared. In turn, management must be made responsible and accountable to the board of directors.

We believe that by placing the effective power to appoint and remove the chief executive officer in the hands of the board of directors, we would be imposing a responsibility on the board completely in keeping with the delegation of care and management of the corporation to it. At the same time, this arrangement would clarify the accountability of managers, through the chief executive officer, to the board, a hitherto hazy area. While acknowledging the novelty of this proposal, we emphasize that it is a logical outcome of our stated intention to treat the corporate board seriously and to "confide liberally" to it. We therefore recommend that

19.8 subject to confirmation by the Governor in Council on the recommendation of the designated minister, the chief executive officer of a *Crown Corporation* be appointed and removed by the board of directors of the corporation; and that

19.9 the president of a *Crown Corporation* be chief executive officer, and that his remuneration, together with that of the chairman of the board, be fixed by the board of directors within ranges approved by the Governor in Council, such ranges to be determined on the recommendation of independent advisers.

While the exercise by Government of the power to appoint chairmen and directors of corporate boards is the most direct and most potent control over *Crown Corporations*, control in other significant areas is exercised through approval procedures. These procedures are invoked in respect of budgets, both capital and operating, bylaws, corporate policies, and codes of conduct. They are not invoked with respect to the management of the personnel of a *Crown Corporation* for each corporation is, or should be, an independent employer. Its employees, for purposes of collective bargaining, are, or should be, subject to the requirements of the *Canada Labour Code*.

The method by which capital and operating budgets of Crown corporations are dealt with touches a sensitive area, because the corporation's need for autonomy may have to be seriously compromised by the Government's responsibility for the Fiscal Plan and related expenditure ceilings. Moreover, whenever a corporation seeks appropriations, either for capital or operating purposes, it must inevitably be drawn into the parliamentary arena where it is necessarily represented by the Government.

Capital Budgets The capital budget is the focus of the decision-making process by which the use of productive assets is planned, analyzed, and eventually developed. Capital investment decisions involve the commitment of present funds in expectation of future returns. The essence of capital budgeting lies in determining how much will be spent and for what purposes. For several of the major commercially-oriented *Crown Corporations*, decisions may involve substantial capital commitments, such as the acquisition of rolling stock by Canadian National, new aircraft by Air Canada, or refining capacity for Eldorado Nuclear.

The capital required by *Crown Corporations* for such purposes may be provided by loans or advances from the government, external borrowing on the capital market, or by appropriations from the Consolidated Revenue Fund. No matter which mode of financing is used, each represents an obligation on the public purse. For this reason, all Crown corporations are now required to submit their capital budgets to the Government for approval.

Since capital budgets provide both an overview and supporting detail, in financial terms, of the major plans and strategies of Crown corporations, the Government, in reviewing and approving them, is given an opportunity to inform itself on such matters as investment and financing policy, and the policy concerning the use of revenues. The approval process has thus become the Government's major method of influencing the directions taken by corporations.

It should be recognized, however, that the capital budgeting process is a blunt and rather inappropriate instrument for ensuring control over the policy direction of Crown corporations. As the complicated procedure for reviewing and approving capital budgets proceeds, many parts of the system become involved and we have heard numerous expressions of dissatisfaction and frustration from both government and Crown corporation officials. On the government side there is dissatisfaction with the form and content of the capital budgets presented for consideration and approval. On the corporation side, there is frustration with the delays encountered in securing approval at so many levels, and a sense that the involvement of these "external" examiners leads to an undue intrusion on the prerogatives of the boards of directors.

We can understand government dissatisfaction with the present form and content of capital budgets, but we do not agree with the solution recommended in the Blue Paper, that the Treasury Board lay down a standard format for capital budgets. Once again, we believe that this is a matter that is squarely within the responsibilities of boards of directors. In any case, a standard format for capital budgets, where the variety of corporate undertakings is so great, would seem to be undesirable. We agree that current concern over the quality of budgeting information is valid; however, we believe that the best stimulus to improvement lies in imposing on the board of directors the responsibility for determining the quality and content of budgetary information in accord-

ance with the highest standards observed by similar enterprises in the same sector of the economy.

The frustration with the approval process expressed by Crown corporations is a problem to which there is no easy solution. In the first instance, the capital budget prepared by the chief executive officer in accordance with the Corporate Strategic Plan should be reviewed and approved by the board of directors and then submitted to the designated minister for his scrutiny and approval. There can be no escape from this minimal approval procedure; the minister is more than an intermediary through whom the corporation reports to Parliament. He must be in a position to answer for the direction being taken by *Crown Corporations* within his portfolio and to assure Parliament that the plans and projects being underwritten by the capital budget have met with his approval.

Beyond the approval of the minister, all capital budgets of *Crown Corporations* should be approved by the Minister of Finance, acting, in one sense, as the banker for the corporations, and, in a larger sense, in conformity with his responsibility for fiscal management. In addition, where capital budgets entail an appropriation, we see the need also for approval by the Board of Management because of its responsibility for preparing the Consolidated Estimates for presentation to Cabinet and ultimately to Parliament for scrutiny and approval.

Operating Budgets Operating budgets of *Crown Corporations* are met either out of revenues generated by the enterprise or, more usually, out of a mixture of internally generated revenues and appropriations. For *Crown Corporations* that are financially self-sufficient and regularly operate without appropriations, the approval process should be relatively straightforward. The board's responsibility for the care and management of the corporation carries with it the responsibility for seeing that the chief executive officer prepares the operating budget, and for approving it as the framework within which responsibilities are assigned, goals set, and performance monitored under the direction of the chief executive officer. In this situation, operating budgets should be transmitted to the designated minister for his information.

In the more common situation where *Crown Corporations* are dependent, at least in part, on appropriations, the operating budget prepared by the chief executive officer and approved by the board would have to go to the minister for his approval and signature.

Although the funds to cover these budgets may not be part of the appropriations intended for his department, it is still the responsibility of the designated minister to present these requests to Parliament. Further, since final responsibility for the Consolidated Estimates rests with the Board of Management, its approval must be secured before Governor in Council approval and tabling in the legislature. Should significant changes in the original budget require additional funding through supplementary estimates, the same approval process would apply.

In essence, this description of the approval process for capital and operating budgets of *Crown Corporations* conforms with that contained in the Government's Blue Paper, with the exception that we would assign responsibility for the format and contents of both budgets to individual boards of directors, rather than to a central agency. We believe that this arrangement will produce the needed improvements, yet leave each board a degree of freedom to develop budget presentations that are up to the highest standards appropriate to their particular enterprise.

We recognize that for all *Crown Corporations*, save for the few that are totally self-sufficient in meeting their operational needs, the process for approving operating budgets is in no way different from that proposed for departments. We admit that retention of the somewhat cumbersome and extended approval procedure runs the risk of doing violence to the autonomy of the board. We see two factors, however, that should go some way toward lessening this risk. First, by giving responsibility to the board for budget format and contents, (and all that this implies, including the development of the corporation's form of accounts, internal audit, and the like) we believe that approval should not have to descend to the level of detail that has characterized the departmental budget process in the past. The second mitigating factor derives from what we have recommended with respect to improving the budgeting exercise of departments. Because they will be operating within expenditure ceilings, couched in terms of strategic plans, they will be relieved of the detailed interference in their budget plans to which they are now subjected. Just as our recommendations are designed to liberate departmental managers and at the same time make them more accountable, corporate boards, already ostensibly vested with this freedom to manage, must be made responsible and accountable. Otherwise, every new control from the centre constitutes in effect a withdrawal of the

responsibility vested in the agency and lessens the accountability that can be exacted.

The following recommendations summarize the main features of the budgetary approval process we have elaborated. We recommend that

19.10 the board of directors of a *Crown Corporation* be responsible for establishing the form and contents of the capital and operating budgets based on the highest accepted standards; that

19.11 the capital budget, when appropriations are not required, be approved by the board of directors, submitted to the designated minister and the Minister of Finance for review and approval, and thereafter be submitted to the Governor in Council for approval and subsequent tabling in Parliament at the same time as the Estimates; that

19.12 the capital budget, when appropriations are required, be approved by the board of directors, submitted to the designated minister, the Minister of Finance, and the Board of Management for review and approval, and thereafter be submitted to the Governor in Council for approval and subsequent tabling in Parliament with the Estimates; that

19.13 the operating budget, when appropriations are not required, be approved by the board of directors, be presented to the designated minister for information, and be assigned to the chief executive officer for implementation; and that

19.14 the operating budget, when appropriations are required, be approved by the board of directors, and forwarded to the designated minister for his approval and subsequent transmission to the Board of Management and the Governor in Council for their approval prior to tabling in Parliament, and that all approval procedures be completed before the budget is assigned to the chief executive officer for implementation.

Less salient than the control exercised by the Government through its power to appoint and remove members of boards of directors and to approve budgets, are the powers that the Government possesses with respect to bylaws, corporate policies, and codes of conduct.

The constituent acts of many *Crown Corporations* as well as the *Canada Business Corporations Act* assign the board the power to make bylaws that establish the general approach to carrying out corporate functions. At present, the arrangements by which the Government approves bylaws are inconsistent. In the case of several corporations, including Air Canada, the Federal Business Development Bank, and Petro-Canada, the ultimate authority for the approval of bylaws rests with the Governor in Council. For some corporations this authority is vested in the board or, effectively, in the minister. Because some bylaws give further definition to the mandate and powers of the corporation, the bylaws of *Crown Corporations*, once approved by the board of directors, should be submitted through the minister for Governor in Council approval. Any requirement that such bylaws cannot take effect until such approval is granted is, however, too restrictive, and we propose that bylaws take effect once approved by the board, subject to subsequent ratification by the Governor in Council. This approach is in accordance with the *Canada Business Corporations Act* and allows the corporation to get on with the business at hand without impairing the Government's ability to approve or disapprove. We recommend that

19.15 *Crown Corporation* bylaws take effect on approval by the board of directors, but that they require subsequent ratification by the Governor in Council and tabling in Parliament.

Corporate policies are a guide to action in carrying out the strategic plans of a company. In fact, policies carefully geared to strategy facilitate delegation because they provide people in an organization with an essential understanding of what their actions should be in prescribed circumstances and of what constraints are placed on those actions. Corporate policies can interpret the mandate, establish goals, and provide a wide frame of reference for decision-making and planning. The development of corporate policies should command significant time and attention of senior managers and the board of directors. The chief executive officer should develop policy proposals for review and approval by the board of directors and a policy manual should be maintained.

Questions surrounding the appropriateness and applicability of corporate codes of conduct have been raised as a result of the

recent investigations by the Public Accounts Committee into the international activities of Polysar and AECL. The widely accepted conclusion, which we endorse, is that explicit and up-to-date codes need to be established by the boards of directors of *Crown Corporations*. These codes should establish policy for such matters as the method of making payments; the recording of transactions; contributions, gifts and the provision of free services; the use and control of agency arrangements, including authority for payments to agents; and, compliance with the laws of other countries. Such codes should be developed within each Corporation to meet its particular requirements and should contain provisions to ensure audit and compliance. The minister should receive a copy and should be able to request, in writing, that the board make changes in the code if they are not in accordance with stated Government policy. Once accepted by the board, application of the code, including changes proposed by the minister, should become the responsibility of the board. We recommend that

19.16 codes of conduct and a system of compliance be prepared by *Crown Corporations*, approved by the board of directors, and agreed with the minister, and that monitoring of compliance be the responsibility of the board.

Reporting and Evaluation This fourth element provides the final link in the chain of accountability. No matter who is to perform the evaluation function, it is clear that evaluation will only be meaningful if it is based on full and comprehensive reports.

The conventional form of evaluation is through a process of audit which has internal and external components. Internally, as an important part of the responsibility of the directors for the care and management of the corporation, the board should have approved its own accounts and accounting procedures consistent with the best practices prevailing in the sector in which their corporation participates. The Blue Paper has suggested that accounting practices should be decided by the directors but approved by the Treasury Board. We believe that it would be preferable to leave this matter to the board of directors, relying on the standards of the Canadian Institute of Chartered Accountants and the board members' own knowledge of accounting principles and practices. In this area there is a current ferment of interest among accounting professionals concerning improvements, par-

ticularly as they relate to adequate disclosure. Some of these are already being put in place as a result of requirements imposed by securities commissions and other regulatory agencies. With these external pressures, and the added pressure that the Auditor General can assert in commenting on the appropriateness of the accounting practices followed, we feel that the necessary improvements will be made.

Most boards of *Crown Corporations* have appointed audit committees made up of outside directors. This practice should apply to all and we therefore recommend, with respect to internal audit, that

19.17 all *Crown Corporations* appoint audit committees made up of outside directors.

For many *Crown Corporations* the external auditor is the Auditor General who is usually named in the constituent act. In other cases, such as for organizations incorporated under letters patent or for which the Governor in Council is the appointing authority, either the Auditor General or an outside firm may be selected. There is a unique provision in the constituent act of the Canadian National Railways, for Parliament to name the external auditor. Some of the other major *Crown Corporations*, such as Air Canada and the Federal Business Development Bank, employ private accounting firms to audit their operations.

In testimony before us, officers of *Crown Corporations* have pointed to the value that accrues to them of having auditors who have experience with, and exposure to, related ventures that they also audit. We have been impressed with this view and find no reason to propose any alteration in current arrangements other than the need to recognize, where it is not now provided, the authority of the Governor in Council to appoint the external auditor, on the recommendation of the board of directors.

The relationship of the external auditor to the internal audit should be clearly formulated. The external auditor should be informed of all audit committee meetings and should have the right to attend. He should also be empowered to call a meeting of the committee, and should report directly to the board of directors or to the designated minister on any significant unresolved issues. In those cases where the Auditor General is not the external auditor, there are sound precedents in the private sector that would

give him access to the reports of outside auditors. In the private sector, when a holding company and its subsidiaries employ different auditors, the parent company's auditor has access to the reports of the subsidiary's auditor. The same arrangement should prevail with respect to the Auditor General, and his staff should be able to meet with the outside auditors of a corporation to discuss any pertinent issues that might arise. In this connection, while we are not unsympathetic to the Auditor General's views on comprehensive auditing, we feel that, until there has been more experience with this relatively new approach, the standards of auditing within and for *Crown Corporations* should be comparable to those in enterprises with which they compete. With respect to the external audit, therefore, we recommend that

19.18 the Governor in Council appoint the external auditor on the recommendation of the board of directors, except where the auditor is already named in constituent legislation; and,

19.19 the Auditor General, where he is not named as the external auditor, have access to the audit reports of outside auditors of *Crown Corporations*.

While the process of auditing and the reports to which it gives rise are important contributions to the accounting of *Crown Corporations*, there is still to be considered a broader form of reporting and evaluation which also has both internal and external implications. We refer to the constant flow of communication within a corporation that enables the board of directors to fulfil its care and management functions in accordance with its mandate. The board should receive monthly financial statements that indicate the status of the corporation with respect to key budget indicators and that comment on major activities and significant deviations from the corporate plan. The board should expect to receive exception reports when unexpected events occur that may impinge on the performance of the corporation. Matters of substance arising from these reports should be brought to the attention of the board of directors and the designated minister. Neither he nor the board should have to live with surprises.

Provision exists in most constituent acts for the designated minister to request reports at his discretion. We believe that as trustee shareholder he should receive quarterly financial state-

ments from the *Crown Corporations* in his portfolio. We do not agree with the Blue Book proposal that the Treasury Board establish the standards for these reports or for the annual reports of Crown corporations. The chief executive officer should be responsible for preparing such statements under reporting standards set by the board of directors. We believe that this procedure is consistent with the responsibility imposed upon the board of directors for the financial integrity of the corporation. If those reviewing the reports find they are inadequate, a board of directors that wilfully refused to disclose required information would be derelict in its duties.

The annual report of a *Crown Corporation* should provide the crowning piece to an accountability régime. Indeed, under requirements of their constituent legislation or the *Canada Business Corporations Act*, all *Crown Corporations* must submit annual reports through their designated minister for tabling in Parliament. In a few cases, as with deHavilland and Canadair, which were purchased by the Government as on-going entities, such a provision may be absent. We would urge that reporting requirements be consistent for all *Crown Corporations*.

Establishing a legal requirement for an annual report does not, in itself, obviate the criticism that many reports fail to meet an acceptable private sector standard, let alone a standard that should be a model for the private sector. We do not believe that the standards of reporting can be improved by central agency fiat, although consultation between the board and central agency on this matter is clearly warranted. Again, to be consistent with the responsibilities imposed on the board of directors, the annual report should be a matter of high priority for the board. It should be through the quality and contents of the annual report that a board's performance is judged, both internally by Government and externally by Parliament and the public. In the end it is the persuasive power of disclosure and publicity that forces a responsible body to pay attention; and paying attention, as we have argued, is the attitude that a régime of accountability is designed to foster.

The annual report, prepared by the chief executive officer and approved by the board of directors, should go to the minister for tabling in Parliament, as is now the general practice. In addition to the auditor's statement, prepared in accordance with the standards of the Canadian Institute of Chartered Accountants, the report

should include a brief version of the Corporate Strategic Plan, an indication of any directives that have been issued, together with a full disclosure of current activities and their relation to, or deviation from, the plan.

We have previously noted that many *Crown Corporations* have subsidiaries and their proliferation has necessitated an anxious hunt through the underbrush, on the part of the Treasury Board Secretariat, to bring them to light. In addition to our earlier recommendation that bears on the legal basis for creating such subsidiaries, we recommend that

19.20 every subsidiary be listed with its parent in the *Crown Corporations* category, and that the financial statements of all subsidiaries on both a consolidated and unconsolidated basis be included in the parent corporation's annual report.

The annual report, with the amplified disclosure of information we have proposed, would become a more meaningful basis for evaluating the performance of the corporation. For the designated minister, the report, together with the Corporate Strategic Plan, which would have been previously submitted to him, the capital and operating budgets, the quarterly financial statements, and other special reports, should place him in a position to be fully apprised of the corporation's operations, their consistency with Government policy, and their relation to the Government's financial position. Surely a minister, and a Government, need no more upon which to base their judgements about the performance of the board of directors and the officers of a corporation. Receipt of the annual report by the minister should provide him with an opportunity to meet with the board and the chief executive officer, to review the performance of the corporation and to raise questions about its corporate plans, its strategy, and its general financial status. This formal two-way interchange should not be perfunctory, but should be approached by the minister and his officials, as well as by the board of directors, as seriously as a student should confront his final examinations.

In the final analysis, the annual report of a *Crown Corporation* is a public document; it is tabled in Parliament. We suggest that in a few instances there might be merit in the corporation convening a public, annual general meeting at the time of tabling

the annual report. Both the corporation and the interested public could well benefit from a meeting held in an atmosphere of openness and realistic accounting.

It is within Parliament, however, the ultimate guardian of the public purse, that the annual reports of *Crown Corporations* should take on more meaning. In the vernacular of the House of Commons a report "lies on the table" and unfortunately this expression conveys quite literally what normally happens to such reports: they just lie there.

We have argued for a more direct reporting relationship between the chief administrative officers of departments and Parliament, and particularly its Public Accounts Committee, and we believe that the same opportunities should be afforded *Crown Corporations*. An annual report, re-cast and amplified in the ways we have recommended, should be the basis upon which both the Public Accounts Committee and the relevant standing committees of the House of Commons call the corporation and the designated ministers to account for their respective responsibilities. In Part V we examine the ways in which Parliament can be restored to its rightful position at the end of this accountability chain.

When, at the outset, we dealt with mandates for *Crown Corporations* we indicated the role Parliament should play in the establishment of corporate bodies. Coming full circle, we visualize Parliament being given the opportunity to review these mandates, in much the same fashion as we have proposed for the *Independent Deciding and Advisory Bodies*. We believe it should be a duty, statutorily imposed on the designated minister, to bring forward at least once every ten years, a report on each of the *Crown Corporations* within his portfolio. His report would constitute the basis upon which a parliamentary committee would undertake a thorough re-appraisal of the mandate and explore the possibility that the mandate needed amendment, or, indeed, that the agency could be phased out. We recommend, therefore, that

19.21 the designated minister be required to undertake a review of the mandate and operations of *Crown Corporations* not less than once every ten years and further that the results of such reviews be tabled in Parliament and referred automatically for study and appropriate action to the relevant standing committee.

The accountability régime that we have developed for *Crown Corporations* is focussed in the board of directors. Corporate boards in both the private and public sectors have recently been subject to criticism for their inability to provide an active counter-balance to management or an effective source of counsel for managers. Boards today, both on their own initiative and in response to external requirements, are taking on a new independence and a positive role in the guidance and monitoring of corporate performance. We consider that the trust placed in boards by our recommendations is in line with this trend and should encourage the appointment of individuals of established capacity and competence to them.

Nevertheless, the delegation of powers that flows to boards of directors as a result of this trust will always be subject to withdrawal by Government if there are indications that the trust is misplaced. Accordingly, Government must have the means available to it to assure itself and the public that boards of directors are responsibly exercising the powers entrusted to them in accordance with declared public policies for which Government, in the end, must accept responsibility. That assurance, we believe, can be provided by the accountability régime for *Crown Corporations* we have described here.

SHARED ENTERPRISES AND QUASI-PUBLIC CORPORATIONS

The Treasury Board Secretariat lists of government corporations make it clear that, beyond the boundaries of the present Crown corporation schedules, there exist many corporate entities that, in the Government's view, fall under some measure of Government control. Our placement of all wholly-owned corporations in the *Crown Corporations* category takes care of some of the entities listed as "Other Government Corporations"; but even with these recommended changes in the status of wholly-owned corporations, and a number of other agencies such as the Bank of Canada and the National Farm Products Marketing Council, over one hundred corporate entities remain to be categorized. To complete our proposals concerning a management and accountability framework for Crown agencies, we must turn our attention to those corporate entities listed by Treasury Board Secretariat as "Other Government Corporations", "Mixed Enterprises", and "Other Entities and Associates". They constitute a mixed bag which has never been carefully sorted or classified by Government. It is our belief that most of these corporations can be included in the category *Shared Enterprises* or identified as *Quasi-public Corporations*.

Shared Enterprises include entities such as the Canada Development Corporation, Telesat Canada, and Canarctic Shipping Company Limited. The ground rules of a management and accountability relationship with the Government and Parliament for entities in this category have not been widely examined or agreed upon. *Quasi-public Corporations* are a growing collection of diverse corporate bodies that appear to be, and indeed often consider themselves to be, part of the private sector; however, these

corporations do have some connection with government. They include Hockey Canada Incorporated, National Sports and Recreation Centre Incorporated, and The Forest Engineering Research Institute of Canada.

In attempting to categorize and define appropriate accountability relationships for these two groups, we recognize that we are treading on new ground; there is little previous investigation to serve as a guide. We are endeavouring, first, to survey the borderland between the public and private sectors so as to develop a practical approach to defining more precisely which entities are Crown agencies. Then we suggest a foundation for management and accountability by proposing a classification for the group that can be identified as Crown agencies. As we suggested in Chapter 18, the creation of a new category is required. In Appendix A, the fourth category identifies *Shared Enterprises*. In the case of the entities listed as *Quasi-public Corporations*, we raise questions and make recommendations that we hope will stimulate further debate and inquiry.

Shared Enterprises

The question of the accountability of *Shared Enterprises* has not been addressed even though the shared enterprise form is by no means new. When the *Financial Administration Act* (FAA) was passed in 1951, four corporations with characteristics of shared enterprises were operating. The federal government was involved with the government of Nova Scotia in the Halifax Relief Commission, with the Alberta government in the Eastern Rockies Forest Conservation Board, the government of British Columbia in the Fraser Valley Dyking Board, and the Manitoba government in the Greater Winnipeg Dyking Board. These agencies were neither mentioned in the FAA nor included in the Schedules to it. The ties between these types of agencies and the Government and Parliament were then, and continue to be, subject to the idiosyncratic provisions of the individual constituent acts (which now include the acts of the Canada Development Corporation and Telesat Canada) or to variations in federal or provincial corporate law. The situation is unsatisfactory because nowhere are the limits of governmental activity defined, nor is there any means of ensuring

that all bodies in which government is directly participating are, in some appropriate way, accountable to the Government and to Parliament.

Shared Enterprises are joint ventures in which the Government has taken a direct equity position, large or small, in common with other investors. They have a variety of forms, depending on the identity of the other participants and the degree of government ownership. One common form involves Government purchase of equity in a private sector firm. A variation of this form, whereby Government provides part of the start-up capital, is often used where the rates of return on investment might be too low at the outset for private investors to take the initiative alone. A shared enterprise approach has also been employed to introduce private sector involvement into areas in which Government is initially active. Such is the case with Telesat Canada.

Another form of federal government participation in private sector ventures is the holding company. The largest and most complex of these at the federal level, the Canada Development Corporation, is a prominent example of this form. The Canada Development Corporation was established by statute in 1971 to encourage and maintain the development of Canadian-controlled and managed corporations in the private sector and to allow Canadians the opportunity to invest in the economic development of Canada. The Government provided the initial capital and investments; however, more than 30% of the voting stock is now held by almost 20,000 Canadians, and the Government has indicated its intention to reduce federal participation to 10%. Since 1971, the Canada Development Corporation has become a large industrial holding company with assets of \$2 billion, reflecting the Corporation's interests in a large number of foreign and domestic operating and holding corporations.

A number of *Shared Enterprises* involve equity participation of other governments. Joint ventures with other levels of government in Canada or with foreign governments have resulted in the formation of corporations to finance, co-ordinate, or operate facilities. The corporate form allows participating governments to be represented on boards of directors in keeping with the level of their involvement, permits funding from various sources, and is a useful vehicle for sharing costs and benefits. According to the Treasury Board Secretariat list, there are ten such enterprises. With the exception of the bridge authorities, most of these *Shared Enter-*

prises are projects in which the government, through the Department of Regional Economic Expansion and along with other levels of government, has taken an equity position in particular companies for the purposes of regional development. Finally, some shared enterprises involve a combination of governments and private investors. POS Pilot Plant Corporation and Consolidated Computer Incorporated are examples of enterprises in which two levels of government and private investors co-operate.

In some cases, the major shareholder might be a Crown agency (Petro-Canada owns part of Syncrude Canada and Panarctic Oils Limited) rather than a minister or the Governor in Council. We believe that such "joint venture" subsidiaries should not be categorized as *Shared Enterprises* but treated as subsidiaries or associates of their parent Crown agency. They should operate under the same accountability régime as, and be directly accountable to, the parent corporations.

In summary, *Shared Enterprises* are instruments of public policy, but in a more limited sense than wholly-owned *Crown Corporations*. The passage of a constituent act by Parliament, or the assumption of trustee shareholder status by a minister as a prelude to Government participation, are expressions of public policy that have the effect of directly delegating continuing public responsibility and power to a corporation. As a general rule, the Government assumes an important presence in any enterprise in which it shares, and establishes an enterprise through legislation only when it intends that the corporation fulfil, to some extent, a public policy function. For these reasons we believe that *Shared Enterprises* can be assumed to be Crown agencies for the purposes of classification.

There are some instances where the Government has taken a nominal shareholder interest as an investor or banker in an enterprise but has no intention of taking an active role or participating on a continuing basis. For example, the Government may take a minority equity position as an incentive to the corporation, or as collateral to secure a loan made to the corporation under a program of the Department of Regional Economic Expansion. In these cases, the intention of the Government is to become associated for a short term rather than on a continuing basis. Such corporations would not be candidates for Crown agency status.

Shared Enterprises can thus be defined as Crown agencies in which the federal government has taken a direct equity position in

common with other participants for the purposes of implementing a public policy or satisfying a public need. Because public funds are extended to these enterprises, these corporations should be identified and brought under an appropriate accountability régime. To this end, we recommend that

20.1 *Shared Enterprises* be listed as such for purposes of identification in the revised schedules to the Financial Administration Act, and that the subsidiaries of *Shared Enterprises* be directly accountable to their parent corporations and identified by and listed with their parent corporations.

The remaining enterprises, which have only an investment relationship, should be identified in the annual reports of the departments which have made the investments. The names of these organizations should also appear in the Public Accounts.

Despite the fact that the Treasury Board Secretariat lists contain 24 "mixed enterprises" in which Government has a direct controlling interest, no attempt has been made by the Government to classify them or to suggest a general framework within which they should operate. At present there is no comprehensive approach to the management and accountability of shared enterprises. Indeed, few modern industrial states have worked out a formula for mixed enterprises involving other levels of government and the private sector.

While the federal government has not explicitly laid down a régime for this type of enterprise, its general approach to them can be inferred from recent experience. The Government appears to define the Crown's position with respect to these enterprises in terms of the shareholder powers set out under the applicable provincial or federal corporate law. The Government has followed this course when it has purchased equity in an existing corporation or incorporated a new joint enterprise under provincial or federal corporate law in co-operation with private sector participants or other governments. For example, when a corporation has been incorporated under the *Canada Business Corporations Act* the designated minister as a shareholder has the same access as the other shareholders to a number of powers, including the right to confirm, reject, or amend bylaws, the election of directors, control over the compensation of directors, the appointment of the auditor, and access to the annual financial statements. However, the

CBCA does not give special status to the Government as shareholder.

Moreover, when these shared enterprises are established or continued under corporate law, Parliament has no role in their direction, control, and accountability. In addition, Parliament has no legally established access to information concerning the financial management of the enterprise or its performance other than that which is required by the *Canada Business Corporations Act*.

The Government has apparently been satisfied with the role of shareholder in most instances; however, when it has established a joint enterprise through legislation it has tended to accord itself more powers with respect to the enterprise than an ordinary shareholder would be accorded under corporation law. The *Canada Development Corporation Act* and the *Telesat Canada Act* illustrate this situation.

The Canada Development Corporation (CDC) was set up to be run like a private sector holding corporation, by a Canadian board and management, with the Government having the status of an ordinary shareholder. However, under the constituent act the Government acquired special powers deemed necessary to carry out the public policy intentions of the legislation. First, the Government defined a mandate for the corporation that qualified the pursuit of profit with national interest considerations. The Act requires that investment and other business decisions give high priority to filling gaps in the economy and otherwise benefiting the country. The attempt to fulfil both sides of this mandate could raise questions about the extent to which the other shareholders' interests are being suppressed in favour of those of the Government or the extent to which profitability and the desire to attract further private capital are being placed ahead of public interest goals. Second, by using legislation to create the CDC, the Government placed itself in the unique position of being able to initiate changes in the mandate through further legislation. Third, the enabling legislation guaranteed that the Government would always remain the largest stockholder even if its share of the voting stock sank to the minimum 10% level. No other shareholder is allowed to own more than 3%. Fourth, the Government established a minimum for the number of directors it could appoint to the board regardless of the level of its ownership share. On the basis of its repeated pledge of non-interference in the affairs of the CDC, the

Government has not voted its shares in the election of directors, despite its present overwhelming ownership position; however it has exercised its right, established in the legislation, to appoint four directors to the 21-member board. In addition, the Government reserved the power to include two public servants as ex officio board members whenever it has more than 50% of the voting shares. Finally, the Act states that Parliament must give permission before the CDC could be wound up as a corporation. Effectively, then, the Government has the power to initiate an action that is not available to the ordinary shareholder.

These rights and powers seem appropriate in view of the fact that a joint enterprise *is* a Crown agency with a public purpose, rather than a private corporation. Equally important is the manner in which these rights have been established. There is a clear difference between the Government openly taking certain responsibilities and rights to itself at the outset, as with the CDC, so that all other potential participants are aware of these rights before they purchase an equity share, and the Government later attempting to assume special privileges with respect to the enterprise.

The Government's approach to an accountability framework for mixed enterprises has thus been to accept the role of shareholder except when establishing a new enterprise through legislation. The Government appears to recognize the dangers of applying a framework based on tight controls to shared enterprises. The Blue Paper makes the following point in reference to "mixed enterprises":

In cases such as these the Government feels that it would be inappropriate to apply the financial management and control regime of the FAA lest the private participants fear that such close government scrutiny and control would adversely affect their investment and withdraw from the enterprise.

By contrast, the Auditor General and the Public Accounts Committee seem less apprehensive about increasing the Government's powers with respect to those mixed enterprises that are part of the group the Public Accounts Committee calls "government-controlled corporations". The Public Accounts Committee has, with the support of the Auditor General, looked closely at the financial management of these corporations and made a number of recommendations in two separate reports. The implementation of

these recommendations would significantly alter the Government's status as an ordinary shareholder and would change the status of joint enterprises with respect to the private sector.

One of the committee's recommendations suggests the extension of the Government's power as shareholder to ensure its adequate representation on boards of directors and audit committees. The Government would, accordingly, be given the power to require that corporations form audit committees, that a majority of the members of these committees be outside directors, that they meet at least once a year with the auditors of the corporations, and that the Auditor General have the right to attend or be represented at all audit committee meetings. Many of these proposals relate to responsibilities already vested with boards of directors under the CBCA and most of them would almost invariably be supported by board members. It would be unusual, however, and probably unwise in the case of *Shared Enterprises*, to take powers that are normally those of the board and lodge them with any one shareholder.

The Public Accounts Committee also proposes that the Government make its guidelines on commercial practices applicable to all "government-controlled corporations" and that the Government issue guidelines on the operation of foreign subsidiaries of these corporations to ensure that their practices and records come under parliamentary scrutiny. While the Government should promote the highest standards of ethical and commercial practices, this normally would be accomplished through governmental representation on boards of directors. If satisfaction is not obtained at the board level, shareholders, including the Government, have recourse to law.

While the Government's approach to the management and accountability of mixed or shared enterprises has been developing along appropriate lines, its application is inconsistent. Moreover, an appropriate mechanism for reporting to Parliament is absent. It is evident from the Blue Paper that the Government has a clear interest in remedying the situation.

A considerable body of legislation exists with respect to shareholder rights. Except where special circumstances dictate or agreement is obtained at the time of incorporation or original involvement, the Government should not seek a privileged position over other shareholders. With respect to the basic principles that

should underlie the accountability relationship between the Government and *Shared Enterprises*, we recommend that

20.2 accountability with respect to the delegated public responsibility of *Shared Enterprises* normally be subject to appropriate federal or provincial corporate law, and, in addition, that provision be made for appropriate reporting and disclosure to Parliament; that

20.3 the designated minister as trustee shareholder for the Crown accept the rights and responsibilities of any shareholder under the applicable corporate law, except where those rights and responsibilities have been clearly modified by a specific constituent act; and that

20.4 the designated minister be the accountability link between a *Shared Enterprise* and Parliament.

The acceptance of these basic principles would have a number of implications for the relationship of *Shared Enterprises* with Parliament and the Government. Through the provisions of a constituent act or the applicable corporate law several elements of accountability, which apply to all Crown agencies, should be built into this relationship.

Mandate *Shared Enterprises* should normally be established under corporate law on the initiative of either the federal or other governments. The use of a constituent act should be reserved for special circumstances such as the establishment of a major holding company. The mandate of the enterprise should be agreed upon by the shareholders and set out in the articles of incorporation or the constituent act.

Direction The board of directors or the equivalent controlling body should be charged with the management and direction of a *Shared Enterprise* within the boundaries of the corporation's mandate and in accordance with appropriate corporation law. Board members owe their primary duty of care to the corporation and must act in the best interest of all shareholders.

The designated minister, as trustee shareholder, should exercise no special powers with respect to the planning, policy-making, or budgeting processes of a *Shared Enterprise*. If the Government seeks special rights beyond those available to an ordinary shareholder with respect to the appointment of directors, these should be spelled out in the constituent act. Where there are public

servants on the boards of *Shared Enterprises* they should be full directors and must accept the same responsibilities as any other director.

Control *Shared Enterprises* should follow accepted private sector management standards and practices in all areas, including budgeting, accounting, auditing, cash management, financing, "insider" classification and reporting, confidentiality, and conflict of interest requirements. The Government has an obligation to ensure adherence to its standards of commercial and ethical practice by *Shared Enterprises* through its representation on the board.

Evaluation and Reporting *Shared Enterprises* can be evaluated by the Government on the basis of the financial reports made available to all shareholders under the disclosure standards of the appropriate corporation law. The designated minister should not be accorded any special rights to supplementary information relating to the operations of the enterprise. The designated minister should lay the annual report of the enterprise before Parliament and, in addition, report on any other matters such as material changes in objectives, important acquisitions, and reports on major subsidiaries. All shareholders are entitled to information of this kind.

Quasi-public Corporations

In recent years the Government has become involved with several corporate entities that we refer to as *Quasi-public Corporations*. These are generally non-profit corporations, sponsored or promoted by the Government at the outset, and relating to the Government in a confusing variety of formal and informal ways. With most of them, the Government would appear to have no legal relationship flowing from the act of incorporation itself. These corporations include Hockey Canada Inc., the National Sports and Recreation Centre Inc., the Queen Elizabeth II Canadian Fund to Aid in Research on the Diseases of Children, and The Forest Engineering Research Institute of Canada.

We have taken an interest in these entities because they are on the edge of the public sector and because their existence raises questions of performance and accountability. A number of these

organizations are identified with government by being included in the Treasury Board Secretariat's list under "Other Government Corporations" and "Other Entities and Associates". The Government should, therefore, recognize and deal with the nature of this relationship.

While we did not make an in-depth study of this group of corporations, our efforts to determine their status led us to make some observations. The first significant characteristic of most of these entities is the Government's role in their formation, and the degree of responsibility for their performance that this role implies. The Government has sponsored the creation of this type of corporation by bringing together a group of interested citizens or corporations to form a non-profit corporation, with governmental support and with or without governmental financial participation, under Part II of the *Canada Corporations Act*. The purpose of forming such a corporation would be to achieve a goal that until that time had been largely, if not exclusively, a private sector responsibility. The pursuit of the particular objective takes on a public character by virtue of the Government's sponsorship and its financial support after incorporation. With the exception of the Queen Elizabeth II Canadian Fund, which was established by an act of Parliament, the Government is not legally involved in the corporations we examined. Nevertheless, Government sponsorship and support carry a degree of implicit responsibility.

The Government has the power to name members to the boards of directors of these corporations; in the case of the National Sports and Recreation Centre Inc., the Government names a majority of the board members. This gives the Government an effective voice in the establishment of policy within these corporations. While senior public servants from interested government departments serve as board members, the sponsoring minister is not usually a member of the corporation or of the board; however, ministers have sometimes intervened in the direction of a corporation, and have even attended board meetings as arbitrators on policy questions.

The funding relationship between the Government and these corporations also varies. For some, like the Vanier Institute of the Family, an initial capital endowment is made. Funding can also take the form of annual grants, annual matching grants tied to contributions and loans. All these approaches differ from the traditional method of funding private sector groups through a

contract. The Government may have the authority to audit the books of the corporation as part of the funding relationship, but there does not seem to be a consistent pattern of monitoring or auditing.

The final noteworthy feature of the relationship between the Government and these corporations is the absence of any formal accountability linkage. Board members of these corporations, again excepting the Queen Elizabeth II Canadian Fund, are obligated only by the requirements of the particular law of incorporation. Where there are Government appointees on the board, the Government may receive an accounting from them; but this does not appear to have been interpreted as a responsibility of these appointees or as an accountability linkage. In addition, except for the budgetary items in the Estimates of the sponsoring department, Parliament receives no information beyond what the minister chooses to provide concerning the operation of these *Quasi-public Corporations*.

We say again that when the Government moves to sponsor or encourage the creation of a public activity, it is openly associating itself with the undertaking and must recognize that it is assuming a measure of responsibility for the efficient and effective performance of the organization. We recommend, therefore, that

20.5 the annual reports of *Quasi-public Corporations* that receive grants or contributions from the Government be tabled each year at the same time as the tabling of the Estimates; and that

20.6 the Government undertake to hold the officers of *Quasi-public Corporations* accountable in a manner commensurate with the degree of governmental sponsorship or encouragement of those corporations.

We are persuaded that there is a need for the accountability relationships and disclosure standards of these *Quasi-public Corporations* to be examined thoroughly. A starting point for such an examination should be the compilation of a complete list of these entities. The beginnings of such a list are set out in Appendix A.

PART V

**ACCOUNTABILITY
TO PARLIAMENT:
CLOSING THE LOOP**

RIGHTS AND RESPONSIBILITIES

Introduction

Accountability is the working principle of our parliamentary system and a process whose effective functioning is essential to our democratic government. The reality of that system is expressed through universal suffrage and popular representation in Parliament. Therefore, we have chosen to end our Report with our conclusions about Parliament's role in the accountability process, for it is in that institution, as our mandate foresaw, that accountability culminates. In terms that we have already used, effective accountability demands that evaluation of all aspects of programs begin by Parliament requiring clear identification of tasks and goals and end by a full accounting to Parliament for results achieved.

While Parliament consists of two chambers, the Senate and the House of Commons, our constitution requires that money bills, whether relating to Ways and Means—the raising of revenues, or to Supply—their expenditure, originate in the House of Commons. It is for this reason that our recommendations, which concentrate on the accounting owed to Parliament in exchange for the granting of taxation and spending authority, emphasize the role of the House of Commons in the scrutiny of public expenditure. This does not in any sense detract from the Senate whose role we acknowledge and commend. We note, for example, the role played by the Standing Senate Committee on National Finance in recent years in reviewing departmental programs. We hope that the excellent work of this and other committees will continue to supplement and complement the more vigorous role we envisage for the House of Commons. Our primary focus, however, remains the House of Commons because it is the forum in which the

Government presents its plans and requests resources and where ministers of the Crown are ultimately called to account.

Parliament has three tasks to perform, to legislate, to grant supply and authorize the levying of taxes, and, ultimately, to support or replace the Ministry. Normally it performs these tasks by granting, or refusing, assent, after a process of public scrutiny and debate, to measures proposed by the Government. However, responsibility for governing the country is vested not in Parliament but in ministers of the Crown. Parliament's responsibility, which is of no less importance, is the continuous scrutiny that it is empowered to maintain over the Government's implementation of the measures to which Parliament has given assent. This aspect of Parliament's role is widely misunderstood. The misunderstanding arises from the belief that Parliament has, or ought to have, a much greater voice in framing the measures put to it by the Government. The gap between what much of the public expects of Parliament and what it really can and ought to do could lead to serious questioning of its value and purpose.

In the centuries-long history of relations between Governments and Parliaments, the balance of power has shifted several times. The popular perception of Parliament is in many ways still based on the situation which prevailed in the mid-nineteenth century, when Parliament was relatively much stronger in its dealings with the Government than it is today. The evolution of disciplined political parties has lifted from the Government the burden of having to cajole its putative supporters into voting for its measures. This means that the relationship is so unequal that the principles of responsible government, while still generally accepted, are in danger of becoming irrelevant to the actual situation. At the same time, the Government's ability to build and defend strong policy positions has been greatly enhanced by the growth of the public service. To use traditional language, the Crown is assisted in what is now only a sporadic struggle with Parliament by the research and policy-making expertise of thousands of civil servants.

In periods of majority government the struggle is not between Government and Parliament as a whole, but between the majority of MPs who support the Government, and the minority who oppose it. The frequent result is that debate on the merits of issues is relegated to a position of secondary importance. Moreover, the situation profoundly affects how well the Government must

account to Parliament and its committees in exchange for the granting of supply and continuing support. Minority Governments must be somewhat more responsive to the wishes of Parliament, but even when dealing with such Governments, Parliament has not been noticeably more successful in obtaining an adequate accounting.

The key to Parliament's role as a body to which accountability is owed for the administration of government has always been the need for Parliament's approval of government expenditure and its power to review that expenditure. Parliament's ability to undertake this task, both at the time expenditure is proposed and after it has been made, must be reinforced and improved. However, such bolstering of Parliamentary resolve will require changes in organization and procedure, and, above all, in the attitudes of the participants. It will also require the explicit recognition and formalization of certain reporting relationships that already exist between public servants and Parliament.

While public servants act in the name of the minister to whom they are responsible, ministers remain politically responsible to the House of Commons for the actions of their public servants and legally responsible before the courts of law for the actions they authorize. These principles are the underpinning of responsible government. The doctrine of ministerial responsibility has a great deal to recommend it, for it identifies who has the final responsibility for decisions taken—the minister, and provides a forum in which he is publicly accountable—Parliament. Nevertheless, this valuable tool for achieving accountable government must not become an obstacle to holding to account those who carry out tasks on the basis of delegated authority—the officials of departments and agencies.

Measures must be taken to ensure that ministers are in fact accountable for the administration of government. Not merely must there be accountability of public servants to ministers, but also of ministers to Parliament, which means, effectively, to the House of Commons. We recognize that the House of Commons is in many respects a forum where parties conduct continuous election campaigns for the right to form the next Government. Even the workings of the committees of the House of Commons are also affected by this partisanship. Without attempting to change the necessarily partisan nature of the House, we have concluded that ways must be found to improve the accountability of the Govern-

ment to Parliament and its committees. Our proposals for reform concern this function of Parliament, which, at present, falls short of satisfying not only Members of Parliament themselves but also citizens in general who are restive over the obvious lack of effective control.

The right and duty of the Cabinet to manage the government, and Parliament's complementary right and duty to observe and comment on how well government is managed, are not open to question. This parliamentary scrutiny involves more than discussion and approval of legislation; it should encompass the review of public administration in the full sense of examining priorities, plans, and their implementation. In other words, it should deal not only with the policies of government, but also with the efficiency and effectiveness with which programs are carried out to implement those policies.

The process of scrutiny, surveillance, public exposure, and debate helps to legitimize the actions of government to the public. The current widespread hostility to "big government" can be partially explained in terms of a breakdown in the public's belief in the appropriateness of government spending. This, in turn, can be ascribed to the failure of existing arrangements to permit Parliament, on an informed basis, to undertake an open and comprehensible review of government expenditure and a comparison of results against stated goals. This failure on the part of Parliament to "legitimize" government exacts a price in public trust, which both Parliament and other governmental institutions are called upon to pay, and which ultimately we all pay.

Ministerial Responsibility for Departments

Traditionally the link from the Crown and the bureaucracy to Parliament has been the minister. Despite its transformation since the 19th century, the public service continues, in theory, to be indirectly responsible to Parliament, through ministers. Individual ministers are responsible to the House of Commons for their own actions and for the actions of the public servants over whom they have management and direction.

In addition to this individual responsibility, ministers are collectively responsible for the policies and actions of the Government as a whole. They must support the decisions of the Cabinet in public, but the need to maintain a united front has deeper ramifications. Ministers must reconcile among themselves competing demands for money for government programs and share responsibility for the consequent allocation of resources and for the quality of management in the public service. These collective management responsibilities are set out in those parts of the *Financial Administration Act* (FAA) dealing with the Treasury Board. The individual ministerial management responsibilities with which we are particularly concerned are legally based in large part on the acts constituting individual departments.

The acts constituting departments generally make ministers specifically responsible for the management and direction of departments. Because this individual responsibility served as the effective link between the public service and Parliament, and because a minister was answerable in the House, it was thought that the bureaucracy would be responsive, through him, to public criticism. Because a minister was an elected official, it was believed that his department would be responsive to political direction.

While we have no wish to dispute the principle of ministerial responsibility, there can be little doubt that today the degree to which a minister really has the effective management and direction of his department is open to question. In the context of developments in recent decades, we are dealing with a government vastly transformed from the time when the conventional view of ministerial responsibility was formulated. The twin assumptions that Parliament has the clout as well as the information to exact a relevant accounting, and that the departments can be managed and directed by ministers, do not hold as they once did. We believe that the application of the principle must be reconsidered in the light of changed conditions.

There is no doubt that the minister's function as the link between Parliament and the bureaucracy has become subject to serious overload as a result of the many and complex responsibilities placed on him. It has been repeatedly emphasized to us that a minister's multiple responsibilities make heavy demands on time and expertise. Ministers generally cannot afford to devote a large portion of their time to departmental business. Of necessity, this

time is more likely to be dedicated to the policy issues facing the department than to matters of administration, for it is the policies and their implementation that ministers must be prepared to explain and defend daily. Nevertheless, the growth in the complexity of departmental business and in the number of demands made on ministers by their departmental, Cabinet, constituency, party, and parliamentary duties does not obviate the need for them to be aware of the administrative issues facing their departments. Indeed, it is often just such issues that cause ministers difficulties in the House. Thus, ministers should not be excused from responsibility for the actions of their departmental subordinates. These considerations suggest that additional means are required for ensuring that their officials are, in fact, fulfilling responsibilities that have been assigned to them, and are being held accountable for their performance.

Deputy Head Accountability

Our recommendation that accountability for administrative performance be focussed directly on the deputy heads of departments and agencies is intended to relieve ministers of some of the burden of operational detail without removing final responsibility for policy development and implementation. In Chapter 9 the responsibilities of deputy ministers are described and proposals are made to reinforce the deputy's role as chief administrative officer. In this chapter we propose means through which chief administrative officers can account for their exercise of these responsibilities. We recommend that

21.1 the deputy minister as chief administrative officer account for his performance of specific delegated or assigned duties before the parliamentary committee responsible for the scrutiny of government expenditures, the Public Accounts Committee.

If deputy heads of departments are to be held directly accountable before Parliament through the Public Accounts Committee (PAC), that accountability should relate to specific duties. These would include responsibilities relating to the probity and legality of expenditures, the economy and efficiency with which

programs are run, and their effectiveness in achieving policy goals. It would exclude questions of the appropriateness of policy objectives and the programs selected to achieve them; these are the preserve of ministers, individually and collectively.

Such a list of duties would be to the advantage of the person assuming them in that, by specifying what he must do, it would define his responsibilities. The minister's ultimate responsibility for the management and direction of the department would be served by limiting the deputy head's liability to the means whereby Government policy is to be accomplished. Far from challenging the doctrine of ministerial responsibility, the concept of direct accountability of officials before Parliament through one of its committees would reinforce the minister's and the Cabinet's ability to be responsible for the conduct of the affairs of government. It would do so by reinforcing the internal processes that give individual ministers, and the collectivity, the means of knowing whether deputy heads are carrying out their jobs effectively. Ministers have little difficulty judging whether they are receiving good policy advice and this is one facet of the deputy's job that ought not to be subject to public scrutiny. A minister, however, may lack the detailed knowledge, the specialized skills, or simply the time to assess a deputy's administrative performance. The other demands of political life ordinarily preclude his spending enough time on departmental business to develop that ability. Furthermore, as we propose, apart from those responsibilities which are specially designed to the deputy, the minister would always have the option of assuming specific responsibility for an administrative matter.

When a deputy head is appointed, his duties as chief administrative officer, for which he must account annually, should be spelled out in a written document or letter from the President of the Board of Management. The letter should also specify a method for dealing with differences relating to the respective mandates of the deputy and the minister. Copies of this letter should be sent to the Auditor General and the Clerk of the Public Accounts Committee so that a list of accountable officials and their duties is available to them.

The responsibilities for which deputy heads should be liable to account before the PAC and which should be fully explained in writing to each deputy head on appointment are those assigned under the FAA and other legislation as well as those delegated by

the minister. These are described in Chapter 9 and summarized as follows:

- 1) the correctness of the appropriation accounts for the votes for which the deputy is responsible;
- 2) the legality of expenditures made under these votes; that they are in accordance with Parliament's intentions in voting them, and that mechanisms are in place to ensure probity in the expenditure and receipt of monies;
- 3) economy, efficiency, and effectiveness in the expenditure of money voted to the department;
- 4) the evaluation of the effectiveness of programs in achieving their stated objectives;
- 5) other responsibilities assigned under the FAA, including the maintenance of adequate systems of financial management, the safeguarding of public property, the supervision of compliance with contracts, and the control of allotments;
- 6) personnel management responsibilities delegated under the *Public Service Employment Act* (staffing, including appointment, promotion, transfer, demotion, and release) and its Regulations, and under the FAA (organization and classification); and,
- 7) responsibilities related to the *Official Languages Act*.

The deputy head's responsibility for fulfilling these duties must be strictly personal. An individual should not be able to avoid being called to account for expenditures made while he held a particular office simply because he has assumed another. However, we recognize the practical difficulty of preparing for an appearance before the PAC to account for expenditures made under the authority of an office no longer held. Nevertheless, former deputies should be prepared to make themselves available as witnesses to provide information to the PAC when requested. Our recommendation to reduce the mobility of deputy ministers should help to keep such occurrences to a minimum.

The PAC should report regularly to the House of Commons on its examination of the accounts, stating whether or not it is satisfied with the accounting rendered by deputy ministers as chief administrative officers. A beneficial effect of this procedure is that the knowledge that expenditures will be examined should permeate

the departmental hierarchy, contributing to the creation of an atmosphere in which accountability and good management can flourish.

Notwithstanding the deputy's role as chief administrative officer, and always excepting those duties specifically assigned by law or delegated directly to the deputy head, the minister's legal and ultimate responsibility for the management and direction of the department must continue to be observed. Therefore, a procedure is required for the resolution of disagreements between ministers and deputies with respect to administrative questions. If it happens that a deputy head disagrees with his minister on a matter affecting the economical and efficient administration of the department, we propose that he write to his minister stating his disagreement with the decision. Having done this, if the minister adheres to his course and instructs the deputy in writing of his decision, the deputy must accept it. Copies of the correspondence should then be sent to the President of the Board of Management.

In our review of departmental appearances before the Public Accounts Committee over a four-year period (October 1974 to June 1978), we noted that frequently it *is* the deputy minister who appears to provide an account. Of the 14 departments examined in this period, 12 were represented by their deputy ministers. This is not only acceptable but desirable. However, we have also remarked that often deputies relied on their assistant deputy ministers (ADMs) in appearances before the Committee. In fact, sometimes ADMs appeared without the deputy being present. Both of these approaches fall substantially short of a satisfactory accountability process. When we speak of direct accountability of the deputy minister before the PAC, we mean that he is the person who is answerable for the administrative performance of the department. While the deputy may be accompanied by one or more ADMs, only rarely should he rely on them for information, and then only for technical or other details.

Senior members of the Financial Management and Personnel Management Secretariats of the Board of Management should also be present when deputy heads account for their administration. While the deputy has direct responsibility, to some extent this can be shared or overlap with the duties of the two secretariats. Because they recommend policies and establish standards and guidelines for financial and personnel administration, advise on the allocation of resources, and perform other functions having a

direct effect on departments and agencies, their own performance can be a factor in the deputy's administrative performance. Representatives of the Board of Management should, therefore, be prepared to support deputies in their accountability sessions with the PAC, or to defend the Board's judgement if it is called into question.

We also observed that in the period studied, only three ministers appeared before the PAC and that, on one occasion, the appearance was related to Government policy on a specific matter, and, on the other two, to clarifying a specific ministerial action in order to assist one of the PAC's special investigations. We view as necessary and realistic the occasional appearance of ministers before the PAC and would encourage the committee to continue to request ministerial appearances when policy issues are under consideration or in case of a disagreement between a minister and a deputy. We emphasize, however, that such appearances must serve the objective of maintaining a clear and unambiguous focus on the administrative accountability of the deputy heads.

In summary, our proposal to deal with the overloaded ministerial link between Parliament and the bureaucracy offers both enhanced accountability for administrative performance and benefits for each of the parties involved. Parliament acquires a means of exercising its acknowledged right to examine the way in which the funds it grants have been spent. Ministers are provided with the assurance that proper attention will be paid to the management of the departments for which they are ultimately accountable. The deputy minister is recognized as the chief administrative officer to whom responsibility for departmental management is assigned in legislation or delegated by the minister and central agencies. Furthermore, the opportunity for good management to be appropriately lauded appears where today only the possibility of criticism for bad management exists. Assigned duties can be accounted for in a public forum; no means now exist to ensure that these responsibilities are properly acquitted. In fact, many of the deputy heads who met with us expressed an interest in a procedure that would allow them a "day in court". This predisposition toward complete and open accountability appeared to stem from dissatisfaction with the present situation where a deputy's administration may be examined on a piecemeal basis and in a highly critical atmosphere, if at all, and where a deputy has little opportunity to explain his actions or to place them in their correct context.

We also believe that the process would provide for a necessary recognition of the fact that deputy heads must possess an appropriate balance of policy advisory and administrative skills.

We were struck in our meetings with government officials in Great Britain by the importance which permanent secretaries (the British equivalent of deputy ministers) place on their own accountability sessions with the Public Accounts Committee. They place great emphasis on the benefits they derive from being required to review the operations of their departments in order to ready themselves for the session in which they account for their administrative performance. We have reason to believe that a similar view would be taken by Canadian deputy ministers.

Ministerial Responsibility for Crown Agencies

In addition to his responsibility for the care and management of a department, a minister may have within his portfolio one or more Crown agencies reporting to him or through him to Parliament. The traditional view of ministerial responsibility for Crown agencies is that ministers have a clear duty to answer on behalf of Crown agencies before Parliament; but this is only part of the story. Although the degree of responsibility is less clear, because Crown agencies do not fit the model of ministerial departments, we have concluded that the responsibility of ministers goes far beyond simply answering questions or transmitting information. This conclusion is based on two observations which apply to all Crown agencies. First, Crown agencies are instruments of public policy for which ministers, both individually and collectively, are responsible. Crown agencies must look to ministers for policy direction and Parliament must look to ministers for an account of the manner in which this policy direction has been given and its implementation monitored. Moreover we have recommended that ministers receive copies of Corporate Strategic Plans, which will add to their knowledge of the corporation's plans for pursuing its public policy goals. Ministers also have a fiscal responsibility with respect to Crown agencies. In some cases, this responsibility takes the form of submitting Estimates to Parliament on behalf of the

agency and approving capital and operating budgets; in others, though the agency receives no appropriations, the designated minister must approve the capital budget and receive the operating budget of the agency for information. A third responsibility is added where the minister is the sole shareholder or acts as trustee shareholder for a corporation and therefore can exert control by virtue of these rights.

The difference between their responsibility for departments and for Crown agencies is that ministers do not have responsibilities for the "care and management" of Crown agencies as they do for departments. This responsibility is reserved for the board of directors or the chief executive officer. In this distinction lies the root of the accountability problem. What is required is a means of ensuring that the broad policy and fiscal responsibilities of ministers are satisfactorily acquitted; but the means must take into account the administrative autonomy necessary to the agency.

It is essential that Parliament be able to obtain information and review performance of Crown agencies since these bodies use public funds and were established to implement public policies. We see no reason to change the existing arrangement which places the designated minister as the link between Parliament and the Crown agency. In the explanation of public policy pursued on the direction of the Government, the minister alone is responsible and must answer to Parliament; in the defence of Estimates, however, the minister may be supported by the board chairman and the chief executive officer of an agency. Even where a Crown agency requires no appropriations, the minister's responsibility to Parliament is still made effective by the requirement that he be aware of, and in some cases that he approve, Crown agency budgets. Parliament's need for information will also be satisfied by the improvements we recommend in annual reports, budget and audit information, and the regular reviews by ministers of the mandate and public policy performance of the agencies for which they are responsible. We see these reviews taking place in the appropriate standing committees. With the permanent referral of annual reports of Crown agencies to these committees, even where no appropriation is being sought, the committee would be able on the basis of the annual report to question both ministers and the agencies on their performance.

Accountability for the day-to-day administration of Crown agencies is a different matter. Where this responsibility is en-

trusted to a board of directors, we have recommended that the chairman account before the Public Accounts Committee on behalf of the board for its direction and management, and that the president or chief executive officer account for the operating performance of the corporation. Where care and management is assigned directly to a chief executive officer, this officer should account in the same manner as a deputy minister accounts before the PAC for his administrative responsibilities. This committee will have available to it the financial statements, as set out in Volume III of the Public Accounts, and the observations of the Auditor General. In addition, information provided in annual reports will be available to committee members.

The Accountability of the Collectivity: The Fiscal Plan

In the foregoing we have described Parliament's role in exacting accountability from deputy heads of departments and senior officers of Crown agencies for the performance of their administrative duties in order to place responsibility for management where it is actually vested. We turn now to Parliament's role with respect to exacting accountability from ministers, individually and collectively, for their role in the development and execution or implementation of plans, policies and programs. Without a framework of objectives and an appropriate planning process, the administration of a department will not receive the direction it requires to proceed in an efficient and effective manner; that is, in a way which makes the best and most economical use of the resources available. The achievement of good administration cannot be separated from the existence of sound planning and direction.

In Chapter 5 of this Report we recommended the annual presentation to Parliament by the Government of a Fiscal Plan. The requirements of content and timing were discussed there; this section focusses on how the House of Commons should deal with the Plan. We view this presentation of the Fiscal Plan as an essential contribution to the establishment of a sound framework for achieving administrative accountability.

The Plan would give Members greater ability to understand and to affect the total of authorized expenditures, both statutory payments and annually voted appropriations, and would inject discipline and direction into the resource planning and allocation process in several ways. First, the Plan would require Government to take a more rigorous approach to the resource allocation process in order to provide Parliament with consistent and comprehensible information; plans would have to be feasible within the time and resources available. Second, public scrutiny and debate of the Government's proposed plan of expenditures would require the Government to commit itself to a plan that could be realized. Third, deviations from the Plan, even though likely to occur, would have to be fully and publicly justified and accounted for. Moreover, our recommendations regarding standards of disclosure and improved formats for Estimates and Public Accounts would provide Parliament with the information needed to exact an accounting.

There are additional and equally compelling benefits to be gained from such an approach. Expenditure proposals covering several years in the future are more susceptible to influence and change than are the Estimates. By looking at total expenditures set out by functions rather than at separate and discrete programs as is now the case, the financial implications of future commitments are brought to light and the pressure to increase expenditures incrementally is reduced. In addition, by relating the spending of money to the raising of it through taxation and borrowing, the course and implications of Government policy can be made apparent. This, too, enhances the possibility for conscious political direction of the course of events. Finally, simply making the size and cost of government and its impact on the economy as a whole the subject of organized and informed public debate can have a salutary effect.

Our proposal is that the Fiscal Plan be tabled in the House of Commons in late October of each year, and be automatically and permanently referred to a new committee, the *Standing Committee on Government Finance and the Economy*. A deadline for the committee's consideration and report to the House would be necessary since its deliberations would have to be completed sufficiently in advance of the tabling of the Estimates to enable its report to provide a framework within which to consider the

Estimates for the coming year. A suitable date for ending debate might be December 15.

The Standing Committee on Government Finance and the Economy should deal with the Fiscal Plan by studying published documents, such as the reports of the Bank of Canada, the Economic Council of Canada, and independent research organizations, and by calling expert witnesses from inside and outside government. The purpose of the exercise would be for the committee to reach some informed conclusions about the implications of the Plan and to report on them.

The Committee's report to the House of Commons would provide the basis for a two-day debate on the Plan. The purpose of the debate would be to subject the Plan to public scrutiny and discussion and thus subject public spending to the most conscious political control possible. No vote would be necessary. However, the Government should respond formally to the Committee's report. Since the Fiscal Plan and the Committee's report on it are to be brought before the House before the tabling of Estimates for the following fiscal year, the Government would have the opportunity to make adjustments, and would not have to defend the proposals in the Plan as if they represented a matter of confidence. This would also work to the advantage of MPs, who could see the broader implications of spending proposals before being confronted with the complex detail of the Estimates.

In summary, we recommend that

21.2 there be established a committee of the House of Commons to be known as the *Standing Committee on Government Finance and the Economy*, that the annual Fiscal Plan presented to Parliament be automatically and permanently referred to this committee, that the committee report to the House on its study of the Plan, and, that the Government respond formally to the committee's report during a subsequent debate.

The Accountability of Individual Ministers: Departmental Estimates

The Government obtains annually the necessary funds and authority it requires to carry out its programs through the passing

by Parliament of Appropriation Acts. These are based on Main and Supplementary Estimates submitted by the Government. The Blue Book of Estimates is thus the basis upon which Parliament is asked to fund the activities of government. As well, the Estimates reflect the Government's plans for the coming fiscal year by underlining its intention to pursue certain goals through establishing, continuing, expanding, modifying, or eliminating programs. Finally, the Estimates are the culmination of a long series of negotiations, discussions, and compromises regarding resource allocation. This process involves ministers, central agency officials, and departmental officials from deputy ministers down to responsibility centre managers. To challenge the amounts thus determined or the manner in which total amounts have been apportioned would be to place in jeopardy the balance achieved internally and would bring into question the confidence of the House of Commons in the Cabinet, since the Cabinet collectively is responsible for the apportionment of resources to programs. It is not surprising, therefore, that changes to the Estimates seldom occur as the result of challenges by the House or by one of its committees. The obtaining of Supply is a matter of confidence that the Government cannot permit itself to lose. Furthermore, the particular resource allocation decisions contained in the Estimates represent a degree of compromise that the Government is loath to have upset by Parliament.

Despite the difficulty of making changes in the Estimates, they do establish the intended direction of the Government and signal its commitment to a total program for an entire year. The Estimates are, therefore, the foundation upon which each minister's accountability to Parliament must be based and it is evident that the manner in which their preparation and approval takes place should reflect their primary importance in accountability. That the Estimates must be approved by a given date and left substantially unchanged is not a compelling argument for their dismissal as a largely meaningless formality. However, three significant changes are required if Estimates approval is to become a more meaningful basis for the on-going accountability of ministers to Parliament. Without these improvements, Parliament's only opportunity to examine the Government's detailed plans with a view to later exacting an accounting for their achievement will be lost.

The improvements necessary in the scrutiny of public expenditures are

- 1) the upgrading of the quality and relevance of information on financial and administrative performance available to MPs in the Estimates and Public Accounts and the inclusion in that information of performance indicators which would facilitate comparability;
- 2) the re-orientation of the attitudes of MPs, ministers, and officials involved in Estimates preparation and review and the subsequent steps in the examination of public expenditure;
- 3) changing procedures and adopting new ways of making the review and approval process more meaningful and productive.

The first two improvements are discussed here; the third is treated in the next chapter.

There emerged from the testimony before the Commission and the research undertaken by its staff a strong consensus about the inadequacy of the Estimates in their present format as a source of information for MPs examining departmental requests for resources. If they are to assume a more effective role in the review of Estimates and the way in which this money has been spent, then clearly their first requirement will be better information.

While the primary purpose of the Estimates is to present information to Parliament for its intelligent consideration and approval, the success of the Blue Book in doing even this is questionable. More revealing of its shortcomings perhaps is the fact that, once the Estimates have been tabled, they are rarely used by the departments as a basis for management. The most serious general criticism is that, while the descriptions of individual votes must of necessity be fairly broad if the number of votes to be submitted to Parliament is not to be excessively large, the descriptions of the objectives, the programs to achieve these objectives, and activities conducted under these programs are so general, and the expenditures relating thereto vary in importance to such a degree that effective parliamentary control is, at best, difficult to exercise. It is impossible to relate all ultimate expenditures unequivocally to appropriations voted by Parliament. Further, anticipated quantifiable results from the implementation of a

given program are not disclosed, and actual performance indicators are not displayed in the Public Accounts.

Specific recommendations for changing the format and contents of the Estimates and Public Accounts documents were detailed in Chapter 6. Two recommendations are of particular interest to parliamentarians. The first is the requirement that information provided to Parliament clearly show the relationship among objectives, programs, and results by establishing performance indicators where appropriate and by describing programs in terms that lend themselves to later assessment. The second is that, by allowing departments some leeway in preparing their Estimates, parliamentarians will be presented with documents appropriate to the particular departments in which they are interested. Issues can be highlighted in a manner not now possible with standardized formats, and departmental program organization will be more apparent.

Improved information has several benefits for Members of Parliament. It can provide a comprehensive basis for questioning in committee meetings, improving the productivity of those sessions, and alleviating the sense of frustration experienced by MPs when faced with ministers and officials who have had full and complete briefings. This information is essential to the improved performance of Parliament's role in holding the Government accountable for its financial plans and the subsequent expenditure of monies granted. More meaningful reviews in committee meetings should allow members to judge with confidence that they have in fact acted responsibly on behalf of the public in requiring that the Government justify its requests for resources and account for their use. Moreover, if committees use this information in the manner we suggest, the media should be more interested in the activities of committees, and do a better job of informing the public of the issues under debate.

Important as are the changes discussed here and in the next chapter, they will by themselves accomplish little if they are not accompanied by a change in the attitudes of those involved toward their respective roles with regard to public expenditure. Attitudes toward Estimates review are a prime example. The Commission has met with parliamentarians and former parliamentarians, ministers and private members, and senior public servants and Crown agency heads. From all sides the view is the same: the review of Estimates is often meaningless. Estimates committees are primari-

ly political forums; MPs have almost no interest in reducing or even carefully examining proposed expenditures, but use the Estimates process to advance party interests or to voice constituency or personal concerns. Ministers do not have to justify their requests for resources because the Estimates will be passed automatically by May 31 in any event.

Our selective review of the proceedings of committees examining the Estimates of several departments bore out the testimony of those officials and parliamentarians appearing before the Commission.* Committee members used the appearances of ministers to question them on policy—either broadly defined or in relation to specific cases—or on departmental actions, procedures, and decisions, far more often than they used the opportunity to examine the substance of the Estimates themselves. The opinion that Estimates review is political (in both senses of the word, that is, partisan and policy-related) was thus corroborated by our review. Also of interest is the fact that, on a few occasions, approval of the Estimates was voted at the beginning of the committee session while a quorum was present, and then the questioning of the minister continued whether or not a quorum remained. This, too, confirms the impression that the most important purpose of Estimates approval meetings is, in the view of MPs, the opportunity provided them to question the minister in a setting other than the House of Commons. In addition, the large number of substitutions (one member replacing another for a committee meeting) suggests a lack of seriousness on the part of committee members in developing any expertise in the subject-matter dealt with by committees of which they are members. Our figures indicated that, on average, only a small group (6 or 7 members, including the chairman) usually attended more than half of a given committee's meetings, whether related to Estimates review or other matters.

The presentation of grievances by MPs before they grant Supply to the Crown goes back to the beginnings of parliamentary government. This principle is not in question; we expect that the review of Estimates will continue to be used for this purpose. What we find difficult to accept is that parliamentarians cannot also take on a more effective role in challenging the Estimates. To bring this about, however, attitudes toward Estimates review must change.

* We reviewed the minutes of committee meetings dealing with the Estimates of three departments: Communications (for 1972 and 1974); Transport (for 1972, 1974, and 1976); and Energy, Mines and Resources (for 1973, 1975, and 1977).

The time of members is too precious, the opportunities to challenge spending plans too limited, and the importance of doing so too vital to conclude otherwise. If accountability is to have meaning and effect, the basis upon which it is rendered must receive full attention from parliamentarians. While we accept the legitimacy of the requirement for grievances to be answered, we cannot agree that Parliament and the public are well served by a continued lack of attention to the content of the Estimates and the commitments expressed in them. The same is true of the other aspects of Parliament's role in accountability for financial plans and government expenditures. Parliamentarians must treat their surveillance role with the same seriousness they accord their political responsibilities. The manner in which they might do so is the subject of the next chapter.

INSTRUMENTS AND PROCEDURES

The key to the House of Commons assuming a more effective and influential role in financial management and accountability lies in its committee system. Much of the detailed work of the House is carried on outside the confines of the chamber in committees of MPs acting on behalf of their colleagues. If the House itself is the forum for general and wide-ranging debate, the committee rooms are where detailed discussion and examination of policies and programs proceed. In this chapter we suggest how the committees could assist the House of Commons in its various roles by discharging tasks that the House itself would be incapable of handling due to constraints of time, procedure, and facilities.

If Members of Parliament wish to adopt proposals for strengthening their role in accountability, they must also consider the changes in organization and procedure necessary to accommodate them. Some changes will be necessary to facilitate the performance of new or revised functions. Others should have a beneficial effect on the manner in which present functions are performed. This chapter considers some of the problems with the present committee system, proposes changes to overcome them, and then describes the activities to be undertaken by committees in fulfilment of the role of the House of Commons with respect to accountability for the administration of departments and agencies.

The Committee System

Testimony before the Commission indicated that many of the deficiencies in the work of the committee system stem from the

large number of committee places to be filled, the burden this places on the political parties, and the poor record of committee attendance that results. At present, there are 15 committees of 20 members each, two of 30 members, and two of 12 members. In addition, there are three standing joint committees of the Senate and House of Commons with a total of 56 places to be filled. Furthermore, special committees of no more than 15 members may be appointed from time to time. Although members are named to each committee at the beginning of a parliamentary session, committee membership is closely controlled thereafter by the party whips, who substitute members at will. Substitutions are used to ensure a quorum and sufficient party representation for a vote, to insert a particularly knowledgeable or skilled member when a contentious issue arises in a committee's deliberations, or to permit a member with a constituency interest to represent it.

We attach great significance to the work of committees and we expect that some of the attendance problems should be overcome by the more important role we are proposing for committees. Nevertheless, changes in committee organization and procedure are also required to ensure that committees are equipped to assume this role.

Opportunities exist within the committee system for consolidation so that the number of committees, and consequently the number of places to be filled, can be reduced. The number of substitutions in membership that the present system allows could be greatly reduced, provided the attitudes of the members and of the political parties towards substitutions are modified. Committee membership should be a privilege, and members should retain their places and earn promotion within their parties by virtue of effective participation in committee activities.

A review of Standing Order 65, in which provision is made for the establishment and operation of the committees of the House of Commons, shows that the number of subject-area committees could be reduced by grouping several existing committees together. This initial impression was confirmed by our analysis of committee activity during the period 1974-77. While we are mindful of sensitivity to the suggestion that one or more committees be eliminated or merged, the proposal is based on careful observation of the number of committee meetings and attendance at them over two parliamentary sessions. It may well be that members of the

House of Commons can no longer afford the luxury of a committee devoted to a single subject or department. A committee system tailored to the high volume of work and the limited time available is clearly essential.

Table 22.1 suggests a consolidated list of committees as well as examples of the departments and agencies that would appear before each. We are recommending that the Standing Committees before which departments and Crown agencies appear to defend their Estimates and to present their annual reports be reduced to ten, and that the Public Accounts Committee continue to receive the Public Accounts and the Auditor General's annual reports. These committees would be the means through which Members of Parliament would maintain scrutiny over the Government's spending plans, the manner in which programs have been arranged, and the results of the implementation of plans and programs. We are proposing that two of these committees deal with government-wide issues. The Standing Committee on Government Finance and the Economy should consider such matters as the Fiscal Plan and the Consolidated Estimates; the Public Accounts Committee should study, among other matters, the observations of the Auditor General on general policies, guidelines, and standards of management.

In coming to this conclusion we examined the alternative of creating a general expenditure committee such as now exists in Great Britain to which all Estimates could be sent and which, through a series of sub-committees, would examine individual departments and agencies. We discovered, however, that the significant work of the British committee is done in the sub-committees, and British parliamentarians themselves have recently questioned the value of a general expenditure committee. A recent report of the Select Committee of the British House of Commons on Procedures (July 17, 1978) recommended that the Expenditure Committee be replaced by a number of independent "select" committees, each charged with the examination of all aspects of expenditure, administration, and policy within the responsibilities of a single department or two or more related departments, as well as related nationalized industries and other quasi-autonomous governmental organizations. Such a system would be similar to the current system of standing committees in Canada, except that the proposed British committees would not consider legislation. We doubt that a single expenditure committee with a series of sub-

committees could provide the comprehensive coverage of departments and Crown agencies that subject-area committees would provide. The consolidation of all matters pertaining to a department, including legislative proposals, annual reports, and Estimates, should encourage the development of expertise among members. The need to consider the Government's overall spending plans and priorities, which would be one of the main tasks of a general expenditure committee and which constitutes one of the strongest arguments for having such a committee, would be met by having the Fiscal Plan presented to a Standing Committee on Government Finance and the Economy. Finally, the proposed committee structure would build upon the existing system of committees, and would not require a major change in the organization of the House.

A second method of reducing the number of committee places to be filled would be to reduce membership from 20 to 15. The present guideline of 20 members per committee would appear to offer both benefits and drawbacks. It may offer some flexibility, for example, in the use of sub-committees, but it also appears to have been established on the assumption that not all members would attend every committee meeting. Our study of committee activity and attendance bears out this assumption. Average attendance at committee meetings in the period under review was about 60%, or 12 members of a 20-member committee. In fact, average attendance declined from 64% to 54% between the first and second sessions of the 30th Parliament.

The Standing Orders do authorize standing committees to receive testimony and evidence without a quorum. A majority of the members of a committee is required only if a vote is to be taken or a resolution passed. In the first session of the 30th Parliament 23%, and in the second session 46%, of committee meetings were conducted without a quorum, and these figures do not take into account situations where a meeting began with a quorum but lost members to other pursuits during its course.

Table 22-1

**Recommended Re-organization of House of Commons Standing Committees
and
Examples of Departments and Agencies to Appear at Each**

Proposed Committees (number of members)	Examples of Departments and Agencies to Appear	Existing Committees at which Departments and Agencies Cur- rently Appear
<p>Government Finance and the Economy (15)</p>	<p>Finance Insurance Economic Council Tariff Board (Board of Management and Privy Council Office also to appear when Fiscal Plan is studied). Bank of Canada</p>	<p>Finance, Trade and Economic Affairs " " "</p>
<p>External Affairs and National Defence (15)</p>	<p>External Affairs Canadian International Development Agency International Development Research Centre International Joint Commission National Defence</p>	<p>External Affairs and National Defence " " " "</p>
<p>Agriculture, Fisheries and Forestry (15)</p>	<p>Agriculture Canadian Dairy Commission Canadian Livestock Feed Board Farm Credit Corporation National Farm Products Marketing Council Fisheries and Environment Fisheries Prices Support Board</p>	<p>Agriculture " " " " Fisheries and Forestry "</p>

Proposed Committees (number of members)	Examples of Departments and Agencies to Appear	Existing Committees at which Departments and Agencies Currently Appear
Agriculture, Fisheries and Forestry (continued)	Freshwater Fish Marketing Corporation	"
National Resources (15)	Canadian Wheat Board Energy, Mines and Resources Atomic Energy Control Board National Energy Board Petro-Canada Atomic Energy of Canada Limited Eldorado Nuclear Ltd.	National Resources and Public Works " " " "
Trade and Economic Affairs (15)	Industry, Trade and Commerce Export Development Corporation Federal Business Development Bank Foreign Investment Review Agency Statistics Canada Canadair de Havilland Aircraft Regional Economic Expansion Cape Breton Development Corporation Consumer and Corporate Affairs Central Mortgage and Housing Corporation National Capital Commission Canada Development Corporation	Finance, Trade and Economic Affairs " " " " " " " Regional Development " Health, Welfare and Social Affairs " " "

Proposed Committees	Examples of Departments and Agencies to Appear	Existing Committees at which Departments and Agencies Currently Appear
Transportation and Communications (15)	Transport Air Canada Canadian National Railways VIA Rail Canada Canadian Transport Commission Pilotage authorities Northern Transportation Company Limited Harbour commissions St. Lawrence Seaway Authority Communications Canadian Radio-television and Telecommunications Commission Teleglobe Canada Telesat Canada	Transport and Communications " " " " " " " " " " " Broadcasting, Films, and Assistance to the Arts
Social Affairs and Human Resources (15)	National Health and Welfare Medical Research Council Indian Affairs and Northern Development Northern Canada Power Commission Veterans' Affairs Labour Canada Labour Relations Board Employment and Immigration Immigration Appeal Board	Health, Welfare and Social Affairs " Indian Affairs and Northern Development Veterans' Affairs Labour, Manpower and Immigration " " "

Proposed Committees (number of members)	Examples of Departments and Agencies to Appear	Existing Committees at which Departments and Agencies Cur- rently Appear
Government Operations (15)	Privy Council Office Commissioner of Official Languages Public Service Staff Relations Board Supply and Services Public Works Board of Management Public Service Commission National Revenue Income Tax Review Board Auditor General	Miscellaneous Estimates " " Miscellaneous Estimates National Resources and Public Works (Treasury Board Secretariat now appears at Miscellaneous Estimates) Miscellaneous Estimates Finance, Trade and Economic Affairs " Finance, Trade and Economic Affairs
Public Accounts Committee (20)	All departments and agencies as required	
<p align="center">COMMITTEES TO REMAIN UNCHANGED</p> <ul style="list-style-type: none"> —Miscellaneous Private Bills and Standing Orders —Privileges and Elections —Procedure and Organization —Management and Members Services —Joint Committee on Regulations and Other Statutory Instruments —other Joint and Special Committees as necessary 		

Committee Attendance: The Problem of Substitutions Our proposals to reduce the number of committees and their membership have been based on a thorough inquiry into the attendance habits of MPs. The committee workload could be more fairly distributed among a greater number of MPs than now shoulder that burden. The study of committee attendance showed that a relatively small number of members appear to support the present committee

system through their consistent attendance at more than their share of committee meetings. The study showed, for example, that in the second session of the 30th Parliament, *half of the attendance at all committee meetings was accounted for by just 42 MPs*, who attended an average of 80 meetings each, and this number includes at least 15 committee chairmen. During that session 568 committee meetings were held, an average of 28 meetings per committee. A total of 216 MPs attended meetings, but of these, 59 MPs attended ten meetings or fewer and 100 attended fewer than 20 meetings. Mean attendance per MP was 23 meetings during the whole session; but for full attendance at all committees to have occurred over the session, each MP would have had to attend an average of 112 meetings. The figures argue strongly in favour of measures to reduce the burden of the present system and promote better attendance.

We expect that reduced membership and a restructuring of the committee system will have a beneficial effect on the work of committees. However, apart from any other changes that might be made, the most important reform required is in the habits of the members and of the political parties themselves. The Canadian committee system is much less effective than it could be because of the high rate of substitutions and turnover permitted. Much of the problem with the Canadian committee system is that membership turnover is so high that few committees ever develop the continuity, expertise, and mutual trust that make a committee effective. A change of attitudes and habits is required and we suggest a new parliamentary convention that committee membership be stable. Membership stability will be possible if it is agreed that no vote be taken at a committee meeting without prior notice and that committee substitutes be drawn from an established list of alternate members. It could be reinforced by privileges for regular attendance such as the right to lead off questioning, thereby helping to determine the course of the discussion.

Once membership has been stabilized, committees should be able to organize themselves internally to examine more effectively the Estimates and other matters coming before them, and to allow for consistent and in-depth discussion of the matters at hand. The manner in which questioning should proceed is a matter for each committee to decide independently; however, at the present time, the procedure for questioning is generally the same from committee to committee. Each committee member has ten minutes in

which to ask his question and receive an answer from the minister or officials testifying. Then the next member, usually from another political party, has his ten minutes. With committee meetings lasting an average of less than two hours, it is not surprising that relatively little ground is covered. Furthermore, committee members have seldom organized themselves to pursue a consistent line of questioning so that each question may bear little or no relation to the question that has preceded it. Members are not usually given the opportunity to seek further information and clarification on the points they have raised. Faced with experienced ministers and officials, MPs really lack the time, experience, and background knowledge with which to probe programs and activities in a meaningful way. This is detrimental to the review committee members are called upon to conduct on Parliament's behalf, and to the attitudes of ministers and officials toward the process. For the most part, testimony before the Commission has indicated that ministers and officials consider the review of Estimates, for example, a waste of time. We strongly urge that committees look at alternatives to the procedure for questioning so that useful information can be gleaned in the limited time available.

In summary, we recommend that

22.1 the total number of standing committees of the House of Commons be reduced and that, with the exception of the Public Accounts Committee, membership on them be limited to 15 or fewer; and that

22.2 Standing Order 65.(4) be amended to provide for prior notice of votes in committees and the establishment of alternates lists from which to draw substitutes for committee members.

The Role of Committee Chairmen A chairman and a vice-chairman are formally elected by each committee at the start of every parliamentary session; however, the Government of the day has usually made the selection in advance. Chairmen and vice-chairmen are almost always members of the party forming the Government, with the exception of the Public Accounts Committee, which is, by convention, chaired by a member of the official Opposition. Representation among committee members roughly reflects party divisions in the House.

We believe that improvements in the operation of the parliamentary committee system are dependent upon the enhancement

of the status of the chairmen of standing committees. As with committee membership in general, we recommend steps to ensure continuity, ideally for the life of a Parliament, in the chairmanship of committees. While the Government would still have ultimate control of the choice of a chairman through the party discipline which it could exercise over the majority of committee members, more secure tenure would permit the chairman to gain the independence necessary to carry on investigations and reviews on the basis of his own judgement without being subject to the threat of replacement at the next session. The skill and expertise which would be developed over time could help to redress the balance between Parliament and the Government.

Recognizing that a chairman must devote more time to this role than an ordinary committee member and that he bears particular responsibility for the quality of the work emerging from his committee, consideration should also be given to remunerating him accordingly. The present practice of compensating parliamentary secretaries for the performance of their duties serves as a precedent. Indeed, the Commission has been told by those who have occupied both positions that the job of a committee chairman is the more onerous of the two. In addition, some introduction to the role and responsibilities of a committee chairman might prove helpful, particularly to new incumbents. The Speaker of the House could be asked to provide such a briefing. The suggestion could be carried a step further by developing courses or seminars for committee chairmen and interested MPs. We recommend that

22.3 the chairmen of standing committees be elected by each committee for the life of a parliament, and receive remuneration for performing their duties, such remuneration to relate to that received by parliament secretaries.

Staff and Budgets for Committees Often the work of the House and Senate committees is supported by staff. For instance, the Senate Committee on National Finance and the House committees on Public Accounts, External Affairs and National Defence, and Justice and Legal Affairs (penitentiaries sub-committee) have employed staff for research and assistance in preparing for meetings, hearings, and reports. Staff can usefully relieve committee members of some of the burden of preparation, particularly when large quantities of background material are involved, and supplement the knowledge and expertise of committee members. In fact,

it is our opinion that the careful use of staff will in future be an essential element of successful committee work, especially in view of the volume and complexity of information to be absorbed. Staff are not a panacea, however, for they cannot be useful unless committee chairmen provide strong direction to them and committee members develop continuity and expertise in their respective subjects by regular participation.

Arrangements for hiring staff should be left to the discretion of each standing committee within budgetary limits established by Parliament. Should the decision be taken to hire staff, committees should be free to do so from any source and to hire on a contract, part-time, or other basis. Such staff should serve all committee members under the supervision of the committee chairman. As with all our recommendations, the decision to hire staff and, indeed, to make expenditures for any other committee purpose, should meet the test of providing value for money. To highlight this requirement, each standing committee should be assigned an individual budget against which all expenditures relating to the cost of carrying on committee activities should be charged. This should include the costs associated with staff and travel, as well as those expenses normally covered in Parliament's general budget, including the costs of printing, translation, messenger services, and the salaries of committee clerks. We recommend that

22.4 each standing committee of the House of Commons be allotted a budget to which all expenses associated with the operation of the committee are charged, that the budget include an allocation for hiring staff but that the selection of staff be at the discretion of the committee, and, that staff be at the service of the whole committee but under the direction of the chairman.

Procedures and Powers In addition to proposing a consolidation of the House of Commons committee system and an enhanced role for committee chairmen, we wish to draw attention to several aspects of committee powers and House rules and procedures that inhibit the effective performance of committees with respect to administrative accountability.

The powers of parliamentary committees are at once broad and severely limited. While committees may send for "persons, papers, and records" in the course of their examinations and enquiries into "all such matters as may be referred to them by the

House,"† they cannot undertake these investigations independently. Matters must be referred to them by the House of Commons before work can begin. The exceptions to this rule are the PAC, which since 1977 has had automatic and permanent referral of the Public Accounts and the Auditor General's reports, and both the Standing Committee on Management and Members' Services and the Standing Committee on Regulations and Other Statutory Instruments, which have automatic references by virtue of the Standing Orders and the *Statutory Instruments Act* respectively. Permanent terms of reference for all standing committees is a concept that deserves further examination. Whether this suggestion is adopted or not, we would recommend that

22.5 the annual reports of departments and agencies be automatically and permanently referred to the appropriate standing committees of the House of Commons.

The reasons for this recommendation are straightforward. Committees cannot meet unless they have a reference from the House of Commons. Referral of annual reports should, therefore, be **automatic** so that a Government majority cannot prevent committees from meeting by refusing to refer anything to them. Furthermore, once a committee has reported to the House on any referred matter, it loses its mandate to examine that matter even though, in the case of Estimates in particular, the report to the House is given under pressure of a deadline. **Permanent** referral of departmental and agency annual reports would permit committees to return to the study of issues left unresolved due to a shortage of time during examination of Estimates. It would also allow committees to meet at any time during the year, whether or not Parliament was in session, to undertake other proposed activities.

Apart from the need for a reference from the House of Commons before work can proceed, committees are in a delicate position with respect to investigative procedures because, although they have subpoena powers, the power to compel attendance is, appropriately, the prerogative of the whole House of Commons. Members of Parliament themselves cannot be subpoenaed. Normally, a minister would testify at parliamentary committees, not because of any legal compulsion, but because it is important for

† Canada. House of Commons. *Standing Orders of the House of Commons*. June 1978, Ch. XI, 65(8).

him to ensure good relations and co-operation between the department he directs and the committee if he wishes a smooth passage for his Estimates or any future business that may come before the committee. Still, there is nothing to prevent a minister from refusing to appear, even if it means running the risk of adverse consequences, or preventing his officials from appearing or producing documents for the committee. Implementation of the proposals which follow, regarding debate on committee reports on an opposition day, would provide an opportunity to bring such a failure to appear to the attention of the House.

Committee Reports A further dilemma for committees lies in the nature of the reports they prepare, and what happens to those reports once they reach the House of Commons. Standing Order 58 governs the business of Supply and Ways and Means but contains no guidelines about how the power to "examine and enquire" ought to be applied to Estimates; similarly, the orders governing procedure on public bills contain little guidance for committee consideration of legislation. Reporting procedures are, however, more clear. On legislation, committees must report a bill either with or without amendments. Estimates are treated differently. Committees may neither increase an amount nor alter the purpose of proposed expenditures; since this is the prerogative of the Crown. Rather, committees must report, for each department and agency examined, that they have adopted, rejected, or reduced any or all of the items of expenditure contained in the Estimates referred to them. The present practice has been influenced by a series of events.

Section 16 of Standing Order 58 prohibits debate on a motion to concur in the report on Estimates of any standing committee except on one of the Opposition's allotted days. In the course of making a ruling on this point, the Speaker of the day said, "If a standing committee is permitted to make reports of a substantive nature when considering the estimates of a department, it would follow that no limit could be placed on the number of reports from a committee. Surely the House would be hard pressed to consider all such reports."[†] The subsequent interpretation of that ruling has been such that standing committees reporting on Estimates have been permitted to approve, reduce, or eliminate Estimates, but reports of a substantive nature, including recommendations on

[†] Canada. House of Commons. *Journals*. No. 105, June 18, 1973, p. 420.

items relating to or contained in the Estimates, have not been allowed.

Substantive reports containing a summary of the issues and any recommendations of committees examining Estimates could further assist in making their review more meaningful and in improving the ability of parliamentarians to influence the direction of future programs and expenditures. In this connection, a further look at the interpretation of the Speaker's ruling on section 16 of Standing Order 58 would be useful. The examination of a committee's report on an allotted day is certainly permitted by the Standing Orders; however, because they may be considered only in this manner surely does not preclude the preparation of substantive reports. We suggest that the purpose of such a report by a committee should not be to seek the concurrence of the House in its recommendations; for detailed and complex reports this is meaningless in any case. Rather, the objective of such a report should be to reach an audience that can be influenced by it—ministers and departmental officials. Furthermore, the use of an allotted day to examine the Estimates of one department would be more attractive if a substantive report on which to base debate were available. Finally, debate on an allotted day provides a further incentive to better committee work and reports. To assist in achieving these goals, we recommend that

22.6 Standing Order 58.(16) be re-interpreted to make clear that substantive reports from House committees are desirable whether or not they are to be debated.

House of Commons Procedure

The interpretation of the word "item" in Standing Order 58 is a source of frustration to MPs; a Speaker's ruling determined that "item" means "expenditure vote". As a result of the reform of estimates procedure in 1968, the Opposition cannot ask the House to reduce by a specified amount an item contained in the Estimates. The House can only concur in or oppose an entire expenditure item or vote; this is often the budget of a major program, and sometimes an entire department. A vote to oppose such an "item" in its entirety would obviously be undesirable. Moreover, as we

have noted, the Standing Orders preclude a vote, or even a debate, on a committee report containing a recommendation for the reduction of an expenditure item, except if the Opposition uses an allotted day for the purpose.

While we have acknowledged that the interests of MPs may not always lie in reducing expenditures, it should not be so difficult for them to do so if they wish. They should not have to reject an entire vote in order to achieve a reduction in one isolated area of expenditure, particularly when improved committee work will be able to provide information on which to base this type of recommendation. We recommend that

22.7 Standing Order 58 be amended to permit standing committees to recommend the partial reduction of an item of expenditure in the Estimates.

Rule changes in the House of Commons during the period 1966-69 reduced to 25 the number of days allotted to consideration of Supply, shortened the time devoted in the House to the passage of Estimates, and transferred detailed consideration of Estimates from the House to its standing committees. While some have viewed this as an improvement over times when an unlimited number of days could be spent in Committee of the Whole examining Supply measures, or performing clause-by-clause examination of legislation, to many the rule changes represent an unacceptable curtailment of Parliament's ability to exercise some measure of control over public spending. It has also reduced the need for a minister to be intimately familiar with the programs and activities of his department. A balance should be struck between the pre-1968 system, which permitted almost unlimited delay in the passage of Supply, and the present arrangements, which guarantee that Supply will be passed almost despite grievances. Balance could be accomplished in several ways.

There ought to be more opportunities in the course of Estimates review and approval for private members to challenge the Government's plans in a meaningful way. In 1975, an agreement among the political parties permitted the Committee of the Whole to be revived temporarily in order to debate on an allotted day the Estimates of a single department, the Treasury Board. Prior to 1968, of course, all Estimates were examined in this way. The pre-1968 procedure had the advantage of focussing attention on

issues in a forum where they received more public attention and where differences of opinion could be clarified in a way not possible in committee. It was, however, extremely time-consuming. Still, if committees began making substantive reports, a revival of the 1975 experiment would be useful. The opposition could use an allotted day for a debate on a department's Estimates, based on the report of a standing committee. Such a procedure would provide the benefits of the pre-1968 system without unduly delaying Estimates passage, and the House would benefit from the added advantage of the committee's report as the basis for debate.

Better Use of the Parliamentary Year We believe that better use of the parliamentary year could also enhance the quality of committee work by allowing more time to be devoted to it. Parliamentary committees generally hold more than 50% of their meetings for the whole year in a three-month period ending on May 31. During this time, committee meetings tend naturally to focus on the review of the Government's Estimates. In the years we examined, just over 50% of the meetings were devoted to such activity.

At the same time there is also a heavy concentration of meetings devoted to other committee activities, such as the examining of legislation and the conducting of investigations. Our study of committee activity showed, not surprisingly, that committee meetings are concentrated in the times when the House of Commons is in session. It also suggested, and this has been corroborated by the testimony of parliamentarians appearing before us, that there is leeway for re-arranging schedules and re-distributing workloads. This would accommodate our proposals respecting activities to be undertaken by parliamentary committees in addition to their responsibilities for legislation and Estimates. For example, we recommend that the proposed Fiscal Plan be presented and debated well in advance of the tabling of the next year's Estimates so that the debate will provide the framework for their examination. There would appear to be ample time for committee examination of the Plan in the October to December period. The Standing Orders of the House specifically authorize committees to meet whether or not the House itself is sitting. While many members have commitments outside Ottawa during the adjournment periods, several committees have successfully conducted business over the summer break. In addition, sub-committees, to which committees may delegate any of their powers save that of

reporting to the House, can usefully provide a method of gathering information so that the time of the whole committee can be profitably spent debating the issues.

Proposed Committee Activities

This section describes the tasks which committees of the House of Commons would be expected to undertake if Parliament is to assume its proper position as the source of authority and the place in which an accounting for the use of that authority is rendered. We set out below, under the committees of the House of Commons that would participate in their implementation, the proposals and recommendations made throughout our Report.

The Standing Committee on Government Finance and the Economy The proposed Committee on Government Finance and the Economy would provide the forum where the broad plans of Government could be exposed to public examination and debate. Thus, the Consolidated Estimates, described in Chapter 6, as well as any subsequent Supplementary Estimates, should be referred to this committee so that it could maintain a clear picture of the Government's proposed expenditures on a yearly basis and of their total levels in relation to past years. The Government's 5-year Fiscal Plan should also be permanently referred to the Standing Committee on Government Finance and the Economy.

We suggested earlier that standing committees could provide an important focus for the accountability of individual ministers. Since the Minister of Finance would appear before the Standing Committee on Government Finance and the Economy to present the Fiscal Plan, the same committee should also review and approve the Estimates of the Department of Finance. There is an equally important reason for this to occur. The Estimates of the Department of Finance contain provisions relating to transfer payments and to the national debt, elements essential to the Committee's consideration of the country's economic outlook. The approval of the Estimates of the Department of Finance by the same standing committee that would study the Fiscal Plan would contribute to the development of specialized knowledge and expertise among committee members and enhance the quality of both reviews. The same can be said of the review of the Estimates of the

Economic Council, which should also be conducted by this committee.

In addition, tax legislation arising out of the Budget should be referred to the Standing Committee on Government Finance and the Economy. Tax bills do not at present receive consideration outside Committee of the Whole. This precludes the presentation of views and recommendations by experts or interested outsiders whose advice could be drawn upon if the legislation were considered in a standing committee. This committee could provide the forum for discussion of proposed tax, fiscal policy, and structural changes. As the Canadian Tax Foundation recognized in its 1977 report to the Minister of Finance, the traditional notion of budget secrecy requires updating, subject, of course, to practical and ethical constraints, to permit improved discussion of the range of policy options under consideration.

Legislation in areas such as transportation, agriculture, and social assistance, being dealt with by other standing committees, could also affect the economy, and the Standing Committee on Government Finance and the Economy should be aware of these implications. For this reason we recommended in Chapter 5 that the committee receive specially prepared documents detailing the likely impact of legislative proposals on the Fiscal Plan. In summary, we recommend that

22.8 all legislation relating to taxation be referred to the Standing Committee on Government Finance and the Economy, and that this committee be informed of the likely effects on the Fiscal Plan of all other legislative proposals.

Other Standing Committees Many of the tasks of the standing committees of the House of Commons need not be substantially changed, though their performance can be expected to improve as a result of the organizational and procedural changes we propose. Those requiring little change include the examination of individual departmental and Crown agency Estimates and the clause-by-clause study of legislation following second reading. We see two further tasks for these standing committees. One is the review of program impact; the second is the periodic review of the mandates and performance of Crown agencies.

Assessing the Impact of Programs

With the growth of government activity and the expansion in the scope of its intervention, the effect or impact of programs is a matter of increasing concern. That the public service should be accountable for program delivery and its effects is of particular interest to Members of Parliament, who daily must deal with constituents' complaints about how the administration of governmental programs is affecting them. We found this aspect of accountability to be of primary importance to those who actually deliver programs and services, those public servants who manage and staff the regional and district offices of government departments and agencies. Accountability to the public for the quality of service was placed at the top of the list by each of the groups of public servants with whom we met outside Ottawa. In our Ottawa meetings it was much less frequently mentioned. The Government announced its intentions regarding program evaluation in the Speech from the Throne at the opening of the fourth session of the 30th Parliament: "In the further promotion of open and efficient government, a proposal will be placed before Parliament to provide for the review by Parliament of evaluations by the Government of major programs." Such information undoubtedly will provide useful supplementary material to members as they pursue their review tasks; however, it cannot be the basis for selecting the programs MPs will review. Committees themselves must decide what programs to review, when they are to be reviewed; how often, and in what degree of detail.

There are several important questions underlying the review of program impact. What effects are programs having? Are these acceptable to those being affected? Do programs meet real needs? Ought these needs to be met in some other way? More important than whether a program is achieving its objectives is whether the objectives themselves need to be pursued, or whether they can be achieved in another way. We see beneficial results from an approach to program review by MPs that starts with the premise that programs affect individuals, groups of individuals, or sectors of the economy, and seeks to determine whether these effects are beneficial, harmful, or neutral. We submit that this may be the only way that parliamentarians can indeed ensure their own accountability to the electorate for the impact of the policies and programs to which they have assented. The focus of program

impact reviews should be an analysis of programs, their effects, and the issues surrounding them. The views of program clientele and outside experts should be weighed against those of departmental officials involved in both the development and the actual delivery of programs. On the basis of their investigations, the committees should report to the House of Commons in the same manner as we propose for Estimates. Reports need not be concurred in; their purpose is to provide material for the Estimates debates or debates on an allotted day. Complaints have been voiced that the opposition has difficulty in using all the allotted days in a meaningful way. The program impact study would provide ideal material for such a day's debate.

A further and perhaps more important purpose of these reports would be to influence the planning process engaged in by ministers and their departmental officials. If programs are not having the desired impact or if indeed they are having undesirable effects, then clearly a review that identifies these shortcomings must be considered by those who are planning future program activities and expenditures. One of the greatest benefits of program impact review would be the increase in communication between governors and governed on a basis more frequent than is permitted by the electoral system. While we urge greater openness and disclosure on the part of government, this should be accompanied by greater receptiveness and openness to suggestion. Program impact reviews would provide just such a channel for popular views on specific issues and policies to be carried back to government by those who represent the public.

We have observed that both the House of Commons and the Senate, through their respective committee systems, are already involved in carrying out program review though the basis for undertaking review is different in each case. For example, in 1976-77 a sub-committee of the House Committee on Justice and Legal Affairs conducted a comprehensive study of the penitentiary system in Canada following a reference from the House. The Standing Senate Committee on National Finance has produced three detailed reviews of specific government programs over the past four years. These reviews shared a number of common features. They represented more intensive and longer-term activities of committees than is usual for the examination of Estimates or legislation. For example, the 13 members of the sub-committee studying the penitentiary system met and travelled across Canada

and to the United States over a period of seven months. They heard testimony during 72 formal hearings from 407 witnesses and received briefs and letters from approximately the same number of groups and individuals. There were 225 hours spent in formal hearings and double that time in informal hearings. Similarly, the Senate Committee devoted almost two years of work to its most recent study on the Accommodation Program of the Department of Public Works.

Another feature shared by these reviews was the favourable reception given their reports, which were judged by informed audiences to be objective and credible. The Senate Committee's 1976 report on the Manpower Program of the Department of Manpower and Immigration was distributed to Manpower offices across the country and used as a basis for seminars. Furthermore, the department found that it could benefit from, and agreed to take action on, 52 of the committee's 56 recommendations.

Finally, we have noted that these program reviews were highlighted by a marked change in the behaviour of members and thus in the manner in which reviews were conducted. Members devoted much more time to committee work, to meetings, and to preparation than has been the case in other committee activities. With the assistance of staff, members were better informed and prepared to pursue consistent and relevant lines of inquiry. Moreover the tendency for committees, particularly those of the House of Commons, to be dominated by partisan concerns was greatly reduced. An objective approach to review, which dispelled the usual atmosphere of confrontation between committee members and officials, and indeed, among members themselves, contributed greatly to the success of the exercise. Perhaps most important has been the knowledge that these reviews were considered necessary and timely. Members were assured of an interested and receptive audience for their reports.

We recognize that few such reviews have been carried out and that one of the principal reasons for this is the length of time they require. In presenting the concept of program impact studies, we are seeking a way to accommodate and balance these two seemingly irreconcilable requirements. On the one hand, there is the undisputed need for more programs to be reviewed in a comprehensive manner. On the other hand, we recognize the pressures that the time and effort required for these reviews will place on the schedules of members. It is for this reason that this chapter has

presented proposals for changing procedures and organization and for re-arranging the timetables of standing committees and the House to accomplish these necessary, if somewhat demanding, objectives. We recommend that

22.9 standing committees undertake, as the need arises or as time permits, in-depth studies of the impact of programs; and that these studies concentrate on reviewing the need for and the benefits conveyed by specific programs.

Reviewing Crown Agency Mandates

In Part IV of this Report we recommended the institution of several types of review intended first, to ensure that Parliament receives an appropriate account of the activities of Crown agencies and second, to allow Parliament the opportunity to periodically re-examine the mandates and objectives it has assigned to Crown agencies.

The standing committees that deal with the Estimates of departments are the appropriate forums for the examination of various aspects of Crown agencies and corporations. We expect our proposals regarding procedures and organization to result in committees that develop, through continuity of membership, expertise in their subject-areas and in review techniques. The standing committees should, therefore, include in their work programs for a parliamentary session the periodic reviews recommended in Part IV. The type of review proposed depends on the category of Crown agency involved. Two kinds of review were recommended with respect to both *Independent Deciding and Advisory Bodies* and *Crown Corporations*. The first was a review of the activities of these bodies based on their annual reports. For agencies requiring appropriations, this review could provide background for the review of Estimates, or provide extra time for the consideration of a subject raised at the time of Estimates review. For others, the review would be a basis for assessing performance. The second kind of review relates to the constituent legislation and mandate of *Independent Deciding and Advisory Bodies* and *Crown Corporations* and would be based on a report by the designated minister, to be prepared not less than once every ten years. On the basis of this

report, and the committee's knowledge acquired in its regular review of annual reports, the relevant standing committee could conduct an investigation, hold hearings, and solicit public participation in an assessment of the continuing relevance of the agency's mandate and of the adequacy of its constituent legislation for carrying out this mandate. Such a review would not preclude the possibility that the committee would recommend to the House of Commons that the agency be discontinued if it had accomplished the objectives for which it had been established or if those objectives had become outdated.

We also recommended that the designated minister be required to table the results of a regular comprehensive review of the performance of *Shared Enterprises* with respect to their public responsibilities. The relevant standing committee should review this report and recommend action to Parliament; again, the review could recommend continuation or termination of federal interest in the enterprise.

These review activities should be undertaken by the standing committees before which the designated ministers appear. This would serve two purposes. First, it would take advantage of the subject expertise that will have been built up in each standing committee. Furthermore, these committees should tend to attract those members of Parliament most interested in and concerned about the policy area dealt with by each. Second, the treatment of Crown agencies by the parliamentary committee that also deals with the department through which they report will broaden the scope of the relationship between the committees and ministers who appear before them, thereby focussing on the personal responsibility of ministers for the departments, corporations, and agencies under their supervision. On the strength of this relationship and the degree of openness and co-operation exhibited by both sides will rest the quality of the review that the committee conducts on behalf of Parliament.

The Public Accounts Committee Our proposals respecting the Public Accounts Committee (PAC) recognize its pivotal role in the administrative accountability of government to Parliament. The PAC provides the forum in which the chief administrative officers of departments and agencies must account for the legality, probity, and prudence of government expenditures, and in which the Board of Management should account for its central responsibilities in establishing administrative policy and standards. We think that to

achieve its goals the review conducted by the PAC must be both regular and objective.

We have observed that departments and agencies have not appeared with regularity before the Public Accounts Committee, and frequently when there have been appearances, relatively little information has been forthcoming. This situation cannot provide the basis for a comprehensive review of administrative performance, nor can it give any assurance of accountability for that performance.

We examined the minutes and reports of the Public Accounts Committee during the 30th Parliament over the period October 1974 to June 1978, during which 170 meetings were held. Of these, 59, or approximately one-third, were devoted to the scrutiny of the accounts of government departments and agencies or to consideration of the Auditor General's comments on those accounts. The other two-thirds of the meetings, 111 sessions, were occupied with special investigations, special studies by the Auditor General not related to specific departments, study of legislation, and in camera meetings.

During the 59 meetings devoted to the review of the accounts of departments and agencies, 14 departments and 12 agencies received attention. In other words, from a potential list of approximately 75 departments and agencies, an average of only 7 per year were selected for review by the Public Accounts Committee. In fact, over the period we examined, 17 departments and many more agencies received no attention whatsoever from the Public Accounts Committee.

While it would be unreasonable to expect that every one of the departments and agencies appearing in the Public Accounts and audited by the Auditor General would be examined annually by the PAC, we think that a reasonable objective would be the review of all departments and agencies once, at the very least, during the normal 4-5 year life of a parliament. For departments, particularly where problems are discovered, or where follow-up is required, more frequent reviews should be feasible. The current sporadic and selective approach to review undermines the role the Public Accounts Committee could play in the accountability of government to Parliament. By building regularity into the schedule of meetings with departments the PAC could enhance the benefits derived from parliamentary scrutiny of administrative performance of government departments and agencies. Close liaison be-

tween the other standing committees and the PAC would also be desirable and sometimes essential in carrying out these responsibilities. For example, the PAC should be able to recommend further study by a standing committee of a particular program or other matter where difficulties were indicated by its own review. With its broader perspective on a department and its programs, a standing committee would be in a position to make better informed judgements about whether the PAC's findings reflect more general or widespread administrative or managerial problems.

In addition to regular review, objectivity should be the cornerstone of the PAC's approach to reviewing administrative performance. The nature of the PAC's task is to examine officials on their performance of a number of duties that can be objectively assessed. MPs have other opportunities in which to exhibit partisanship in confronting ministers; its display in the context of public accounts review would be detrimental to the process.

The PAC should also be equipped to conduct a more comprehensive review of administrative performance. At present it relies on the Auditor General's reports and the Public Accounts so that the focus of its scrutiny is, understandably, on the financial component of management. With the passage of the new *Auditor General Act* in 1977 the scope of the committee's examination has widened, since the Auditor General's reports are now dealing with the efficiency and economy with which departments and agencies employ human as well as financial resources, and departmental procedures to measure the effectiveness of programs. The PAC does not, however, receive an accounting on the other aspects of personnel management, which are just as important as financial considerations in the delivery of programs and services. Parliament needs the assurance that government-wide personnel management policies and procedures are being followed by departments and agencies and that they are achieving their intended results. For example, Parliament should know whether there is equal access for all Canadians to public service employment, and how successful governmental programs for improving representation from disadvantaged groups have been. The PAC should also examine the efficiency and effectiveness of training in improving the skills and competence of public servants and in remedying weaknesses such as those identified in this Report in financial management. Moreover, Parliament should receive reports on initiatives to improve

the sensitivity and responsiveness of public servants to the public they serve.

The annual report of the Public Service Commission provides some information on staffing and on the implementation of training and other policies assigned to the PSC by the Treasury Board. In addition, the annual report of the Commissioner of Official Languages deals with departmental compliance with the *Official Languages Act*. However, there is no parliamentary committee with a mandate to review and comment on the adequacy of personnel administration in government. We believe that the Public Accounts Committee, as the committee with responsibility for scrutinizing the quality of management in government, should fulfill this role. To do this, the PAC should receive the reports of the parliamentary monitor of the application of the merit principle in staffing, the Public Service Commission, and the report of the Commissioner of Official Languages.

In meetings with the Secretary for Personnel Management the PAC should receive an explanation of, and an accounting for, the government-wide implementation of personnel management policies. This should include not just staffing, but also classification, pensions and other benefits, training, and all other aspects of personnel policy. In its sessions with deputy ministers and heads of Crown agencies, members of the PAC would be able to question and verify how these policies were being implemented at the departmental and agency level. Assistance and support from the Public Service Commission and the Commissioner of Official Languages, together with that now provided by the Auditor General, should give members of the committee a greatly improved insight into management in government. The implementation of our proposals with regard to the PAC would establish a single parliamentary forum where all elements of administration could be examined and in which officials of central agencies, departments and crown agencies could be held to account for their administrative performance.

The PAC should continue to conduct the review of departmental accounts, guided, but not limited, by the Auditor General's report on them. It should be noted that the Auditor General's new approach to comprehensive audit will provide much greater detail than is now available. The committee should also continue to seek responses to the Auditor General's comments from each of the

departments reviewed. This could include a request for an indication of the department's intended action to correct deficiencies or requests for other data that would give the committee a means of checking progress against intended actions in future reviews. The Auditor General currently follows the practice of publishing some departments' responses to his report. This practice should be adopted by the PAC as a routine part of its review and report. Departments and the central agencies should be asked to respond formally to the recommendations of the PAC and these should be published by the PAC as an appendix to its report to the House.

In addition, the committee would call on each deputy head to account for the manner in which he had carried out delegated and assigned responsibilities in the year covered by the accounts under study. This process was described earlier in Chapter 21. Given that the responsibility of the Board of Management is shared with or overlaps that of the deputy head, senior representatives of the Board should also be present at these sessions. The chief executive officers of *Independent Deciding and Advisory Bodies* should also account before the Public Accounts Committee for the manner in which they have discharged their administrative responsibilities in the same manner as deputy ministers account.

Accountability for the administration of *Crown Corporations* is somewhat different. We have emphasized that the accountability of these agencies must be focussed in the board of directors and that the chairman of the board be the link between the corporation and the Government and Parliament. The role of the PAC would be to call the chairman to account on behalf of the board for its responsibilities for direction and management, and the chief executive officer for the operating performance of the corporation.

An important task remains for the Public Accounts Committee. This is the review of the Auditor General's comments and recommendations on government-wide financial management and administrative issues contained in his annual report. The role of the PAC in this area would include the review of the Board of Management's response to the Auditor General's comments and the preparation of a report to the House with recommendations. This responsibility is not new; rather, it reflects the trend of procedure in the PAC over the past two years. The PAC has developed a practice of writing to the Secretary of the Treasury Board to request a progress report on steps taken in response to the Auditor General's report. This practice should continue to be

developed as a means of calling for an accounting for the central management responsibilities of government.

In order to meet the demands of these activities, the Public Accounts Committee may have to resort to the use of sub-committees to gather information or conduct specific investigations. To allow for this possibility, we have recommended that its membership be left at twenty.

Conclusion

It is evident from the foregoing that we are calling upon parliamentarians to place a great deal of confidence in, and a considerably increased workload on, the standing committees of the House of Commons. Our purpose is not to detract from the importance of the House of Commons itself, or from the need for the debate that goes on there, but rather to suggest to Members of Parliament a means by which they can increase the significance of that debate by equipping themselves with better information, more expeditious procedures, and a more streamlined organization.

While present arrangements provide that the undisputed need for the opposition parties to challenge the Government in the House and in committee on political issues will, at least in part, be satisfied, they do little to ensure that Parliament's influence will be extended to matters of accountability for management and administration. If Parliament is not in a position to require this accounting, whether because of the inadequacies of the mechanisms and procedures available to it, or because of a lack of will to stress these as important issues, there will be little reason for the Government, and in turn the public service, to pay as much attention to matters of administration as they do to the development of policy and the support of ministers in their various roles.

In particular, the political will and commitment to change must exist. It has been evident to us from our meetings with them that Members of Parliament are not satisfied with the way Parliament is working and that they recognize the need to improve it. Our proposals are thus based on the belief that the will to change exists and that it is sufficiently strong to overcome the technical and superficial difficulties which, in the absence of such a mobilizing force, might slow or stall reform. Furthermore, we would

emphasize that the changes we propose are in the spirit of our constitutional evolution to date and do not represent radical departures from it. Indeed, much can be accomplished simply by recognizing certain relationships and responsibilities that have existed for some time without the benefit or the protection of formalization.

APPENDICES

APPENDIX A

CLASSIFICATION OF GOVERNMENT DEPARTMENTS AND CROWN AGENCIES

This Appendix consists of lists of departmental and non-departmental entities, classified in our proposed four categories:

- I Ministerial and Other Designated Departments
- II Independent Deciding and Advisory Bodies
- III Crown Corporations
- IV Shared Enterprises

The list is as complete as possible but we do not claim to have ferreted out every stray entity. We would only claim that, in our comprehensive classification scheme, an appropriate place could, and should, be found for such elusive bodies.

We would observe that the listing of many agencies in a particular category is a judgement call. We have attempted to segregate those agencies about which we believe the Government, basing its decisions on the criteria we have developed, may wish to make its own judgement.

Before the classification scheme was developed, much time was devoted to reviewing the nomenclature used to identify different entities within government. We have arrived at two distinct groupings—*departments* and *Crown agencies*—in which all of the entities can be classified. It is necessary to use this Appendix in conjunction with Parts III and IV of our Report in order to ensure a full understanding of the nature and implications of our proposals with respect to categorizing government departments and agencies.

The Treasury Board Secretariat document, *Government-Owned and Controlled Corporations*, which was revised in January 1978, was used as an initial source in the development of the classification scheme. Schedule A of the *Financial Administration Act* indicating departments, and the list of "Branches Designated as Departments" pursuant to Section 2 of the FAA, added further to the number of entities. In addition, organizations like the Anti-Dumping Tribunal and the Restrictive Trade Practices Commission, which appear in none of these lists, were included in our scheme. The framework of our classification system emerged from a study of constituent acts, letters patent, articles of incorporation, and Orders in Council and from discussions with officials of departments and Crown agencies. The same ground was covered a second time in order to determine the particular classification for individual entities.

The fundamental distinction among these categories is the susceptibility of their constituents to direction from government with respect to policy and management. There are four options in this range: (1) susceptibility to direction with respect to both policy and management; (2) susceptibility to direction with respect to management but allowance for autonomy concerning interpretation of policy; (3) autonomy in management but susceptibility to direction with respect to policy; (4) autonomy in management and autonomy in policy interpretation. The first of these options applies to *Ministerial and Other Designated Departments*, the second to those bodies which are classified as *Independent Deciding and Advisory Bodies*, the third to *Crown Corporations*, the fourth to *Shared Enterprises*.

As we have suggested in our Report, difficult problems and anomalies are not easily avoided. When exceptions to the criteria for each category do appear, the implication is that these entities should be brought into line and their organizations altered so as to meet the requirements of the particular category.

At the head of each list appear criteria which the Commission has used to classify the departments and agencies. Although not all of the criteria apply to all of the entities in each category at the present time, an examination of their mandates and relationships with other parts of government suggested a prima facie case for their inclusion in a given category. Criteria that are not met at the present time are indicated in the column headed "Criteria Not Currently Met".

We undertook this exercise to determine the feasibility of our proposed classification system and to illustrate that, despite the idiosyncratic features of these entities, a common pattern could emerge that would underpin consistent accountability régimes and allow for a comprehensive listing of all governmental entities.

Classification of Government Departments and Crown Agencies

	<u>Number Classified</u>
CATEGORY I: <i>Departments</i>	<u>56</u>
A. Ministerial Departments	27
B. Other Designated Departments	23
C. Parliamentary Departments	6
D. Temporary, Special Status Departments	fluctuates
CATEGORY II: <i>Independent Deciding and Advisory Bodies</i>	<u>30</u>
(a) Regulatory	14
(b) Deciding Tribunals	6
(c) Granting	6
(d) Advisory/Research	4
CATEGORY III: <i>Crown Corporations</i>	<u>54</u>
Note: 1) This total of 54 includes 8 marketing agencies that the Government may not choose to classify in this category.	
2) In a final Government classification of Crown Corporations, the names of all subsidiaries should be listed under the name of the parent Corporation.	
CATEGORY IV: <i>Shared Enterprises</i>	<u>25</u>

Criteria for each category and sub-group appear at the top of each list.

Criteria that are not met at the present time by a given organization are indicated in the last column of each list.

“Present Classification” refers to the placement of an organization in the Schedules to the *Financial Administration Act*, the Treasury Board Secretariat lists, or the list of “Branches Designated as Departments” pursuant to Section 2 of the FAA.

Category I: Departments

A. Ministerial Departments

- Criteria: (a) Established by act of Parliament.
 (b) Care and management assigned to a minister who reports to Parliament.
 (c) Designated a Department under (1) Financial Administration Act and (2) Public Service Employment Act.

Ministerial Department	Present Classification	Criteria Not Currently Met
Agriculture	Schedule A	
Communications	Schedule A	
Consumer and Corporate Affairs	Schedule A	
Employment and Immigration	Schedule A	
Energy, Mines and Resources	Schedule A	
Environment	Schedule A	
External Affairs	Schedule A	
Federal-Provincial Relations	Branch Designated	
Finance	Schedule A	
Indian Affairs and Northern Development	Schedule A	
Industry, Trade and Commerce	Schedule A	
Insurance	Schedule A	
Justice	Schedule A	
Labour	Schedule A	
Ministry of State for Science and Technology	Branch Designated	
National Defence	Schedule A	
National Health and Welfare	Schedule A	
National Revenue	Schedule A	
Privy Council Office	Branch Designated	(a)
Public Works	Schedule A	
Regional Economic Expansion	Schedule A	
Secretary of State	Schedule A	
Solicitor General	Schedule A	
Supply and Services	Schedule A	

Ministerial Department	Present Classification	Criteria Not Currently Met
Transport	Schedule A	
Treasury Board	Schedule A	
Veterans' Affairs	Schedule A	

B. *Other Designated Departments*

- Criteria: (a) Established by act of Parliament.
 (b) Care and management assigned to a Chairman, Director, Chief Commissioner, Board, etc. under the direction of a Minister who reports to Parliament.
 (c) Performs a discrete governmental task.
 (d) Designated as a Department under (1) Financial Administration Act and (2) Public Service Employment Act.

Other Designated Department	Portfolio	Present Classification	Criteria Not Currently Met
Canadian Intergovernmental Conference Secretariat	Prime Minister	Branch Designated	
Canadian International Development Agency	External Affairs	Branch Designated	
Canadian Penitentiary Service	Solicitor General	Branch Designated	
Commissioner for Federal Judicial Affairs	Justice	Branch Designated	
Canada Employment and Immigration Commission	Employment and Immigration	Schedule B	
National Library	Secretary of State	Branch Designated	
Northern Pipeline Agency	Minister Responsible	Branch Designated	
Office of the Co-Ordinator, Status of Women	Minister Responsible	Branch Designated	
Office of the Governor General's Secretary	Prime Minister	Branch Designated	
Public Archives	Secretary of State	Branch Designated	

Other Designated Department	Portfolio	Present Classification	Criteria Not Currently Met
Royal Canadian Mounted Police	Solicitor General	Branch Designated	see note*
Statistics Canada	Industry, Trade and Commerce	Branch Designated	
Statute Revision Commission	Justice	Branch Designated	

Anomalies

The remaining entities on this list are anomalous in some respects. Several are constituted in the corporate form for the purposes of holding funds, letting contracts, and being in the legal position to have suits and actions brought against, or taken by, them. Some are "convenience corporations", taking all direction from the minister, working closely with departmental personnel, and requiring no arm's length relationship. The existence of the corporate form for reasons of convenience is not a reason to include these organizations in the Crown Corporation category. On balance, it appears to be appropriate that these bodies be part of the departmental accountability régime. Some should be incorporated directly into the departments of the ministers to whom they are now responsible and should be accountable for their operations to those departments' deputy heads. These are marked in the list with an asterisk. Those not so marked should be classified with *Other Designated Departments*.

Other Designated Department	Portfolio	Present Classification	Criteria Not Currently Met
*Army Benevolent Fund	Veterans' Affairs	Other Entity	(d)(2)
Canadian Arsenals Limited	Supply and Services	Schedule C	(d)(2)
Agricultural Stabilization Board	Agriculture	Schedule B	
*Commonwealth War Graves Commission	Veterans' Affairs	Other Entity	
Crown Assets Disposal Corporation	Supply and Services	Schedule C	(d)(2)

* Unique management powers and decision-making authority have been delegated directly to the Commissioner of the RCMP with respect to members of the Force. In all other respects, however, including PSEA appointment of civilian personnel, the RCMP fits this category.

Other Designated Department	Portfolio	Present Classification	Criteria Not Currently Met
*The Custodian (of Enemy Property)	Veterans' Affairs	Other Entity	
Defence Construction (1951) Limited	Defence	Schedule C	(d)(2)
*Director of Soldier Settlement	Veterans' Affairs	Schedule B	
*Director, The Veterans' Land Act	Veterans' Affairs	Schedule B	
Foreign Investment Review Agency	Industry, Trade and Commerce	Branch Designated	
Federal Insolvency Trustee Agency	Consumer and Corporate Affairs	Other Government Corporation	
*Last Post Fund	Veterans' Affairs	Other Entity	
Municipal Development and Loan Board	Finance	Schedule B	(d)(2)
Public Works Lands Company Limited	Public Works	Other Government Corporation	(d)(2)
Standards Council of Canada	Industry, Trade and Commerce	Other Government Corporation	(d)(2)
*The National Battlefields Commission	Indian Affairs and Northern Development	Schedule C	(d)(2)
Uranium Canada Limited	Energy, Mines and Resources	Schedule C	

C. *Parliamentary Departments*

- Criteria:
- (a) Established by act of Parliament.
 - (b) Report to Minister, Prime Minister, or Speaker.
 - (c) Care and management assigned to a Chairman, Chief, Director, etc.
 - (d) Designated a Department under (1) Financial Administration Act and (2) Public Service Employment Act.
 - (e) (1) Appointment and (2) dismissal subject to confirmation by joint resolution of both Houses.

Parliamentary Department	Portfolio	Present Classification	Criteria Not Currently Met
Auditor General	Finance	Branch Designated	(d)(2); (e)(1)
Canadian Human Rights Commission	Justice	Branch Designated	
Chief Electoral Officer	President of the Privy Council	Branch Designated	
Commissioner of Official Languages	Prime Minister	Branch Designated	
Public Service Commission	Secretary of State	Branch Designated	(e)(1)
Representation Commissioner	Secretary of State	Branch Designated	(d)(2)

D. *Temporary, Special Status Departments*

- Criteria: (a) Created by Order in Council.
 (b) Appointed on a temporary basis, disbanded when work is completed.

examples: Indian Claims Adjudication
 Special Inquirer for Elder Indians' Testimony
 Task Force on Canadian Unity
 Royal Commissions

Category II: Independent Deciding and Advisory Bodies

- Criteria: (a) Established by constituent act.
 (b) Adjudicative, regulatory, granting, research and advisory functions assigned to a Board that acts in a collegial manner.
 (c) Chairman is assigned care and management of the body.
 (d) Autonomy is secured by the appointments of Chairman and members (1) for terms held on "good behaviour" and (2) being subject to termination by "removal for cause".
 (e) Management is subject to provisions of (1) Financial Administration Act and (2) Public Service Employment Act.

Independent Deciding and Advisory Body	Portfolio	Present Classification	Criteria Not Currently Met
<i>(a) Regulatory</i>			
Anti-Dumping Tribunal	National Revenue	not scheduled or listed	(d)(2); (e)(2)
Anti-Inflation Board	Finance	Branch Designated	(d)(1),(2)
Atomic Energy Control Board	Energy, Mines and Resources	Schedule B	(d)(1),(2); (e)(2)
Canada Labour Relations Board	Labour	Branch Designated	(d)(1),(2)
Canadian Radio-television and Telecommunications Commission	Communications	Branch Designated	(d)(2)
Canadian Transport Commission	Transport	Branch Designated	(d)(1),(2)
International Boundary Commission	External Affairs	Other Entity	(d)(1),(2); (e)(1),(2)
International Joint Commission	External Affairs	Other Entity	(d)(1),(2); (e)(1),(2)

Independent Deciding and Advisory Body	Portfolio	Present Classification	Criteria Not Currently Met
National Energy Board	Energy, Mines and Resources	Branch Designated	
Office of the Administrator Under the Anti-Inflation Act	National Revenue	Branch Designated	(d)(1),(2)
Petroleum Compensation Board	Energy, Mines and Resources	Branch Designated	(d)(1),(2)
Public Service Staff Relations Board	President of Privy Council	Branch Designated	(d)(1)
Restrictive Trade Practices Commission	Consumer and Corporate Affairs	not scheduled or listed	(e)(2)
Tariff Board	Finance	Branch Designated	(e)(2)
<i>(b) Deciding Tribunals</i>			
Canadian Pension Commission	Veterans' Affairs	not scheduled or listed	(d)(1),(2)
Immigration Appeal Board	Employment and Immigration	Branch Designated	
National Parole Board	Solicitor General	Branch Designated	(d)(2)
Pension Appeal Board	National Health and Welfare	not scheduled or listed	(d)(1),(2); (e)(2)
Tax Review Board	Finance	Branch Designated	(d)(1),(2); (e)(2)
War Veterans Allowance Board	Veterans' Affairs	not scheduled or listed	(d)(1),(2); (e)(2)
<i>(c) Granting</i>			
Canada Council	Secretary of State	Other Government Corporation	(d)(1),(2); (e)(2)
Canadian Film Development Corporation	Secretary of State	Schedule C	(d)(1),(2); (e)(2)
International Development Research Centre	External Affairs	Other Entity	(d)(1),(2); (e)(1),(2)
Medical Research Council	National Health and Welfare	Schedule B	(d)(1),(2); (e)(2)
Natural Sciences and Engineering Research Council	Science and Technology	Schedule B	(d)(1),(2); (e)(2)
Social Sciences and Humanities Research Council	Secretary of State	Schedule B	(d)(1),(2); (e)(2)

Independent Deciding and Advisory Body	Portfolio	Present Classification	Criteria Not Currently Met
<i>(d) Advisory/Research</i>			
Advisory Council on the Status of Women	Minister Responsible	not scheduled or listed	(d)(1),(2); (e)(2)
Economic Council of Canada	Prime Minister	Schedule B	(d)(1),(2); (e)(2)
Law Reform Commission	Justice	Branch Designated	
Science Council of Canada	Science and Technology	Schedule B	(d)(1),(2); (e)(2)

Category III: Crown Corporations

- Criteria: (a) Established by constituent act, letters patent/articles of incorporation under Canada Business Corporations Act, or provincial acts.
- (b) Tasks akin to private sector entrepreneurial undertakings in a market setting.
- (c) Wholly-owned by government.
- (d) Board collectively is assigned care and management of the corporation as in the private sector.
- (e) Separate employer, outside Public Service Employment Act.
- (f) Minister may give direction.

Crown Corporation	Portfolio	Present Classification	Criteria Not Currently Met
Air Canada (and subsidiaries)*	Transport	Schedule D	
Atomic Energy of Canada Limited	Energy, Mines and Resources	Schedule C	
Bank of Canada	Finance	Other Government Corporation	
Canada Deposit Insurance Corporation	Finance	Schedule D	
Canadair (and subsidiaries)	Industry, Trade and Commerce	Other Government Corporation	
Canadian Broadcasting Corporation (and subsidiaries)	Secretary of State	Schedule D	
Canadian Commercial Corporation	Industry, Trade and Commerce	Schedule C	
Canadian National Railways (and subsidiaries)	Transport	Schedule D	

* in final Government classification of Crown Corporations, the names of all subsidiaries should be listed under the parent corporation.

Crown Corporation	Portfolio	Present Classification	Criteria Not Currently Met
Cape Breton Development Corporation (and subsidiaries)	Regional Economic Expansion	Schedule D	
Central Mortgage and Housing Corporation	Minister Responsible	Schedule D	
Eldorado Nuclear Limited (and subsidiaries)	Energy, Mines and Resources	Schedule D	
Export Development Corporation	Industry, Trade and Commerce	Schedule D	
Farm Credit Corporation	Agriculture	Schedule D	(d) Chairman has care
Federal Business Development Bank	Industry, Trade and Commerce	Schedule D	
Harbour Commissions Belleville Fraser River Hamilton Lakehead Nanaimo North Fraser Oshawa Port Alberni Toronto Windsor Winnipeg and St. Boniface	Transport	Other Government Corporation	
Harbour Front Incorporated (207 Queen's Quay West)	Minister Responsible	Other Government Corporation	
Loto Canada	Minister Responsible	Schedule C	(d) Chairman has care
National Arts Centre Corporation	Secretary of State	Other Government Corporation	
National Capital Commission	Minister Responsible	Schedule C	
National Film Board	Secretary of State	Branch Designated	(d) Minister has care
National Harbours Board	Transport	Schedule C	
National Museums of Canada	Secretary of State	Schedule B	(d), (e)
National Research Council (and subsidiaries)	Science and Technology	Schedule B	(d)
Northern Canada Power Commission	Indian Affairs and Northern Development	Schedule C	

Crown Corporation	Portfolio	Present Classification	Criteria Not Currently Met
Northern Transportation Company Limited (and subsidiaries)	Transport	Schedule D	
Petro-Canada (and subsidiaries)	Energy, Mines and Resources	Schedule D	
Pilotage Authorities Atlantic Great Lakes Laurentian Pacific	Transport	Schedule D	(d) Chairman has care
Royal Canadian Mint	Supply and Services	Schedule C	(d) Master has care
The deHavilland Aircraft of Canada Limited (and subsidiaries)	Industry, Trade and Commerce	Other Government Corporation	
Teleglobe Canada (and subsidiaries)	Communications	Schedule D	
The St. Lawrence Seaway Authority	Transport	Schedule D	(d) Chairman has care
The Seaway International Bridge Corporation Limited	Transport	Schedule D	(d) Chairman has care
VIA Rail Canada Incorporated	Transport	Schedule D	

Anomalies

As we have previously noted, various entities present major problems when an attempt is made to classify them. This is particularly true of marketing agencies which, while they are commercially oriented, perform an important regulatory or advisory function. It must be asked whether the Government wishes to have these bodies susceptible to direction with respect to policy and management, only with respect to management, or only with respect to policy. Government may decide to make some or all of these entities more susceptible to ministerial direction and would then classify them as *Independent Deciding and Advisory Bodies*.

note: with respect to the Post Office: the Government has introduced legislation to redesignate the Post Office as a Crown corporation. The same criteria as apply to these listed Crown Corporations should apply to a Post Office Corporation.

Alternatively, it may decide that some or all of these agencies should operate as *Crown Corporations*, meeting the criteria set down for that category. We have included them here as *Crown Corporations*, indicating the criteria that are not currently met by these organizations.

Agency	Portfolio	Present Classification	Criteria Not Currently Met
Agricultural Products Board	Agriculture	Other Entity	(d)
Canadian Dairy Commission	Agriculture	Schedule C	(d)
Canadian Livestock Feed Board	Agriculture	Schedule C	(d)
Canadian Saltfish Corporation	Environment	Schedule C	
Fisheries Prices Support Board	Environment	Schedule B	(d)
Freshwater Fish Marketing Corporation	Environment	Schedule D	
National Farm Products Marketing Council —The Canadian Egg Marketing Agency —The Canadian Turkey Marketing Agency	Agriculture	Other Entity	(e)
The Canadian Wheat Board	Minister Responsible	Other Government Corporation	

Category IV: Shared Enterprises

- Criteria: (a) Established by constituent act or letters patent/articles of incorporation.
 (b) Government has taken a direct equity position in common with other participants.
 (c) Board collectively has care and management as in the private sector.
 (d) Minister does not have authority to direct but is entitled to shareholder information.

Enterprise	Portfolio	Other Interests
Abenaki Motel Limited	Indian Affairs and Northern Development	Native Peoples Organizations
Association for the Export of Canadian Books	Secretary of State	Private Industry
Blue Water Bridge Authority	Transport (from External)	Government of the U.S.A.
Canada Development Corporation	Finance	Private Investors
Canadian Arctic Producers Limited	Indian Affairs and Northern Development	Native Peoples Organizations
Canadian Book Design Committee Incorporated	Industry, Trade and Commerce	Private Industry
Canadian Colour and Fashion Trend Service	Industry, Trade and Commerce	Private Industry
Canarctic Shipping Company Limited	Transport	Private Industry
Consolidated Computer Incorporated	Industry, Trade and Commerce	Government of Ontario and Private Investors
Crane Cove Oyster Farm Limited	Indian Affairs and Northern Development	Native Peoples Organizations
Fashion Canada	Industry, Trade and Commerce	Private Industry
Footwear and Leather Institute of Canada	Industry, Trade and Commerce	Private Industry

Enterprise	Portfolio	Other Interests
La Société Inter-port du Québec	Regional Economic Expansion	Government of Québec
Metropolitan Area Growth Investments Limited	Regional Economic Expansion	Government of Nova Scotia
Mohawk St. Regis Lacrosse Limited	Indian Affairs and Northern Development	Native Peoples Organizations
Nanisivik Mines Limited	Indian Affairs and Northern Development	Private Industry
New Brunswick Multiplex Corporation Limited	Regional Economic Expansion	Government of New Brunswick
Newfoundland and Labrador Development Corporation	Regional Economic Expansion	Government of Newfoundland and Labrador
La Société du parc industriel et commercial aéroportuaire de Mirabel	Regional Economic Expansion	Government of Québec
POS Pilot Plant Corporation	Industry, Trade and Commerce	Government of Saskatchewan and private industry
Roosevelt Campobello International Park Commission	External Affairs	Government of the U.S.A.
Shong Way Shi Corporation	Indian Affairs and Northern Development	Native Peoples Organizations
Saint John Harbour Bridge Authority	Finance	Government of New Brunswick and City of Saint John
Telesat Canada	Communications	Telecommunications Utilities
Thousand Islands Bridge Authority	Transport	Government of the U.S.A.

Quasi-public Corporations

Consideration must also be given to organizations that have been encouraged by government and sponsored by government departments. Although we do not see a need to classify these entities at the present time, it is necessary that the public be aware

of their existence and of the sums that are paid out to these organizations from the public purse.

The characteristics of these *Quasi-public Corporations* are as follows: (1) a minister initially sponsors and encourages the creation of an organization under Part II of the *Canada Corporations Act*; (2) the government participates in a private sector organization; (3) the government may name some members to the boards of the corporations. Examples are listed below.

Corporation	Sponsoring Minister	Present Classification
Board of Trustees of the Queen Elizabeth II Canadian Fund to Aid in Research on the Diseases of Children	Prime Minister	Other Entity
Canadian Law Information Council	Justice	Other Entity
The Forest Engineering Research Institute of Canada	Environment	Other Entity
Hockey Canada	National Health and Welfare	Other Government Corporation
National Sports and Recreation Centre Incorporated	National Health and Welfare	Other Government Corporation
Queen Elizabeth II Canadian Fund to Aid in Research on the Diseases of Children	Prime Minister	Other Entity
Sport Participation Canada Incorporated	National Health and Welfare	Other Government Corporation
Vanier Institute of the Family	National Health and Welfare	Other Entity

APPENDIX B

THE DEPUTY HEAD QUESTIONNAIRE

During May and June of 1977 the Commissioners met informally with most deputy heads to discuss the roles and responsibilities of the deputy head in government. After these meetings it was decided that a comprehensive review of the opinions of deputy heads would assist the Commission in developing practical and appropriate recommendations concerning the accountability framework for deputies, the methods by which they are personally evaluated, and the wider administrative and policy-making environment in which they operate.

To this end a questionnaire was designed by consultants to the Commission, reviewed and revised by the Commissioners, and sent to 27 deputy heads. All replied to the questionnaire. The responses were processed by computer and the results were tabulated and analyzed under seven headings:

- Characteristics of the Respondents
- Process for Appointing Deputy Heads
- Deputy Heads as Chief Administrative Officers
- Roles of the Central Agencies in Management
- Central Planning and Resource Allocation
- Evaluation of Deputy Head Administrative Performance
- Relationship between the Minister and the Deputy

This appendix contains the findings and analysis of the Questionnaire accompanied by charts to aid in clarifying the response patterns that emerged. The full Questionnaire with a tabulation of

the aggregated responses and a list of those governmental bodies the deputy heads of which received the questionnaire are included as well.

Findings and Analysis

Characteristics of Respondents (Questions A-1 to A-7)*

Deputies manage departments of all sizes, about half of which have a senior assistant deputy minister or equivalent. Nine of the 27 deputies were appointed from outside the public service and head departments of every size and orientation, with the exception of departments with "more policy than operations".

There was no clear relation between departmental orientation and deputies' ratings of policy load, or scope and complexity of operations. In making interdepartmental comparisons, most deputies tended to perceive both their policy loads and the scope and complexity of their operations as greater than average.

Process for Appointing Deputy Heads

The deputies were of the view that the process of appointment was been guided by the principle of merit and generally had produced good appointments.

Other responses indicated the possibility of a morale problem among deputies. A surprisingly large number of deputies indicated a low level of job satisfaction and displayed a lack of confidence in the system's capability to deal effectively and fairly with deputies whose performance became unsatisfactory.

Despite the fact that deputies described their responsibilities for administration as more important than the provision of policy advice, they believed that policy skills were valued more highly than administrative skills in the selection of deputies. Most deputies agreed that there was satisfactory consultation prior to their appointment but they also said that they were not told what was expected of them.

* Alpha-numeric symbols refer to sections and questions in the Questionnaire. These are to be found in the aggregate responses to the questionnaire.

Responses indicating the view that appointments are made on the basis of merit

Response Range

Agree	Tend to Agree	Neither Agree nor Disagree	Tend to Disagree	Disagree
1	2	3	4	5
5	17	4	0	1
0	4	3	9	11
19	7	0	1	0

Almost all deputies believe that "On balance, the better deputy heads are recognized and move ahead in the system"

B-21

Most deputies disagree that "DM career success is based more on who you know, rather than what you do"

B-18

— One deputy noted: "The initial appointment may be on who knows you (not who you know), but continuity and progression and moves depend on performance."

All deputies but one agree that "Most deputies could faithfully serve a government formed by another political party"

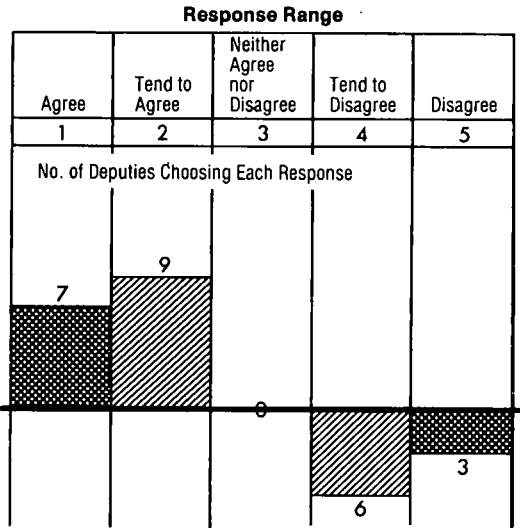
B-31

No. of Deputies Choosing each Response

Responses suggesting a possible morale problem among deputies

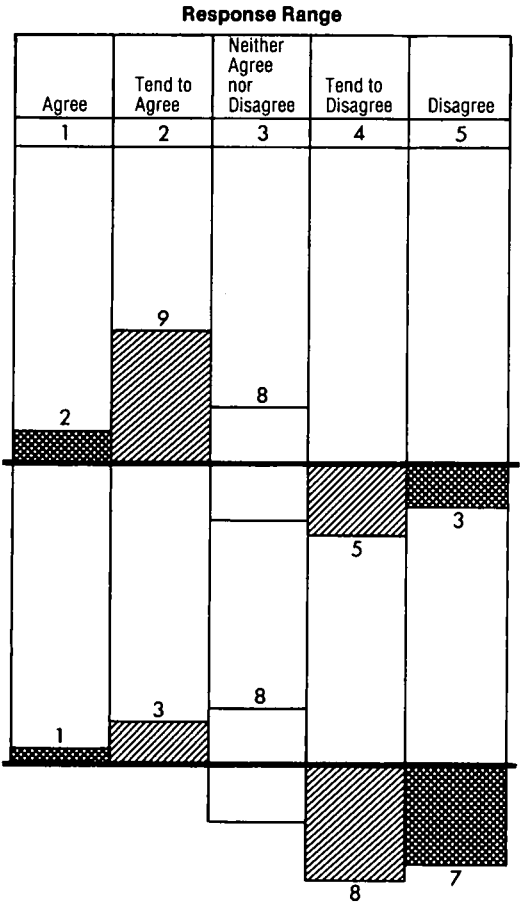
Eleven deputies did not agree that "the satisfactions of the DM position are well worth the personal investment required."

B-23



Only 40% of deputies agreed that "a good deputy who wears out early because of job pressure is treated well."

B-25



Only 4 deputies agreed that "deputies not performing satisfactorily are dealt with effectively."

B-22

Responses suggesting a perception that policy skills were rated more highly than administrative skills in deputy head selection

Response Range

Agree	Tend to Agree	Neither Agree nor Disagree	Tend to Disagree	Disagree
1	2	3	4	5
No. of Deputies Choosing Each Response				
9	9	6		
			3	0
1	7	3		
11	8	3	9	7
			3	1

Nearly two-thirds of deputies agreed that "In DM appointments, policy skills are valued more highly than administrative skills"

B-19

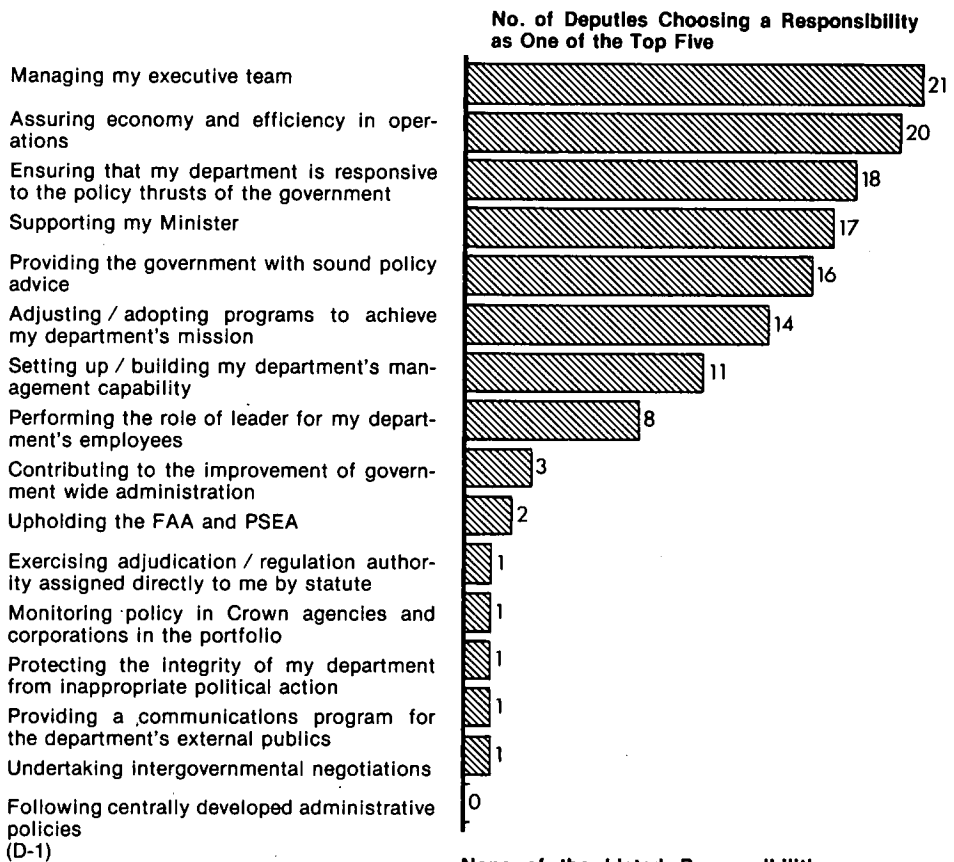
And deputies do not agree that "Administrative skills are given sufficient consideration in making DM appointments"

B-20

Almost all agreed that "Senior management experience is more important to DM success than knowledge of government administrative procedures"

B-29

Responses to the Ranking of Responsibility Statements



None of the Listed Responsibilities was Selected by all 27 Deputies

Deputy Heads as Chief Administrative Officers

Responses indicated that deputies regarded themselves as both general managers of their departments and as policy advisers to their ministers. In selecting the five most important statements of responsibilities they chose as follows:

- managing my executive team
- assuring economy and efficiency in operations
- supporting my minister
- ensuring that my department is responsive to the policy thrusts of the government
- providing the government with sound policy advice

However, when asked to rank these responsibilities on a scale of one to five, there was no uniformity about whether policy advice or administration was more important. Generally, deputies of policy-oriented departments chose policy advice and deputies of operations-oriented departments chose administration.

A majority of deputies indicated that they had sufficient authority and tools to be effective managers, although there was a significant minority of managers of larger departments with an operations orientation who disagreed. The majority indicated they could hire and deploy their management team adequately and that they could delegate responsibilities to senior officers and hold them to account. Most deputies believed that they themselves had the most influence on the management of their departments. Most agreed that dealing with unsatisfactory performers was a big problem and they wanted to have more authority in this area. Most agreed that they are able to develop clear sets of objectives for the department and to keep to their management priorities. They believed that they were personally responsible for ensuring good financial controls and regarded their financial officers as important participants in program and policy development.

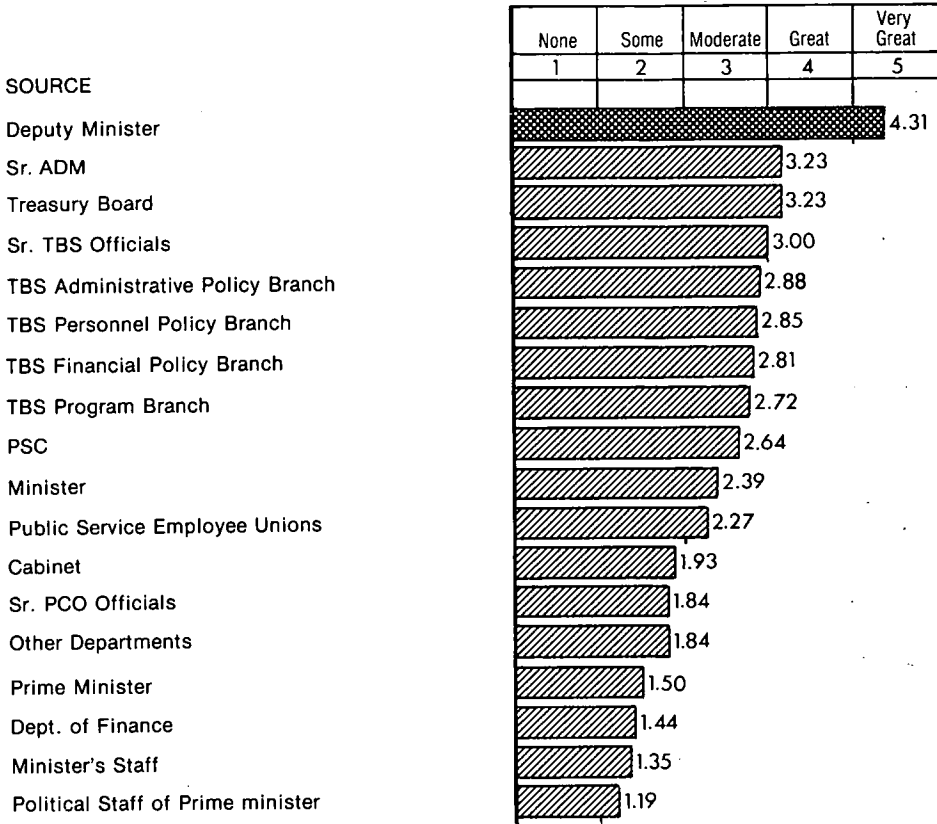
Deputies also indicated that they could and should be accountable for their administration. Most deputies agreed that they account for their administration in meetings with the minister and that House of Commons committees should be able to hold them to account for departmental administration. A majority of deputies did not believe that Treasury Board had a good knowledge of a deputy head's administrative performance.

While there is agreement on the overall set of responsibilities, deputies show little consistency in ranking them. The ranking of responsibilities — if it is appropriate at all — depends on the particular circumstances the DM faces.

RESPONSIBILITY	No. of Deputies Ranking				
	First	Second	Third	Fourth	Fifth
Managing my executive team	5	1	7	5	3
Assuring economy and efficiency in operations	1	1	7	6	5
Ensuring that my department is responsive to the policy thrusts of government	4	5	4	2	3
Supporting my minister	4	5	2	2	4
Providing the government with sound policy advice	4	4	2	4	2
Adjusting / adopting programs to achieve my department's mission	3	2	2	3	4
Setting up / building my department's management capability	3	4	2	0	2
Performing the role of leader for my department's employees	3	1	0	3	1

Responses on Authority and Capacity to Manage

**Average response to C-1
Influence on managing**



Response Range

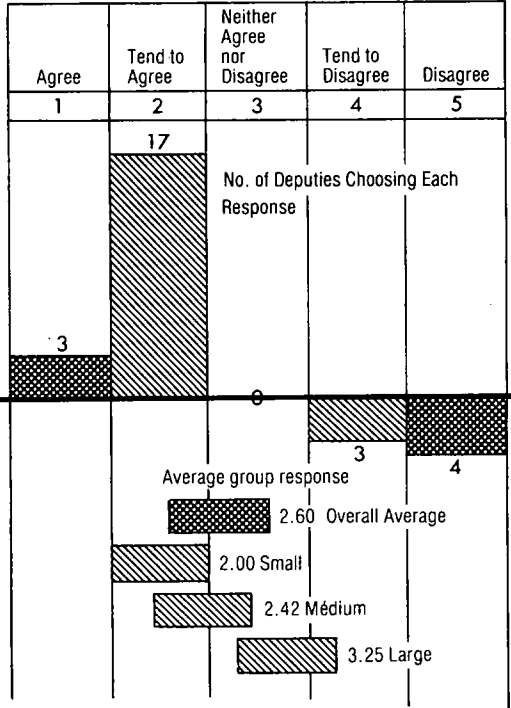
Agree	Tend to Agree	Neither Agree nor Disagree	Tend to Disagree	Disagree
1	2	3	4	5
No. of Deputies Choosing Each Response				
11	11			
		1		
			2	0
8	14			
		2		
			1	0

Deputies overwhelmingly agree that they "Have developed a clear set of objectives for the department"

B-66

And that they are "Able to keep pretty well to the management priorities that they set"

B-70



Nearly three-quarters of deputies agree that they "Have adequate authority to hire their management team"

B-45

The larger the department, the more likely deputies are to disagree

Response Range

Almost everyone said that "Controlling costs should be an important factor in my overall evaluation"

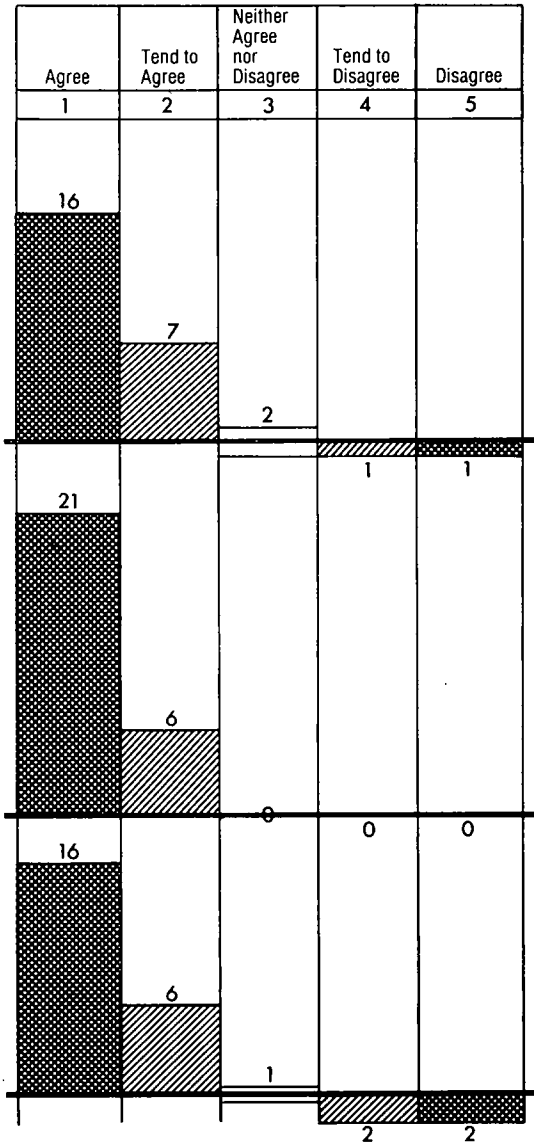
B-10

Deputies are in complete agreement that they "Feel personally responsible for ensuring we have good financial controls"

B-84

And the vast majority agreed that they are "Given early warning of possible significant variances from budget"

B-95



Responses on Unsatisfactory Performers

Response Range

Agree	Tend to Agree	Neither Agree nor Disagree	Tend to Disagree	Disagree
1	2	3	4	5
No. of Deputies Choosing Each Response				
1	8	0	11	7
6	16	1	2	2

About two-thirds of deputies do not agree they "Have adequate authority to get rid of unsatisfactory members of their management team"

B-46

22 deputies agreed that "I need new options to deal with performance problems of executives in my department"

B-54

Responses on Accounting for Departmental Administration

23 deputies agreed that "House Committees should be able to hold me to account for departmental administration."

B-91

20 deputies agreed that "I account for the administration of the department in meetings with my minister."

B-92

Agree 1	Tend to Agree 2	Neither Agree nor Disagree 3	Tend to Disagree 4	Disagree 5
10	13	No. of Deputies Choosing Each Response		
12	8	3	3	1
			2	2

**Responses on Treasury Board and Public Service Commission on
Roles in Central Management**

Response Range

Agree	Tend to Agree	Neither Agree nor Disagree	Tend to Disagree	Disagree
1	2	3	4	5
1	4	5		
2	2	4	9	8
			10	9

Only a few deputies indicated that "TB does not hold me accountable for the use of delegated authority"

B-15

Similarly, only a small number of deputies indicated that "PSC does not hold me accountable for the use of delegated authority"

B-16

Roles of the Central Agencies in Management

Deputies had mixed reactions to the roles played by central agencies. Their views about the Treasury Board Secretariat's knowledge of and sympathy for the problems of departmental management were also mixed. They indicated that they were not satisfied with the performance of the central agencies with respect to personnel matters, particularly in regard to consultation prior to the negotiation of collective agreements.

Response Range

Agree	Tend to Agree	Neither Agree nor Disagree	Tend to Disagree	Disagree
1	2	3	4	5
No. of Deputies Choosing Each Response				
6	8	5		
			6	2

More than half agreed that "TBS personnel systems frustrate my efforts to manage the department"

B-78

No. of Deputies Choosing Each Response				
1	2	3		
			6	14

And only 3 say that "TBS effectively consults with me prior to negotiating collective agreements"

B-87

14

Responses on the Treasury Board Secretariat's Understanding of Departmental Objectives

Response Range

	Agree 1	Tend to Agree 2	Neither Agree nor Disagree 3	Tend to Disagree 4	Disagree 5
<p>Almost all deputies "Have developed a clear set of objectives for their department"</p> <p>B-66</p>	11	13	1		
<p>The majority agree that "TBS understands their department's objectives"</p> <p>B-60</p>	1	14	3	2	0
<p>Most agree that "Relative to other departments, their budgetary allotment is fair"</p> <p>B-57</p>	5	12	5	7	1
				4	1

In general, the deputies' responses gave the impression that the approach of the central agencies to questions of management in departments is neither co-ordinated nor consistent. One deputy said that "the burden of housekeeping in departmental administration continues to grow at a such a pace and to increase to such levels as to inhibit the effective performance of a deputy's main responsibility—to see that the department's job gets done."

On the issue of central agency controls of the careers of senior executives, most deputies agreed that central career development planning should be improved (B-34); however, the majority did not indicate a willingness to change current practices to give central agencies more influence over the career development of senior executives (B-35).

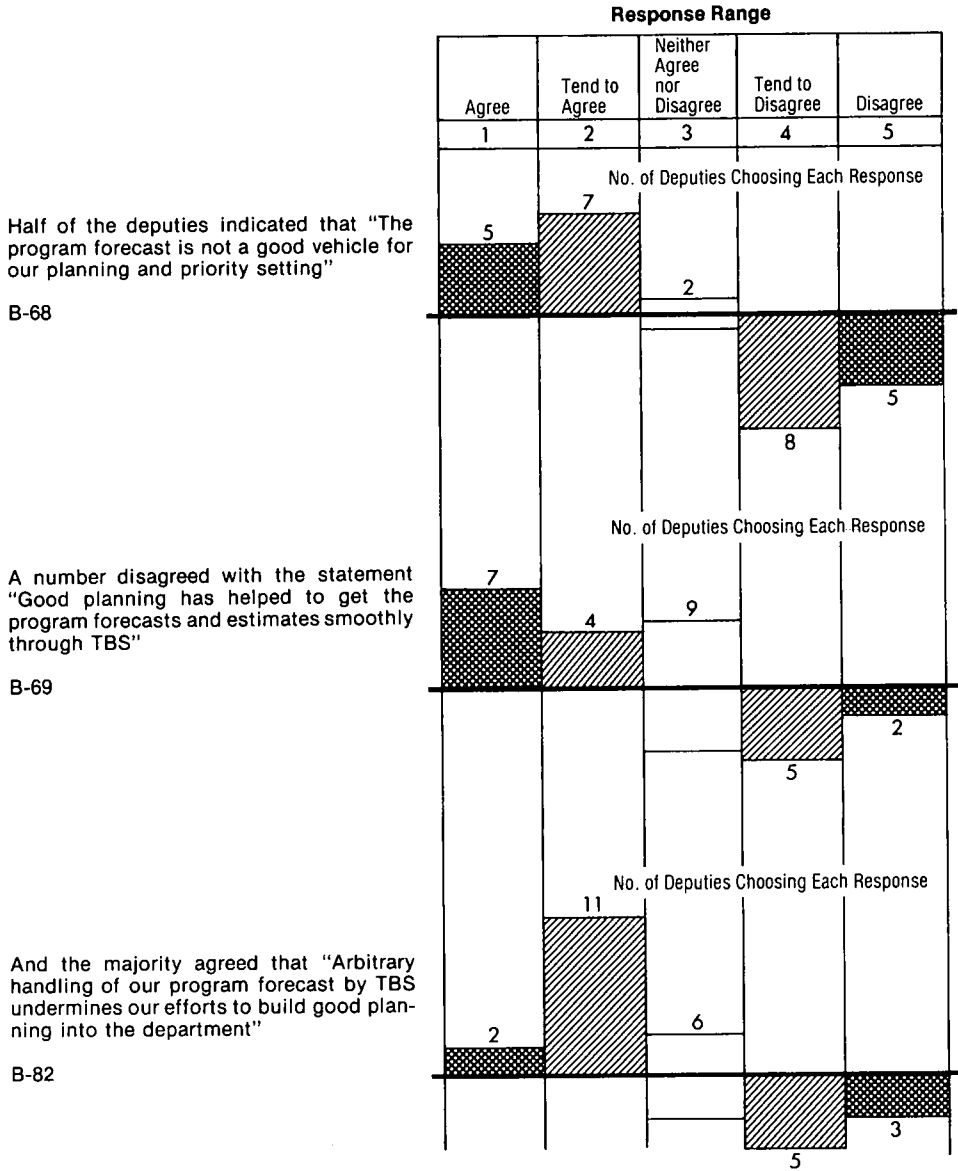
A majority of deputy heads did not believe that they would have difficulty in dealing with political pressure if they were to be given authority to appoint senior officers (B-51).

The vast majority of deputy heads believed that SX performance was over-rated and that merit was not properly reflected in pay increases (B-41, 42).

Central Planning and Resource Allocation

Deputies' perceptions of central planning and resource allocation suggested several areas for concern. Most deputies responded that they received adequate direction concerning policies and priorities; however, a significant minority reported the opposite. While deputies suggested that the objectives set by them were generally understood by the Treasury Board Secretariat, they agreed that arbitrary handling of Program Forecasts by the Treasury Board Secretariat undermined their efforts to establish good planning practices in departments.

Responses on the Expenditure Planning Process



Responses on Performance Evaluation

Response Range

Most DMs disagreed with the statement
"I was told what was expected of me when
I was appointed to this job"

B-28

Only 8 DMs agreed with the statement
"The central agencies and I have discussed
the administrative improvements required
in my department"

B-8

	Agree 1	Tend to Agree 2	Neither Agree nor Disagree 3	Tend to Disagree 4	Disagree 5
Most DMs disagreed with the statement "I was told what was expected of me when I was appointed to this job"	5	4	2		
Only 8 DMs agreed with the statement "The central agencies and I have discussed the administrative improvements required in my department"	3	6	4	4	12
				1	13

A clear majority of deputies did not agree that the Treasury Board Secretariat recognized deputy heads' efforts to run cost-effective operations in its handling of departmental budget submissions. Most agreed that incremental budgeting does not encourage deputy ministers to reduce costs.

Evaluation of Deputy Head Administrative Performance

The responses of deputies pointed to some major problems with respect to the evaluation of their performance. Deputies indicated that communication with them about their performance was ineffective. Few deputies were sure that evaluations of their performance were fair. Many did not believe that the Committee of Senior Officials on Executive Personnel (COSO) or the Treasury Board Secretariat could effectively evaluate administrative performance.

Response Range

Agree	Tend to Agree	Neither Agree nor Disagree	Tend to Disagree	Disagree
1	2	3	4	5
No. of Deputies Choosing Each Response				
6	4	11		
			4	2
2	5	13		
			3	4
8	4	11		
			2	2

Responses to the statement "My overall performance as a deputy head has been fairly evaluated" were divided

B-5

Similarly, deputies were evenly divided in their reaction to the statement "My administrative performance was given enough consideration in evaluating my overall performance"

B-9

Twelve deputies indicated agreement with the statement "My contributions to policy making have been properly recognized in my overall evaluation"

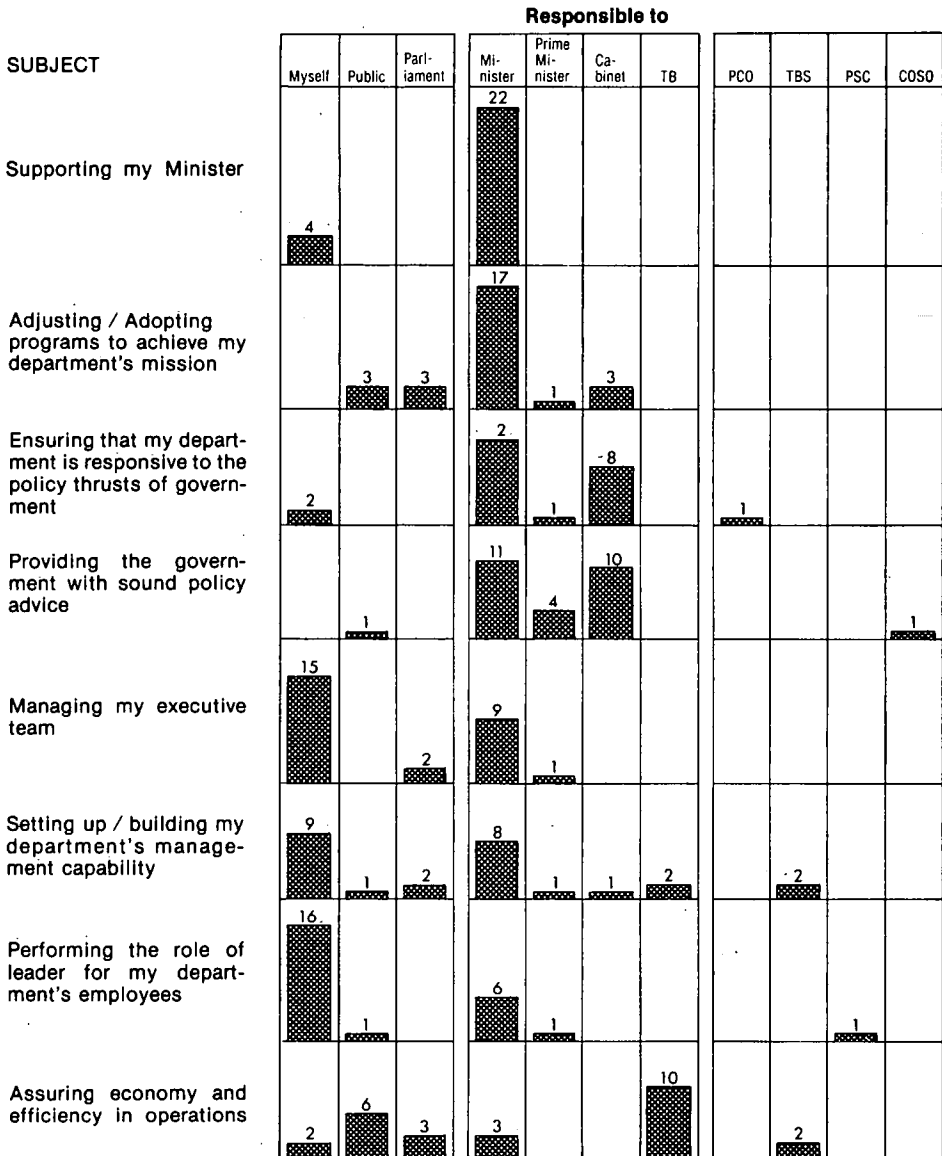
B-12

Responses on the Capability of COSO and TBS to Evaluate Administrative Performance

Response Range

	Agree 1	Tend to Agree 2	Neither Agree nor Disagree 3	Tend to Disagree 4	Disagree 5
Deputies were almost evenly split in their reactions to the statement "COSO is an acceptable vehicle for evaluating my administrative performance" B-1	7	7	0	10	3
Almost all deputies do not believe that "The members of COSO are well aware of the performance goals of my department" B-2	0	4	2	13	8
The 4 deputies who agreed with this statement were among those appointed from within the public service The majority of deputies did not agree with the statement "The TBS has a good knowledge of my administrative performance" B-3	2	6	4	7	6

Indications of persons and organizations to whom deputies consider themselves responsible for specific subjects



No. of Deputies Choosing each Response Category (Question D-2)

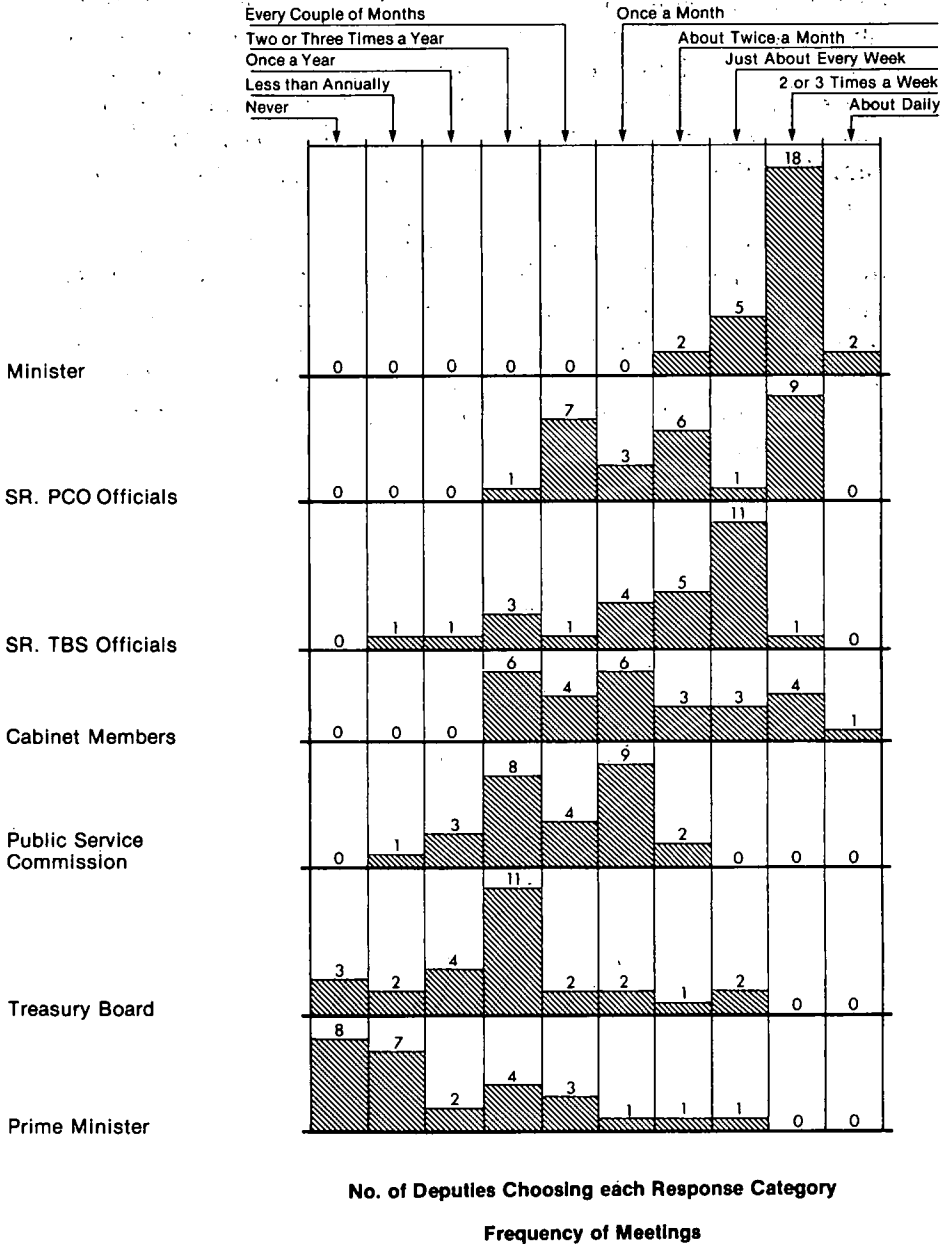
Relationship Between the Minister and the Deputy Head

Deputies indicated that they met with their ministers far more frequently than with any other person to whom they might be considered accountable (C-2). The majority of deputies supported the concept of ministerial responsibility for departmental performance (B-96) and almost all agreed that meetings with their ministers dealt primarily with the most important issues in the department (B-76). Most deputies indicated that they accounted for the administration of their departments in meetings with their ministers (B-92).

Most deputies indicated a belief that ministers have a good understanding of their administrative performance (B-4). At the same time, few thought that this was true of the Treasury Board Secretariat (B-3); this latter group did not support the concept of ministerial responsibility for departmental performance (B-96).

Responses showed confusion about respect to whom the deputy head should be accountable.

A deputy meets far more frequently with his minister than any other official to whom he may be considered responsible



AGGREGATE RESPONSES TO THE DEPUTY HEAD QUESTIONNAIRE

A. BACKGROUND INFORMATION

Please choose the appropriate response and circle the number associated with it for the following questions.

1. How many people work in your department?

0-2,000	6
2,001-10,000	12
Over 10,000	9

2. Does your department have an Associate Deputy Minister, Senior Assistant Deputy Minister, or equivalent?

Yes	12
No	15

3. If you answered No to question 2, do you plan to have an Associate DM, Senior ADM, or equivalent in the near future?

Yes	1
No	14

4. Did you enter the senior ranks of the Federal Government from outside the federal public service?

Yes	9
No	18

- | | Mostly
Policy | More
Policy
Than
Operations | Evenly
Split
Between
Policy &
Operations | More
Operations
Than
Policy | Mostly
Operations |
|--|--------------------------|--------------------------------------|--|--------------------------------------|--------------------------|
| 5. What is the orientation of your department? | 3 | 4 | 8 | 7 | 5 |
| | Well
Above
Average | Above
Average | Average | Below
Average | Well
Below
Average |
| 6. How does the policy load on your department compare with other departments? | 2 | 13 | 6 | 4 | 2 |

	Well Above Average	Above Average	Average	Below Average	Well Below Average
7. How does the scope and complexity of operations in your department compare with other departments?	9	10	4	3	1

B. PERFORMANCE

For each of the following 97 statements, please circle 1 if you agree with the statement, 2 if you tend to agree, 3 if you neither agree nor disagree, 4 if you tend to disagree, or 5 if you disagree with the statement.

Statements About DM Evaluations	Neither					N/S*
	Agree	Tend to Agree	Agree nor Disagree	Tend to Disagree	Disagree	
1. COSO is an acceptable vehicle for evaluating my administrative performance	7	7	0	10	3	0
2. The members of COSO are well aware of the performance goals of my department	0	4	2	13	8	0
3. The Treasury Board Secretariat has a good knowledge of my administrative performance	2	6	5	7	6	1
4. My Minister has a good understanding of my administrative performance	6	11	4	4	2	0
5. My overall performance as a deputy head has been evaluated fairly	6	4	11	4	2	0
6. I understand the basis on which my performance is evaluated	5	4	1	6	11	0

	Agree	Tend to Agree	Neither Agree nor Disagree	Tend to Disagree	Disagree	N/S*
7. I know what my performance evaluation is for the last year	11	1	1	4	10	0
8. The central agencies and I have discussed the administrative improvements required in my department	3	6	4	1	13	0
9. My administrative performance was given enough consideration in evaluating my overall performance	2	5	13	3	4	0
10. Controlling costs should be an important factor in my overall evaluation	16	7	2	1	1	0
11. In evaluating my performance, my policy contributions should be given more weight than my administrative management	4	7	5	6	5	0
12. My contributions to policy making have been properly recognized in my overall evaluation	8	4	11	2	2	0
13. My job has been correctly classified	16	4	2	5	0	0
14. Given AIB, I was satisfied with the amount of my last pay increase	13	3	1	5	5	0
15. TB does not hold me accountable for the use of delegated authority	1	4	5	9	8	0
16. PSC does not hold me accountable for the use of delegated authority	2	2	4	10	9	0

*Not Stated

Statements Concerning DM Appointments	Tend		Neither	Tend		N/S*
	Agree	to Agree	Agree nor Disagree	to Disagree	Disagree	
17. I think I would be more effective in a different DM post from the one I now hold	0	1	1	6	19	0
18. DM career success is based more on who you know, rather than what you do	0	4	3	9	11	0
19. In DM appointments, policy skills are valued more highly than administrative skills	9	9	6	3	0	0
20. Administrative skills are given sufficient consideration in making DM appointments	1	7	3	9	7	0
21. On balance, the better deputy heads are recognized and move ahead in the system	5	17	4	0	1	0
22. Deputies not performing satisfactorily are dealt with effectively	1	3	8	8	7	0
23. The satisfactions of the DM position are well worth the personal investment required	7	9	0	8	3	0
24. Deputies change departments too frequently	7	7	5	5	3	0
25. A good deputy who wears out early because of job pressure is treated well	2	9	8	5	3	0
26. I would like to be reassigned in the next 12 months	3	2	3	4	15	0
27. I was satisfactorily consulted about appointment to my present position prior to the final decision	14	5	3	1	4	0

*Not Stated

	Agree	Tend to Agree	Neither Agree nor Disagree	Tend to Disagree	Disagree	N/S*
28. When I was appointed to this job, I was told what was expected of me	5	4	2	4	12	0
29. Senior management experience is more important to DM success than knowledge of government administrative procedures	11	8	3	3	1	1
30. The DM position is not very politicized	5	12	2	6	2	0
31. Most deputies could faithfully serve a government formed by another political party	19	7	0	1	0	0
<u>Statements About The Departmental Management Team</u>						
32. I review important senior personnel decisions with the Minister before I take action	14	4	1	4	4	0
33. Ministers should be consulted in staffing important positions	12	4	2	5	4	0
34. There should be better central career path planning for SXs	15	5	3	4	0	0
35. I would be willing to give up some of my appointment power so that the central agencies could implement career plans for SXs	5	5	3	5	9	0
36. I would give up some of my appointment power, in an appointment-to-level process, to gain more freedom to deploy my management team	9	7	4	2	5	0

*Not Stated

	Agree	Tend to Agree	Neither Agree nor Disagree	Tend to Disagree	Disagree	N/S*
37. Senior personnel officers are more interested in central agency requirements than in my human resource problems	1	2	5	10	7	2
38. PSC has developed good management training programs	0	5	9	8	5	0
39. I have a responsibility to accept my share of low performers	5	5	4	5	8	0
40. Personnel systems and practices have fostered the overrating of SX performance	6	11	3	3	4	0
41. SX performance can be accurately evaluated	8	11	2	6	0	0
42. Merit is properly reflected in pay increases	0	6	2	11	8	0
43. I am evaluated on my ability to develop good managers for employment elsewhere in the government	1	4	7	6	9	0
44. One of the biggest challenges facing government is dealing with unsatisfactory performers in the public service	7	10	2	7	1	0
45. I have adequate authority to hire my management team	3	17	0	3	4	0
46. I have adequate authority to get rid of unsatisfactory members of my management team	1	8	0	11	7	0
47. When authority is delegated in my department, it carries clearly defined objectives	3	12	4	6	2	0

* Not Stated

	Agree	Tend to Agree	Neither Agree nor Disagree	Tend to Disagree	Disagree	N/S*
48. I can adequately review the use of delegated authority by my subordinates	5	14	2	4	2	0
49. I have been given enough flexibility to deploy my managers in the most effective way	4	12	0	7	4	0
50. TBS has developed good financial officers for my department	0	3	7	5	12	0
51. If DMs were delegated authority for senior staffing, it would be difficult to withstand political pressures in making appointments	2	7	1	8	9	0
52. PSC does a good job in staffing	1	9	7	6	4	0
53. One of my biggest management problems is dealing with deadwood in my department	1	12	3	9	2	0
54. I need new options to deal with performance problems of executives in my department	6	16	1	2	2	0
<u>Statements About Departmental Objectives</u>						
55. I have enough flexibility to allocate the financial resources given to my department	5	11	2	4	5	0
56. Incremental budgeting does not encourage DMs to reduce costs	6	9	4	4	4	0
57. Relative to other departments, my budgetary allotment is fair	5	12	5	4	1	0

* Not Stated

	Agree	Tend to Agree	Neither Agree nor Disagree	Tend to Disagree	Disagree	N/S*
58. TBS budgeting process properly recognizes my efforts to run a cost-effective operation	1	3	7	8	8	0
59. TBS Program Branch understands our resource requirements	1	8	6	9	3	0
60. TBS Program Branch understands my department's objectives	1	14	3	7	1	1
61. My department is given resources that are consistent with the performance that the government expects	2	11	6	7	1	0
62. I receive adequate policy direction	4	13	1	7	2	0
63. I am kept well informed about the government's priorities	7	11	0	6	3	0
64. My knowledge of government priorities comes mainly from my Minister	2	3	3	12	7	0
65. My Minister fully understands our estimates submission	0	11	2	9	5	0
66. I have developed a set of clear objectives for my department	11	13	1	2	0	0
67. The government has conflicting objectives for my department	6	9	7	4	1	0
68. The program forecast is a good vehicle for our planning and priority setting	5	7	2	8	5	0

*Not Stated

	Agree	Tend to Agree	Neither Agree nor Disagree	Tend to Disagree	Disagree	N/S*
69. Good planning has helped us to get our program forecasts and estimates smoothly through TBS	7	4	9	5	2	0
<u>Statements About Departmental Administration</u>						
70. I am able to keep pretty well to the management priorities I set	10	14	2	1	0	0
71. TBS is sensitive to departmental management requirements in carrying out its responsibilities under the FAA	0	10	6	10	1	0
72. My minister understands the management process of the department	6	6	3	6	6	0
73. My minister has clear knowledge of my delegated authorities under the FAA and PSEA	2	6	2	8	9	0
74. My minister and I understand our separate roles	8	12	4	2	1	0
75. Changing ministers is disruptive to departmental administration	7	6	3	4	7	0
76. My meetings with the Minister deal primarily with the most important issues of the department	13	8	2	3	1	0
77. PSC delegated staffing procedures adequately meet my department's needs	1	12	4	9	1	0
78. TBS personnel systems frustrate my efforts to manage the department	6	8	5	6	2	0
79. My department is overstaffed	2	4	2	8	11	0

* Not Stated

	Agree	Tend to Agree	Neither Agree nor Disagree	Tend to Disagree	Disagree	N/S*
80. My minister has a role in the administration of the department	5	4	4	3	11	0
81. I am held to account for administration in appearances before House Committees	7	6	5	4	5	0
82. Arbitrary handling of our program forecast by TBS undermines my efforts to build good planning into the department	2	11	6	5	3	0
83. Departmental financial officers are important participants in program/policy development	14	11	0	2	0	0
84. I feel personally responsible for ensuring we have good financial controls	21	6	0	0	0	0
85. The centrally determined budgeting and financial reporting systems are helpful management tools	7	8	5	5	2	0
86. Inadequate financial control is a major concern of departments	3	11	6	6	1	0
87. TBS effectively consults with me prior to negotiating collective agreements	1	2	3	6	14	1
88. TBS administrative directives interfere with management	3	11	6	6	1	0
89. PSC staffing audits are useful to me	6	10	5	5	1	0
90. The Auditor General's reports on my department are useful	7	12	1	6	1	0

*Not Stated

	Agree	Tend to Agree	Neither Agree nor Disagree	Tend to Disagree	Disagree	N/S*
91. House Committees should be able to hold me to account for departmental administration	10	13	0	3	1	0
92. I account for the administration of the department in meetings with my minister	12	8	3	2	2	0
93. Protecting my minister from criticism is a priority in departmental administration	8	13	5	1	0	0
94. Jurisdictional overlaps with other departments seldom cause problems	7	6	1	3	10	0
95. I am given early warning of possible significant variances from budget	16	6	1	2	2	0
96. I support the concept of ministerial responsibility for departmental performance	9	7	3	7	1	0
97. Question period keeps us sensitive to our departmental responsibilities	10	11	3	0	3	0

*Not Stated

C. PATTERNS OF INFLUENCE

1. Degree of Influence

Below are 18 officials or bodies with varying degrees of influence on your department. Please estimate the degree of influence each possible source has on your department, by circling one score under policy influence and one score under managerial influence.

Source	Influence on Departmental and Program Policy (Excluding Administrative Policy)					Influence on the Managing of the Department (Including Administrative Policy)					
	N/S*	None	Some	Mode-rate	Very Great	None	Some	Mode-rate	Very Great	N/S*	
1. Prime Minister	0	1	4	9	5	8	14	11	1	0	1
2. Cabinet	0	1	1	6	9	10	7	14	5	0	1
3. Senior PCO officials	1	1	7	8	10	0	7	17	1	1	1
4. Political staff of PM	1	14	6	3	3	0	21	5	0	0	1
5. Treasury Board	0	3	8	6	8	2	0	7	8	9	2
6. Senior TBS Officials	0	6	6	10	4	1	1	6	11	8	0
7. TBS Program Branch	1	6	7	10	2	1	1	9	11	4	0
8. TBS Personnel Policy Branch	0	13	9	5	0	0	2	6	13	4	1
9. TBS Financial Admin. Branch	1	12	9	5	0	0	0	9	13	2	1
10. TBS Admin. Policy Branch	0	14	9	3	0	1	0	7	14	4	0
11. PSC	0	18	9	0	0	0	0	11	12	2	0
12. Department of Finance	0	3	5	11	5	3	17	5	3	0	2

13. Other Departments	0	2	10	10	3	2	10	11	3	0	1	2
14. Your Minister	0	0	1	4	9	13	2	13	10	1	0	1
15. Your Minister's staff	0	12	10	5	0	0	18	7	1	0	0	1
16. DM - Yourself	0	0	0	3	13	11	0	0	2	14	10	1
17. Your Associate DM, or Senior ADM, or equivalent	7	4	1	3	8	4	3	2	5	5	5	7
18. Public Service employee unions	1	17	7	1	1	0	3	14	8	1	0	1

*Not Stated

2. Frequency of Contact

Please estimate the frequency of individual work-related verbal communication (either face-to-face or over the telephone) that you have with each of the following contacts, by circling the appropriate score.

Contact	Frequency										
	Never	Less than annually	Once a year	2 or 3 times a year	Every couple of months	Once a month	About twice a month	Just about every week	2 or 3 times a week	About daily	Not Stated
1. Prime Minister	8	7	2	4	3	1	1	1	0	0	0
2. Cabinet Members	0	0	0	6	4	6	3	3	4	1	0
3. Senior PCO officials	0	0	0	1	7	3	6	1	9	0	0
4. Political staff of PM	4	6	2	4	4	2	4	1	0	0	0
5. Treasury Board	3	2	4	11	2	2	1	2	0	0	0
6. Senior TBS officials	0	1	1	3	1	4	5	11	1	0	0
7. TBS Program Branch	1	1	4	2	4	4	3	5	3	0	0
8. TBS Personnel Policy Branch	2	4	2	9	7	2	0	1	0	0	0
9. TBS Financial Admin. Branch	2	3	5	13	3	1	0	0	0	0	0
10. TBS Admin. Policy Branch	3	5	4	7	3	4	0	1	0	0	0
11. PSC	0	1	3	8	4	9	2	0	0	0	0
12. Department of Finance	3	2	1	3	6	3	2	4	2	1	0
13. Other Departments	0	0	0	1	1	5	6	4	3	7	0
14. Your Minister	0	0	0	0	0	0	2	5	18	2	0
15. Your Minister's staff	0	0	0	0	0	0	1	7	11	8	0
16. Your Associate DM, Senior ADM, or equivalent	2	0	0	0	0	0	0	0	6	13	6
17. Senior officials of Public Service employee unions	1	7	5	3	8	1	2	0	0	0	0

D. RESPONSIBILITIES

1. Please select the five most important of your responsibilities from the 16 statements listed below. Then rank the five by putting a 1 beside the most important responsibility, a 2 beside the second most important, a 3 beside the third most important, a 4 beside the fourth most important, and a 5 beside the fifth most important, under the column heading "My Selection and Ranking of the Top 5". Please give us your view of how others would rank your responsibilities by repeating the ranking process under each column heading.

Responsibility	My selection and ranking of the top 5	My guess at the selection and ranking that would be made by:		
		My Minister	TBS	PCO
1. Adjusting/adopting programs to achieve my department's mission	14	14	13	16
2. Assuring economy and efficiency in operations	20	19	27	14
3. Contributing to the improvement of government-wide administration	3	4	11	6
4. Ensuring that my department is responsive to the policy thrusts of the government	18	23	15	26
5. Exercising adjudication/regulation authority assigned directly to me by statute (other than Interpretation Act, FAA, PSEA)	1	1	3	1
6. Following centrally developed administrative policies	0	0	16	3
7. Managing my executive team	21	9	11	7
8. Monitoring policy in Crown agencies and corporations in the portfolio	1	2	0	3
9. Performing the role of leader for my department's employees	8	5	6	5
10. Protecting the integrity of my department from inappropriate political action	1	0	1	3
11. Providing a communications program for the department's external publics	1	7	1	5
12. Providing the government with sound policy advice	16	16	6	16
13. Setting up/building my department's management capability	11	7	10	4
14. Supporting my minister	17	24	8	17
15. Undertaking intergovernmental negotiations	1	3	0	3
16. Upholding the FAA and PSEA	2	0	7	1

9. Performing the role of leader for my department's employees	1	0	1	6	0	0	0	0	0	0	0	1	0	0	18	0	0
10. Protecting the integrity of my department from inappropriate political action	7	4	2	5	2	0	0	0	0	1	0	1	0	0	6	0	0
11. Providing a communications program for the department's external publics	8	2	0	17	0	0	0	0	0	0	0	0	0	0	0	0	0
12. Providing the government with sound policy advice	1	0	4	11	10	0	0	0	0	0	1	0	0	0	0	0	0
13. Setting up/building my department's management capability	1	2	1	8	1	0	2	2	0	0	0	0	0	0	9	0	1
14. Supporting my minister	0	0	0	22	0	0	0	0	0	0	0	0	0	0	4	0	1
15. Undertaking intergovernmental negotiations	0	0	1	12	8	2	0	0	0	0	0	0	0	0	0	4	0
16. Upholding the FAA and PSEA	1	6	0	2	1	0	11	5	4	0	0	1	0	0	1	0	0

The deputy heads of the following departments and branches designated as departments received the Deputy Head Questionnaire:

Agriculture
Consumer and Corporate Affairs
Employment and Immigration
Energy, Mines and Resources
Environment
External Affairs
Finance
Indian and Northern Affairs
Industry, Trade and Commerce
Justice
Labour
National Defence
National Health and Welfare
National Revenue (Taxation)
National Revenue (Customs and Excise)
Post Office
Public Works
Regional Economic Expansion
Supply and Services
 Supply Administration
 Services Administration
Secretary of State
Transport
Veterans' Affairs
Ministry of State for Science and Technology
Ministry of State for Urban Affairs
Canadian International Development Agency
Statistics Canada