

Getting some democracy into Canada's Crown corporations

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Getting some democracy into Canada's Crown corporations

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THE SURPRISING lack of opposition to the federal government's sell-off of Crown corporations must be forcing proponents of public ownership to pause and reflect. It seems to be one of the few things Ottawa is doing these days that enjoys widespread support.

Unlike Eastern Europe, where public ownership was undertaken for political reasons, Canada created Crown corporations for practical reasons. They were set up by both Conservative and Liberal governments, because either private business could not meet social needs satisfactorily and earn a profit at the same time or because the government, as in the case of Petro-Canada, wanted greater influence over a particular sector of the economy.

While gross inefficiency in Eastern Europe has made public ownership untenable, the reason for privatizing Crown corporations in Canada is often because their success as businesses has made them attractive to private investors. Such political thinking, sometimes labelled "Thatcherism," can be summed up as follows: "If it is profitable, then sell it." Under this new conservatism, the government's role in the economy would be reduced to the essentials, and arguably running profitable Crowns is not essential.

The conservatives on this issue have been very forthright and predictable. More surprising is the public apathy to the sale of corporations that the public supposedly owns. When people own something, generally they care about their property.

Crown corporations differ, however, because control mechanisms leave no room for direct public participation and advice. If the public had some influence in running the Crowns, perhaps it would care more about them.

Is it outlandish to suggest having the owners of Canada's Crowns (the taxpayers, that is) elect the board of directors, on a one-person, one-vote basis, in the same way that political representatives are elected?

The argument against this would be that the public lacks the knowledge to make such decisions, and a popularity contest would not yield the best results. The same argument against introducing democracy into the economy has been made in the past against political democracy, which is a relatively recent phenomenon.

GIVEN that the public finances the Crown corporations, it seems reasonable that the public's views — be they a concern over a particular Crown's environmental policies, or labor policies — should influence the selection of directors.

But let us proceed further. Perhaps there are some aspects to the conservative assault on public ownership that supporters of Crowns ought to consider. One aspect of the assault — an unbridled faith in private ownership — can be dismissed as posturing for corporate friends and donors. Another aspect — the need for broader sources of financing when governments are badly in debt — seems worthy of consideration.

If the primary purpose of Crowns is to maintain an equitable standard of service, even in sparsely-populated sections of the country, and for governments to



Bye-bye Via Rail: reducing the services to make enterprises saleable.

influence social policy in vital sectors of the economy, then these goals could be maintained even if a portion of a Crown were privatized.

Private investors could become stakeholders in Crowns up to a percentage that did not jeopardize the public interest. This financing arrangement could strengthen Crowns and also give governments the opportunity to spread their investments more broadly, by reducing their stakes in some Crowns and by taking a stake in other ventures.

And if Crowns are to be viewed as an

amalgam of stakeholders, a strong case could be made for including the employees. Their interests and those of the Crown are intertwined, and employee ownership in combination with workplace democracy enhances the vitality of a corporation.

Essentially, the proposal is that Crowns be organized as multi-stakeholder corporations, with the stakeholders to include the public, private interests and the employees. Each stakeholder would have a financial investment in the corporation; each would be apportioned seats on the board, to which it would democratically

elect its representatives. This model has been influenced by an innovative experiment at the Co-operators Group, the holding company for Co-operators Insurance, Canada's largest general insurance company, and eight subsidiaries. The Co-operators, which is owned by 29 co-operators, has converted three of its subsidiaries to multi-stakeholder organizations. The stakeholders consist of the Group, the employees and the customers of each company's services.

EACH stakeholder has "voice and vote" in the affairs of the company, both through its bloc of seats on the board and participation in committees and general meetings. And each stakeholder has a financial investment in the company. As with the proposal for Crown corporations, the strategy is to empower all the groups who have an interest in the corporation, with a practical way of assisting the company to meet its financial requirements.

The current conservative attack on Crowns involves reducing service so that the business can become profitable — as in the post office and Via Rail, for example — and selling profitable enterprises to the "public," which means a narrow set of private interests who control investment capital in Canada.

This strategy is not in the public interest, but neither is standing still and ignoring ways of increasing the vitality of Crowns. To strengthen general interest, ways must be found to involve the public in enterprises that it supposedly owns, at the same time meeting the challenge of a dynamic market.

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