financial condition and three new transcontinental roads tottering on the edge of bankruptcy. Because of the federal government's large investment in the railways, and to protect the image of Canada's credit in the foreign capital markets, the government took over ownership of the three railways and brought them together under the corporate umbrella of Canadian National.

● (1720)

The CN experiment, as it was called at the time, was embarked upon by the government with serious misgivings and with much public debate. In spite of early doubts, the federal government was to resort with increasing frequency to the Crown corporation form for the provision of essential services. In 1932 the Canadian Radio Broadcasting Commission, later known as the Canadian Broadcasting Corporation, was established to regulate and administer a national broadcasting service. In 1937 Trans-Canada Airlines was established by the federal government to provide domestic air services across the country. The government had hoped to establish TCA as a mixed enterprise in partnership with the private sector, but was unable to attract private investors. The corporation was consequently established as a wholly-owned subsidiary of Canadian National.

By 1939, aside from CN, the harbour corporations, TCA and the CBC, Crown corporations had been established to operate sea transportation services, market wheat, administer a central banking system, the Bank of Canada, and extend long-term credit to farmers.

The war years, 1939-45, marked a period of tremendous growth of Crown corporations. In scarcely more than five years, 32 Crown corporations were established to assist in production, procurement, construction and distribution for the war effort. The large majority of these corporations were established by the government under the Canada Companies Act pursuant to an authority vested in the minister of munitions and supplies by an act of Parliament.

Although most of the wartime Crown corporations were wound up with the arrival of peace, the federal government created a number of Crown corporations during the reconstruction period immediately following the war, and by 1950 there were 33 in operation. Now, in 1980, there are 63 Crown corporations in existence, excluding subsidiaries. Added to the pre-war and remaining wartime corporations have been marketing boards, a National Arts Centre, an export insurance and guarantee company, an oil company, and companies in the fields of telecommunications, administration of the St. Lawrence Seaway, coal mining, industrial development, electric power production, heavy water and nuclear reactor production and construction, uranium processing, sale and stockpiling, cultural support, unemployment insurance and science, medical and economic research and advice.

The federal Crown corporation is an adaption of the corporate form familiar to the private sector. Each corporation is created either by an act of Parliament or by a minister or cabinet by letters patent under the Canada Business Corporations Act or its predecessors. The latter is done pursuant to an authority vested in a minister or in cabinet by an act of Parliament.

For each Crown corporation an appropriate minister is designed, either by the legislation incorporating the company or by cabinet. The appropriate minister, in constitutional terms, reports to Parliament on behalf of the Crown corporation. Although there are exceptions, most Crown corporations are headed by boards of directors. In many cases the boards of directors consist, in whole or in part, of public servants. In the cases of those corporations that operate in a competitive market or that are expected to operate on a profit basis, the boards of directors are usually composed entirely—or at least a majority—of individuals from the private sector appointed by cabinet.

In a few cases, such as the Canadian Broadcasting Corporation, the legislation incorporating the corporation will state that directors must be appointed from certain regions of the country to obtain a regional balance on a board.

[*Translation*]

Quite often civil servants are appointed to the board of directors of Crown corporations. Members of Parliament or ministers are never appointed, however. The mechanism of federal Crown corporations is used precisely to make sure that the operations are not constantly the object of partisan interventions, government controls or debates in Parliament. The various governments have therefore always refused to appoint ministers or members of their own legislatures to the board of directors of these corporations lest this principle be violated.

In most cases, executive officers and directors of Crown corporations are appointed for a set term; however, most of their positions can be revoked before the end of their term. In certain cases, as for the Canadian Broadcasting Corporation, the positions of executive officers and directors are more secure and they cannot be removed without just cause. The directors of corporations incorporated by letters patent instead of by an act of Parliament are appointed by the competent minister as trustee shareholders. The directors then elect a chairman of the board and an executive director within the corporation or from outside. Usually they seek advice from the government which in turn suggests the person or persons who could fill the positions. The directors have always gone along with these suggestions. On the other hand, it frequently happens that they have already chosen a candidate which is nearly always accepted by the government. With few exceptions, the government is the sole owner of Crown corporations. When a corporation has shares, the minister in charge holds them in trust in the name of Her Majesty in the right of Canada. The government is not only the owner of the corporations, it is also their banker, although many of them can finance their own operation and pay out of their own revenues part of their capital costs. Most of them, when they need outside financing, can obtain subsidies, loans and advance payments from the