

Crown Corporations

Consolidated Revenue Fund. Few are those which obtain financial requirements from private sources, and fewer even are those which do so without the government being called upon to provide security.

[English]

The Financial Administration Act is a landmark statute in the development of the Crown corporation form and in their control, direction and accountability. As stated previously, by 1950 there were in existence some 33 Crown corporations. Probably because of the diverse and often urgent requirements that led to their creation over a total of 30 years by successive governments, there was little in the way of consistency in the federal government's formal ability to control and direct Crown corporations or monitor their performance. The connection between Parliament and Crown corporations was particularly weak.

To rectify this situation, Parliament approved the Financial Administration Act in 1951. The act in its entirety provides a foundation for the financial administration of the Government of Canada. Part VIII applies solely to Crown corporations and provides a foundation for the financial relations between Crown corporations and the government on one hand and the government and Parliament on the other.

● (1730)

The issue of parliamentary scrutiny is addressed by having all Crown corporations' annual reports and annual capital budgets tabled in Parliament regardless of sources or requirements for financing.

The major focus of part VIII of the FAA is to define the ministry's powers with respect to Crown corporations, for the fundamental principle around which part VIII was built was that the ministry would exercise the owner's prerogatives with respect to Crown corporations while Parliament would hold the ministry to account for the exercise of those prerogatives. The information provided to Parliament through capital budgets and annual reports assists members of Parliament in holding the ministry to account. It also assists executives of Crown corporations themselves in accounting for their activities when they appear before parliamentary committees.

Before turning to a description of the powers vested in the government by part VIII, it is important to note that it groups Crown corporations in three classes or schedules attached to the FAA. The first group, schedule B, covers what are known as "departmental corporations" and includes those corporations responsible for "administrative, supervisory or regulatory services of a governmental nature." The second group, schedule C, known as "agency corporations", includes those corporations responsible for the "management of trading or service operations on a quasi-commercial basis" or for the "management of procurement, construction or disposal activities" on behalf of the government. In this group are to be found the remaining corporations established during the Second World War. The final group, schedule D, known as "proprietary corporations", includes those corporations managing "lending or financial institutions or commercial and

industrial operations" involving the production of, or dealing in, goods and the supplying of services to the public. This last group now lists the major commercially-oriented Crown corporations, including Canadian National, Eldorado Nuclear Limited, Air Canada and Petro-Canada.

On a continuum of independence, the corporations in schedule B are the least independent. For purposes of financial administration they are treated as departments of government under the more or less continuous direction and control of a minister.

At the other end of the continuum are located the schedule D corporations. Aside from the power to appoint and dismiss directors and the chairmen and chief executive officers of most schedule D corporations, the government's major powers of control and direction are limited by the FAA to the approval of annual capital budgets and appointments of auditors. Prior to tabling in Parliament, capital budgets are submitted by each corporation and approved by cabinet on the recommendation of the appropriate minister, the minister of finance and the president of the Treasury Board.

Located between the schedule B and the schedule D corporations, the schedule C corporations are "agents of Her Majesty". As well as submitting annual capital budgets for approval like the schedule D corporations, schedule C corporations must also submit annual operating budgets for approval by the appropriate minister and president of the Treasury Board. The cabinet is responsible for appointing the auditor for each schedule C corporation and can also issue regulations respecting the contractual commitments of any or all schedule C corporations.

In addition, part VIII also provides for prescribing the form of annual budgets, regulating the reserves, banking accounts and treating of surplus moneys and requires the submission of annual and other reports to the minister. Annual reports were to include the audited financial statements of the corporation and the form and content was to be prescribed jointly by the appropriate minister and minister of finance. Finally, the reporting requirements for the auditor of a Crown corporation and the minimum content of the annual financial statements were set out in some detail in part VIII.

I would like to conclude by pointing out that it was the previous Liberal government which initiated a major study of the broad issue of the control, direction and accountability of Crown corporations. As a result, a blue paper was published in 1977 outlining the government's proposals regarding a renewed relationship between the government and Crown corporations. Such an initiative has led to important discussions among all interested parties of the role of Crown corporations and the appropriate degree of government and parliamentary scrutiny, control and direction necessary. I should add that an interdepartmental task force established by the previous Liberal government to advise the government on this important question continues to meet and to refine the options for consideration by this government.