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PUBLIC CORPORATIONS IN CANADA AND PAKISTAN: A COMPARATIVE STUDY

by

Shamsul Islam M.A., LL.B.

**A thesis submitted to the Carleton University
in partial fulfilment of the requirements for
the degree of Master of Arts in Public Administration**

**School of Public Administration
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PUBLIC CORPORATIONS IN CANADA AND PAKISTAN: A COMPARATIVE STUDY

Shamsul Islam, M.A., LL.B.

ABSTRACT

Throughout the last few decades the public corporation has emerged as an important arm of public administration. Like many other nations, both Canada and Pakistan, in their turn, have adopted the device of the public corporation as a vehicle for accelerating development in the fields of commerce, industry, and welfare. Canada has developed its Crown corporations to a standard recognized throughout the world. In its emerging stage of national development, Pakistan has been striving to expedite the pace of its commercial, industrial, and welfare activities. To achieve this objective it has also adopted the public corporation as a vehicle for state activities in these spheres.

Conceptually, the public corporation combines the flexibility of operation, autonomy of management, and drive and initiative of business with the public accountability of state enterprise. On the proper balance of these important factors depends the efficiency of the public corporation. Although its principal theoretical characteristics remain the same everywhere the actual motive for establishment of the public corporation and also the way in which it operates vary from country to country.

Study on a comparative basis can enrich our knowledge of how, and with what degree of success, these two countries have utilised public corporations; what modifications and adjustments have been adopted to suit their respective requirements.

This thesis attempts to delineate the characteristic features of the public corporations of Canada and Pakistan and to place them in comparative perspective.

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CHAPTER 1

PUBLIC CORPORATIONS IN WESTERN DEMOCRACIES

The public corporation has been chosen as the principal agency for the administration and operation of nationalised industries in many countries of the world both developed and developing. While it is a device of comparatively recent origin the general concept of a public corporation has roots deep in the past. According to some writers in Canada it can be traced back to the early 19th century. It developed with the realisation that key industries and services cannot be safely left in the hands of the private entrepreneur. On the other hand, the regular government department was often found unsuitable to undertake and manage effectively the business activities of government.

As an arm of public administration, the public corporation, in one form or another, is now a universal phenomenon. Ever increasing dependence on the public sector for realisation of the objectives of rapid economic development has enhanced the importance of the public corporation in the emerging nations. These countries want to use the public corporation as an effective mechanism for achieving their targets for economic development.

This important utilization and some other relevant factors make the study of public corporations useful both as an academic exercise and a practical concern of great significance. The need, specially for those coming from a developing country such as Pakistan, is to gain a clear insight into the concept and characteristics of the public corporation as it exists today.

The corporation idea is of ancient lineage. Bodies corporate possessing legal personality separate and distinct from that of the individuals comprising them were well known under the Roman Law. Use of the corporate forms of organization for public or quasi-public purposes considerably antedates the modern business corporations existing in countries like the United States

of America and Canada. Indeed, ancient corporations had much more in common with the present day government corporations than their business counterparts.¹

The public corporation is not an entirely new institution. There have long existed numerous organs exercising official or governmental functions, yet possessing varying degrees of independence from the executive and distinguishable from the great departments of state under the direct control of Ministers of the Crown.²

In a sense its roots are further back than those of partnership and joint-stock companies. According to one scholar, the corporation in its various forms is one of the legacies of the Middle Ages.³ The movement for the modern public corporation does not appear to have received a great momentum before the 1930's. It however, received widespread popularity throughout the world with the outbreak of the Second World War.

The public corporation of today is essentially the child of the Great Depression of the thirties. It was then that the new concept of the state emerged when it was realised primarily under the influence of Lord Keynes that the regulation of economic life of the nation is one of the more important functions of the State. The public corporation as an organizational device has emerged as a most popular instrument throughout the world for hastening economic development.

¹Goldberg, Sidney, D., and Seidman, Harold, The Government Corporation: Elements of Model Character. (Public Administration Service, Washington, 1953) p.1.

²Robson, W.A., Nationalized Industry and Public Ownership (George Allen & Unwin Ltd, London, 1960) p.46.

³Goodman, E., Forms of Public Control and Ownership (London, Christophers, 1951) p.40.

In the past, an impersonal market regulating the individual aspirations was the determinant of the rate and trend of economic growth. But now in most of the countries of the world, government can no longer afford to be an onlooker of the economic process. The economic man in a self regulated market can no more overcome the tremendous obstacles on the way to achieving the economic growth so much desired by modern nations. Consequently, most governments today either by design or under pressure of their people have had to step in to produce and direct economic development in their respective societies. Although the degree of state activities varies from country to country¹ it is difficult to find a country wherein the government is not directly and actively engaged in setting up, encouraging and regulating economic, and industrial enterprises. There exists a world-wide movement of a positive type of state intervention in the economic life of nations by way of ownership, operation and regulation of industries, commerce, and services.

Socio-economic considerations lie at the root of state decisions to set up public enterprises instead of leaving certain important activities in the hands of private entrepreneurs. The actual and immediate factors stimulating the development of the public sector, however, differ widely from country to country, and reflect the economic and social structure, political system, national traditions and the level of development of the countries concerned.² For example as the British authority A.H. Hanson has pointed out,

Nationalization in Great Britain can be conceived as the final stage

¹Theobald, R., Rich and the Poor, (New York, New American Library, 1960).

²Hanson, A.H., Public Enterprise and Economic Development (London Routledge & Kegan Paul Ltd., 1959).

in a long historical development of industrial organization, whereas in South-East Asia it is the first step-and in some countries intentionally only a temporary one-toward starting an industrial society.¹

In some countries like Italy some of the public corporations exist because of accidental consequences arising out of the activities of the government in power without any deliberate policy of nationalization or large-scale state management of industries. To understand the reasons why governments of various countries undertook increasing activities for the development of industrial and commercial enterprises a distinction must be made between the developed and the developing countries. In developed countries like Britain and Canada nationalization has been due to political and economic reasons. The people have had time to think and decide whether they were in favour or against large-scale involvement of the government in fields which had been the preserve of the private sector. But in the developing countries, increasing government interest in public enterprise has often been a matter of necessity rather than choice.²

Broadly speaking, the principal factors responsible for the growth of public corporations in developed countries have been socialistic idealism, control of monopoly, implementation of economic planning, meeting defence requirements and efficient management of industrial and commercial enterprises.

With the growth of socialistic ideas in the nineteenth century, serious arguments as to whether the state should control the means of distribution began. Gradually it became a practical argument in British politics as the franchise was extended to the working class by the beginning

¹Hanson, A.H., Public Enterprise (Brussels, International Institute of Administrative Sciences, 1955) p. 400.

²Hanson, A.H., Public Enterprise (Brussels, International Institute of Administrative Sciences, 1955) p. 399.

of the twentieth century. The appalling labour and social conditions in many industries paved the way for governments to embark on a bold and expanding programme of nationalization. The socialistic conception gave a new edge to the newly awakened political consciousness and power of the working class and made the state firmly responsible for the social and economic progress of the society.

Monopoly power has been both desired by those who can obtain benefits from it and suspect by those who are subject to it. Subjection of monopoly to some form of public control is an old phenomenon. Such subjection may be either through direct control or through the instrument of regulatory bodies. The popular image of monopoly connects it with high prices, large profits, poor wages to the labour, and ruthless pursuit of power. Indiscrete exercise of such power may not only agrieve the customers in general but may also cause suffering to the whole community. In extreme cases, the power of the monopolist might be put against that of the government itself.

Some control over basic industries is usually essential for effective economic planning. Effective planning of a national economy depends in part on the planner's control of the resources. State ownership ensures control. Moreover, maintenance of full employment is of great socio-economic importance. Private enterprise is necessarily market sensitive and its investment policy must fluctuate. It may not therefore, be considered to be sufficiently reliable to ensure continuing full employment on a national scale.

Because defence is the sole responsibility of the state, government must ensure that essential services are maintained. Strategic reasons lead government to decide to be independent of private enterprise in regard to industries related to military requirements.

The entire well-being of the community may depend on the efficient management of business and particularly vital industries. Higher efficiency may be achieved through enlarging the scale of operation, rationalization of the organization, improvement of labour relations, provisions of knowledge and research, and improvement in methods of co-ordination. For example, nationalization of the British Coal mining and Railways was effected supposedly to attain these objectives.

While considering the above factors we must bear in mind that it would be difficult to find instances of nationalization in any country under the isolated influence of any one of them. There has usually been a combination of factors, with one or more dominant and usually with some political overtones. In the case of developing countries these factors, reinforced by some additional characteristics make the case for public enterprise all the more stronger. The basic ideological objective of developing countries is the development of their respective economies through rapid industrialization and agricultural improvement. This is not always possible through the private sector which in many cases is in its initial stage of growth and cannot undertake many activities which in a more developed economy might interest the private entrepreneur as profitable ventures.

In many developing countries, therefore the public enterprise is assigned the task of laying the basis for a dynamic and diversified economy. The provision of power and transport, cheap and readily available fertilisers, agricultural implements, irrigation facilities, credit institutions, and numerous other services are undertaken by these states. Private enterprise in these countries, suffering from shortage of both capital and entrepreneurial ability as well as the limited absorption capacity of the internal market and the low productivity of labour tends to be unable to provide these

essential functions and services. Moreover, private enterprise displays a general tendency of not taking into account the overall needs of the country. Its inclination to calculate the risks involved and returns over a comparatively short term basis renders it unsuitable as a medium of achieving long term national goals. In many countries the government has to consider not so much what the likely demand is going to be according to market projections, but may in fact, have to decide what the demand should be and take steps to influence the demands. This is a feature with which private enterprise cannot be expected to cope. Again, in some cases government must enter into business in a promotional capacity in order to attract private enterprise into it. This stress on the public sector in developing countries is well stated by the Secretary-General of the United Nations:

While these developed countries...look upon private enterprise as the main source of economic growth and many of them regard the principal task of the government as ensuring economic stability and providing a favourable economic climate for the private sector, the under-developed countries have generally viewed the public sector as the key instrument for securing economic development.¹

While various forms of organization are available to the public enterprise the choice of pattern poses a significant problem to both developed and developing countries. The pattern must conform to the nature of the enterprise. Public undertakings in most countries fall under the following principal categories:

1. Public utilities and social services,
2. Industrial and trading institutions,
3. Development and financing institutions, and
4. Non-industrial and non-trading organizations.

¹United Nations, Report of the Secretary-General, Geneva Seminar on Organization and Administration of Public Enterprise (1966).

The following represent the principal types of institutions used to administer the publicly owned industries or services:¹

- (i) The Government Department or Ministry,
- (ii) The Local Authority,
- (iii) The Regulatory Commission,
- (iv) Mixed Enterprise,
- (v) Joint-Stock Company, and
- (vi) The Public Corporation.

While there is much that could be analysed regarding each of these categories this paper is concerned with the public corporation.

The modern concept of a public corporation has developed in the past 40 years. As it became apparent that the state would have to embark on activities hitherto regarded as outside its purview, it was clear that some new form of machinery was required.²

Although the term public corporation is said to have been used for the first time in 1926, public authorities enjoying various degrees of autonomy existed for centuries. But the public corporation of today has some special characteristics that distinguish it from the older bodies. The public corporations which, according to Professor Robson, are the most important inventions of the twentieth century in the sphere of governmental institutions,³ have been brought into existence by parliamentary statutes, in Britain and other developed countries. It would now be found in one form or

¹Robson, W.A., Nationalized Industry and Public Ownership (London, George Allen & Unwin, 1962) p.24.

²Kelf-Cohen, R., Nationalisation in Britain (London, MacMillan & Co. Ltd., 1961) p.304.

³Robson, W.A., Nationalized Industry and Public Ownership (London, George Allen & Unwin, Ltd., 1960) p.28.

another in almost every country of the world functioning with varying degrees of success.

Thornhill describes public corporation as

the newest form of organization which...has come to the fore in the last forty years. The aim is to bring an undertaking within the ambit of public control or scrutiny whilst leaving it free to pursue its business as much as possible according to normal commercial principles.¹

Friedmann looks on it as an institution operating services of economic or social character like a commercial enterprise.² Ashley and Smalls are of the opinion that the public corporation is meant to serve public functions.³

Lord Herbert Morrison, one of the principal architects of modern public corporation envisages it as "A combination of public ownership, public accountability, and business management for public ends"⁴

Since the end of the Second World War, the discussion of public corporations has taken a new direction. Two trends can be identified in this general theme. First, the public corporation has crystallised as a legal and financial instrumentality in which the issues of autonomy, accountability, and efficiency are most important. Secondly, public corporations have been increasingly utilized as a device for securing economic development in

¹Thornhill, W., The Nationalized Industries (London, Nelson & Sons Ltd., 1968) p.16.

²Friedmann, W., The Public Corporation (Toronto, Carswell, 1954) p.541.

³Ashley, C.A. & Smalls, R.G.H., Canadian Crown Corporations (Toronto, MacMillan Company, 1965) p.3.

⁴Morrison, Lord Herbert., Socialisation and Transport (London, Constable & Co. Ltd., 1933) p.149.

emerging nations.¹

The importance of the public corporation lies in the fact that it combines in its organization the features of autonomy and operational flexibility with the public accountability of a state-owned enterprise.

The public corporation constitutes a creative achievement by modern democracy. There is no doubt that the public corporation is one of the most important governmental innovations of the last fifty years.²

It is an organ of public administration and as such is an instrument of public policy as much as the conventional department of government. The original impetus to the movement for the public corporation came from the two-fold desire to secure freedom from parliamentary supervision over management on the one hand and Treasury control over personnel and finance on the other. Both these normal features of modern government were regarded as likely to hamper efficiency and restrict initiative.

The choice fell on the public corporation due to a desire to get the best of both possible worlds. Lord Herbert Morrison said, "We are seeking a combination of public ownership, public accountability and business management for public ends."³

He elaborated the idea further thus

If we establish the public corporation, it must be for certain reasons. What are they? They are that we seek to combine the principle of public accountability, of consciousness on the part of the undertaking that it is working for the nation and not for

¹Qadir, M., "The Rationale of Public Enterprises", Problems of Public Enterprises (National Institute of Public Administration, Lahore, Pakistan, 1967). pp. 269-82.

²Robson, W.A., Ibid p. 77.

³Chester, D.N., "Organization of the Nationalised Industries", Political Quarterly (April-June, 1950) p. 122.

sectional interests, with the liveliness, initiative, and considerable degree of the freedom of a quick-moving and progressive business enterprise. Either that is the case for the public corporation, or there is no case at all.¹

The public corporation grew in response to particular circumstances, it was not an invention of political scientists. The public corporation is what its administrators and the politicians have made it.

The Crawford Committee, established in 1926 to advise on the future arrangement for the public broadcasting system in Britain proposed that the services "should be conducted by a public corporation acting as a trustee for the national interest".²

This short statement both gave a name to the type of organization and defined the basic concept in a simple manner. The committee defined the object of the public corporation as bringing an important industry or service within public control without making it an ordinary government department. The concept of public corporation involves two basic features namely, first, that a corporation like all other trustees, should be able to carry on its activities in the manner best suited to it to achieve the objects for which it was created, and secondly, it should give due account of its stewardship from time to time. The public corporation appeared as a means of mitigating some of the worst aspects of state enterprise. It would avoid putting the control of industries in the hand of civil servants who were considered unfit, within the framework of government department, to manage it but would allow the industries to be run by business people who could retain some initiative and discretion in the day-to-day management. The public corporation device

¹Government and Parliament p. 292 as quoted in Ashley and Smalls, Canadian Crown Corporations (Toronto, The MacMillan Company, 1965) pp. 3-4.

²HMSO, Report of the Committee of Inquiry into the Electricity Supply Industry, Cmd. 9672, (1956).

also would save the industries from detrimental political pressure put forward by interest groups. So we get the public corporation as a kind of half-way house attempting to combine public responsibility with freedom for the day-to-day operation. President Roosevelt referred to the Tennessee Valley Authority as an agency "clothed with the powers of government but, possessed of the flexibility and initiative of private enterprise".¹

President Truman expressed a similar thought

Experience indicates that the corporate form of organization is peculiarly adapted to the administration of governmental programmes which are predominantly of a commercial character-those which are revenue producing, are at least potentially self-sustaining, and involve a large number of business-type transactions with the public.²

In the opinion of Lord Herbert Morrison, the public corporation must feel that it is responsible to the nation and that it cannot be the instrument of this or that private or sectional interest.³

The Brownlow Commission depicts the picture of the public corporation thus,

Its particular value lies in freedom of operation, flexibility, business efficiency, and opportunity for experimentation... Particularly in the case of permanent as opposed to emergency, corporations, freedom of operation finds justification in the fact that they are financially self-sustaining.⁴

The public corporation device is thus based upon the theory that a full measure of accountability can be imposed on a public authority without requiring it to be subjected to ministerial control in respect of its managerial decisions and multitudinous routine functions, or liable to

¹Roosevelt, F.D., Message to the U.S. Congress on the T.V.A. Bill April, (1933).

²President Truman, Budget Message for 1948.

³Morrison, Lord Herbert, Socialisation and Transport (London, Constable & Co. Ltd., 1933) p. 156.

⁴President's Committee on Administrative Management, Report with special studies p. 302 as quoted by Ramanacham, V.V., Public Enterprise in Britain (London, Frank Cass & Co. Ltd., 1959) p.22.

comprehensive parliamentary scrutiny of its day-to-day working. The assumption is that policy, in major matters at least, can be distinguished from management or administration and that a successful combination of political control and managerial freedom may be achieved by reserving certain powers of decision in matters of major importance to Ministers answerable to Parliament, leaving everything else to the discretion of the public corporation acting within its legal competence.

The public corporation must not be a pure capitalist business, the be-all and end-all of which is profits and dividends. Its board and officials must consider themselves as high custodians of the public interest. Here lies the fundamental difference between the public corporation and the joint-stock company. Whereas in a joint-stock company the shareholders are interested in dividends or profit and the management has to ensure the payment to them/^{of} at least some dividend or profit, a public corporation is not always obliged to make a profit although it is often expected that it will pay its way.

The principal benefits of the public corporation as an organizational device are its freedom from unsuitable government regulations and controls and its high degree of operating and financial flexibility. The special powers conferred on the public corporation enable the government to render services and discharge obligations to the public as nearly as possible in the same manner as a private business.

While the public corporation device has eliminated some of the shortcomings of the traditional government organization, it has also created new and equally difficult problems. The fiction that the public corporation is somehow extra-governmental has sometimes been an excuse for disregarding

statutory or constitutional limitations on the government's borrowing authority. The public corporation has no doubt, satisfied a very real need of flexibility in operation but it has sometimes done so at the sacrifice of public accountability. In many instances significant political power tends to have been placed in the hands of a small group of persons controlling the public corporation. Sometimes the theory of corporate autonomy has come into direct conflict with the urgent need for bringing the operations of public corporations into harmony with the related actions of the government.

The basic characteristics of a public corporation are defined in the Report of the Rangoon Seminar of the United Nations:¹

- (i) It is wholly owned by the state;
- (ii) It is generally created by, or pursuant to, a special law defining its powers, duties, and immunities and prescribing the form of management and its relationship to established departments and ministries;
- (iii) As a body corporate, it has a separate entity for legal purposes and can be sued and can sue also, enter into contracts, and acquire property, in its own name. Corporations conducting business in their own names have been generally given greater freedom of making contracts and acquiring and disposing of property than ordinary government departments;
- (iv) Except for appropriations to provide capital or to cover losses, a public

¹Seminar on the Organization and Administration of Public Corporations in the Industrial Field, held in Rangoon in March, 1954 under the auspices of the United Nations Economic Commission for Asia and Far East, United Nations Technical Assistance Administration and the International Institute of Administrative Sciences. United Nations Technical Assistance Administration, Some Problems in the Organization and Administration of Public Enterprises in Industrial Field (New York, 1954).

corporation is usually independently financed. It obtains its funds from borrowing, either from the Treasury or the public, and from revenues derived from the sale of goods and services. It is authorised to use and reuse its revenues;

- (v) It is generally exempted from most regulatory and prohibitory statutes applicable to expenditure of public funds;
- (vi) It is ordinarily not subject to the budget, accounting, and audit laws, and procedures applicable to non-corporate agencies;
- (vii) In the majority of cases, employees of public corporations are not civil servants, and are recruited and remunerated under terms and conditions which the corporation itself determines.

In addition to the above mentioned general and common characteristics the public enterprises in the ECAFE region have the following characteristics:¹

1. A characteristic feature of the public undertakings in this region is the absence, for the most part, of conscious political motivation except in so far as an attempt to raise the general standard of living is to be regarded as a political motive.
2. In the development of the public corporations in certain countries of the region there has necessarily been a strong nationalistic feeling which reflects the recent achievement of political independence.
3. Another characteristic throughout the region has been the lack of available senior personnel and of necessary industrial and managerial experience, and in spite of considerable success in specific instances, this has severely limited the rate of progress in the development of state enterprises.

¹United Nations, Some Problems in the Organization and Administration of Public Enterprises in the Industrial Field (New York, 1954).

Thornhill says that there are three main characteristics which distinguish the public corporation from other forms of public bodies specially from government departments.¹ These are its freedom from full and continuous responsibility to Parliament through a minister, its staff does not enjoy the status and suffer the liabilities of civil servants, and its finance is not part of the finances of the government. Public corporations are bodies corporate with perpetual succession, having separate legal status as juristic persons.

According to Friedmann public corporations have eight distinguishing characteristics.² According to him public corporations are normally created by statutes or charters. They have no share or shareholders in the ordinary commercial sense. They are responsible to the Parliament through a minister. The administration of the public corporation is entrusted to a board. The members of the board and other staff do not have the status and liability of a civil servant. Its capital is procured through the issue of interest bearing stock, usually with Treasury guarantee. It has a separate legal status. It is subject to independent auditing and accounting. Finally, the public corporation has a dual nature; it is an instrument of national policy but is an autonomous unit.

The Indian author Om Prokash attributes fourteen characteristics to the public corporation.³ On ultimate analysis these coincide with the characteristics enumerated by Friedmann.

¹Thornhill, W., The Nationalized Industries (Thomas Nelson, London, 1968) p. 22.

²Friedmann, W., The Public Corporation (Toronto, Carswell, 1954) p. 164.

³Om Prokash, The Theory and Working of State Corporations (London, George Allen and Unwin Ltd., 1962) pp. 15-33.

In course of discussion of the public corporation in Britain, Robson has highlighted five principal characteristics which he calls leading principles.¹ The first of these is freedom from parliamentary enquiry into the management as distinct from policy. The second leading principle is disinterestedness. The incorporating statute or charter formulates the public purpose which the corporation is to follow. The third leading principle is that the personnel of the public corporation does not form part of the civil service. They do not have the status and liabilities of the civil servants nor are they normally under the control of Treasury Board, the Public Service Commission, or even the Parliament. The fourth leading principle is that the public corporations have self-contained finances. The finances of the corporation are not part of the finances of the government contained in the Exchequer Accounts, Appropriation Accounts and the various extra-budgetary funds, and give no record of the financial activities of the public corporation. The fifth leading principle is that the members and chairman of the public corporation are usually appointed for a fixed term of office. They do not enjoy the permanent tenure of the civil service and they may be removed on justifiable grounds at any time by appropriate minister or the government.

It will appear that the seven general characteristics of the public corporation given by the Rangoon Seminar, three by Thornhill, eight by Friedmann, fourteen by Om Prokash and five by Robson are essentially the same. Although the public corporation has freedom from parliamentary enquiry in management, it is subject to a considerable degree of ministerial or executive control. In this sense it is in no way immune from political control.

¹Robson, W.A., Nationalized Industry and Public Ownership (London, George Allen & Unwin Ltd., 1960) p. 64.

The distinguishing feature between the public corporation and the regular government department is that the corporation is free from full and continuous responsibility to the Parliament or the President, through a minister as is the case with other departments. The fundamental difference between the public corporation and the joint-stock company is that while in a company the main concern is to make profit for its shareholders, a public corporation is not normally required or enjoined to make profit. The statutes require most public corporations to carry on their undertakings in such a manner as to pay their way out of the revenue over a period of years. Even if there is surplus or deficit in any particular year the general intention is that the undertaking shall not at length run at a loss. This characteristic is further emphasised by the fact that the public corporation has no shares and no shareholders either private or public. Its shareholder is, in a symbolic sense, the nation represented through the government and the parliament. It would however, be erroneous to think that the corporations are entirely non-profit making bodies. They are in no sense prohibited from making profits. Indeed, some corporations do show surpluses. The underlying idea is generally that they should not be required to make the profit motive their main concern as in the private industry. In case there is a surplus, unlike again in a private or joint-stock concern, it is not distributed amongst the shareholders, but is normally to be ploughed back into the business, placed in reserve, or be devoted to reducing prices, improving the services or giving the employees better working conditions. In the case of some public corporations provision is there for part of the surplus to be paid to the Public Exchequer.

CHAPTER 2

CROWN CORPORATIONS IN CANADA

In Canada, a Crown corporation is an institution with corporate form brought into existence by action of the Government of Canada to serve a public function.¹

The Financial Administration Act, 1951 says "Crown corporation means a corporation that is ultimately accountable, through a Minister, to Parliament for the conduct of its affairs".² This definition has been rejected by scholars as vague and uncertain. "Through a Minister" may imply either a minister has a responsibility for the conduct of the corporation or that he acts as a post office or messenger. Moreover, in Canada some corporations are subject to complete control of the minister, others are completely independent of the minister's control. Yet another group may occupy a position in-between these two extremes.

John Marshall declares

A Crown corporation is an artificial being, invisible, intangible, and existing only in contemplation of law.³

J.E. Hodgetts believes that the first government corporation in Canada was the Board of Works established by Lord Sydenham, one hundred and thirty years ago.⁴ It was entrusted with the vast task of constructing the canal system for the United Provinces and lasted for just five years. In 1846 it lost its corporate charter and was transformed into the Department of Public Works because the board failed to establish proper working

¹Ashley C.A., and Smalls, R.G.H., Canadian Crown Corporations (Toronto, The MacMillan Company, 1965) p. 3.

²Ibid. p. 3.

³Hodgetts, J.E. and Corbett, D.C., ed. Canadian Public Administration. (Toronto, MacMillan Company, 1960) p. 191.

⁴Institute of Public Administration of Canada, Proceedings of the Fifth Annual Conference, 1953, p. 389.

relations with the Cabinet. The government corporations are in existence throughout the world today perhaps because they provide the flexibility and autonomy in day-to-day operations as enjoyed by their counterparts in the private enterprise. The problem is how can this independence be reconciled with the traditional ideas of responsible government.

The Crown corporation in connection with the administration of harbour facilities was used during the 19th century in Canada. The Montreal Harbour Commission was established in 1852, the Quebec Harbour Commission in 1858, Commission for Three Rivers and St. John in 1882, for Vancouver in 1913, Chicoutine in 1926 and Halifax in 1927. But in 1936 all these were absorbed in the National Harbour Board.¹

Transportation and communication systems have demanded the attention of governments since before Confederation. Between 1867 and 1910 railways and government were closely intertwined. In 1919 this intimacy was formally acknowledged by the creation of a publicly-owned national railway system, the C.N.R. which was established as a Crown corporation.²

Even before this period some Canadian municipalities had established independent corporations to operate gas, water and electric utilities as well as local transport. Today over ninety percent of the Canadian municipalities have their water supplied by local authorities. The provinces did not lag behind the municipalities. The Hydro-Electric Power Commission of Ontario is the pioneer undertaking having been created in 1907. Apart from the National railways, the Ontario Hydro is the largest governmental

¹H.R. Balls, "The Financial Control and Accountability of Canadian Crown Corporations", Public Administration, Vol. XXXI, (Summer, 1953) p. 128.

²Hodgetts, J.E. and Corbett, D.C. Canadian Public Administration (Toronto, MacMillan Company, 1960) p. 184.

enterprise in Canada. Some of the other provinces also followed the example of Ontario. The Prairie Provinces have been operating their telephone system as Crown corporations for many years. Quebec and Ontario have been engaged in the retail sale of spirituous beverages through corporate agencies for many years. Saskatchewan has taken the lead in exploring the administrative possibility of Crown corporations for a great variety of commercial undertakings.

Despite the earlier existence of publicly-owned business ventures, the Government of Canada did not show an inclination of large scale experimentation with public corporations until the 1930's. The change of attitude was due to many factors including the depression, criticism of the private enterprise by the newlyborn Co-operative Commonwealth Federation Party and other political groups, the exciting experiment under the New Deal in America and the success and growth of the public utility trust in the United Kingdom. As a result, radio broadcasting, central banking, the marketing of wheat, national harbours, and air transport were brought under partial or complete public-ownership and management between the years 1932 and 1938.¹

If any single factor responsible for proliferation of Crown corporations in Canada is isolated the patronage of Mr. C.D. Howe, Canada's Minister of Munition and Supplies of the period of the Second World War figures most prominently. With the outbreak of the war Canadian industry was called upon to take up the responsibility of becoming the principal supplier of war materials and supplies to the Allies.

During the Second World War, the growth of the Crown corporations received second major stimulus in Canada. Immediately after the outbreak of the war, the Department of Munitions and Supply was established. The Act

¹Hodgetts and Corbett, Ibid. p. 185.

establishing this Department granted extensive power to the Minister with respect to the procurement of supplies and munitions of war and the execution and carrying out of defence projects. In 1940 an Amendment of the Act authorised the minister to procure the incorporation of companies under the Federal Companies Act, 1934, or under any provincial Companies Act, to which he might delegate any of the extensive powers and duties conferred or imposed on him under the Department of Munitions and Supply Act or any order in Council. Under this authority,

Twenty-eight such Crown corporations were incorporated for war purposes; of these Eldorado Mining and Refining Limited and Polymer Corporation Ltd. are still operating. Some corporations created by special act were given power to procure the incorporation of subsidiaries under the Companies Act and, ...still have this power although they have not exercised it for many years.¹

These were created during the period of the war for varied purposes.

They were established to obtain wool, silk, nylon, kapok, silica spruce and natural rubber and to produce munitions, optical glass and radar devices; to supervise a chemical and explosives programme and a synthetic rubber plant; to administer a naval shipbuilding yard and a cargo ship construction programme; to allocate and distribute machine tools and gauges and to salvage and recondition machines and cutting tools; and to develop housing projects in industrial areas, supervise the development of new oil wells, and mine and process radium and uranium.²

Relying on the more general powers of the War Measures Act, the provisions of the Companies Act were invoked for the incorporation of the Commodities Prices Stabilization Corporation Ltd. with the object of administering subsidy and bulk purchasing operations in connection with the Wartime Prices and Trade Board's price stabilization programme. The Dominion Aeronautical Association Ltd. created under the Companies Act recruited

¹Ashley, C.A. and Smalls, R.G.H., Canadian Crown Corporations (Toronto, MacMillan Company 1965) p. 5.

²Balls, H.R., "The Financial Control and Accountability of Canadian Crown Corporations", Public Administration, Vol. XXI, (Summer, 1953) p.129.

Commercial pilots outside Canada. The Veterans Housing Project (Ottawa) Ltd. and the Veterans Housing Project (Toronto) Ltd. were also created under the Companies Act. Most of the wartime corporations would wind up as soon as their work was completed. However, the Unemployment Insurance Commission, the Export Credits Insurance Corporation (now Export Development Corporation), the Industrial Development Bank and the Agricultural and Fisheries Prices Support Boards which were established under provisions of Special Acts of Parliament during the wartime are still in operation. During the period from 1944 to 1948 no less than eighteen crown companies, which is a subspecies of Crown corporations were created and most of them are still operative today. These operated the commercial enterprises in which the government got involved during the war. The government has created Crown companies only to undertake work that private industry was not willing to undertake.¹ If private business was able to carry out the war objective, private business was given that opportunity.

The question of nationalisation of an industry or a specific firm should not be one of ideology. We should neither shrink from nationalisation because an economic philosophy based on fear, nor embrace it rashly...we should use it only where it alone can serve the proper interest or can serve it better than any alternative form of organization.²

The use of the public corporation has not developed as a controversial issue between the major political parties in the federal politics of Canada. No unifying philosophy underlies the use of public corporation in Canada. The whole development has been piecemeal and pragmatic. Conservative and Liberal parties have resorted to public ownership not for doctrinaire reasons

¹Minister for Munition and Supply, Debates of the House of Commons, (1946) p. 2176.

²J.L. Ilsley, Minister of Finance. Debates of the House of Commons, Canada, (1944) p. 2547.

but to carry out some particular functions. Mr. C.D. Howe, the Wartime Minister of Munitions and Supply was of the opinion that large numbers of Crown corporations were set up during the Second World War because this was the most effective way of getting certain goods produced quickly.

It has been pointed out by nearly all the writers that government enterprise is found where for some reason private enterprise is found wanting. The usual condition where this occurs is the existence of some public need having commercial characteristics which private enterprise is unwilling to fill, should not be expected to fill or is unsuitable to fill.¹

The alternative to Crown corporation for operating government enterprise is a conventional government department. The reasons for preferring Crown corporation are enumerated by J.H. Perry thus:

Starting with the proposition that government departments are neither by structure nor tradition designed for carrying on commercial activities it is not unexpected that governments would turn to some other form of organization for this purpose. The Commercial world is said to require greater initiative, flexibility, independence and freedom from red-tape than can be assured in a government department, and the separate board or corporation achieves this end, both in day-to-day operations and in the hiring of staff. The desire to remove a function from politics and to attract businessmen who are familiar with the corporate entity and shy away from the like department-and incidentally to pay them salaries higher than the civil service level-are also given as reasons. The wish to assume all the trappings of the commercial organization in a world where form is increasingly important is also no doubt a factor.²

In addition to the above ideas the following may be mentioned as the reasons for using the corporate form in Canada:³

Public corporations create a convenient and necessary buffer between administrative and political pressures. This was one of the reasons relied upon for incorporating the Canadian National Railways, the Bank of Canada and the Canadian Broadcasting Corporation. But the corporations created recently have not relied on such reasons.

¹Institute of Public Administration of Canada, Proceedings of the Eighth Annual Conference (1956) p. 140. J.H. Perry.

²Institute of Public Administration of Canada, Proceedings of the Eighth Annual Conference (1956) p. 147. J.H. Perry.

³Hodgetts, J.E., "Public Corporations in Canada", Public Administration Vol. XXVIII, p. 284.

Autonomy in establishment matters was a favourite argument particularly during the creation of the public corporations during the Second World War. This freedom was considered necessary in order to compete successfully with private enterprise.

Financial independence was considered necessary particularly for public corporations running commodity trading operations. But it must be noted that unbridled financial independence cannot and has not been afforded the public corporations.

The public corporation is flexible as an agency which can be quickly adapted to a temporary purpose or to a new and experimental field of governmental activity, e.g. radio broadcasting, civil aviation.

Corporations carrying on trading and crediting activities were designed to match similar corporations of other countries. Inside the country, the public corporation was meant to observe commercial financing practices associated with sales and purchases by imports, commission agents and manufacturers.

Public corporations are a device familiar to businessmen. In the past, the unwillingness of private business experts to join an ordinary government department has been partially overcome by inviting him to join an agency which has the flexibility and independence to overcome his apprehension of government departments. Unlike a government department, the headquarters of public corporations need not be in Ottawa. This has also helped to attract business experts to the public corporations. As Mr. Howe stated that it permitted "the head office [to] be established in a location most convenient to those men whom we wish to attract to the business".¹

¹C.D. Howe, Debates (1946) p. 1512.

One striking difference between the Canadian and British public corporations is that whereas in Britain, corporations operate enterprises which were already in existence, in Canada the public corporations started with a clean slate except in the field of transportation. Here the notable cases are the Canadian National Railways which inherited a hotch-potch of private lines already in bankruptcy. The National Harbours Board also had to take over from a number of individual harbour authorities.

Few Canadian corporations possess complete monopoly in their field of operation. An extensive private sector exists side by side either in competition with or as a supplement to the activities of the government corporation. The Canadian Pacific Railway operates along with the Canadian National Railways, one hundred and thirty private broadcasting stations work along with the Canadian Broadcasting Corporation. With a few exceptions, the Canadian Crown corporations have been set up to supplement rather than to supplant the facilities offered by private sector. This means that the public corporations have not been assigned to the commercial position in the economy occupied by existing public corporations in Britain.¹

The Canadian public corporation resembles its counterpart in the U.S.A. in several respects. In each country, government corporations have been created in answer to the needs of the moment, rather than in response to long range plans. In both countries public corporations serve difficult purposes. Both Canadians and Americans are familiar with the automatic use of corporate form for government-owned enterprise. There is absence in both the countries of any systematic attempt to nationalise industries, using the corporate form as the vehicle.

¹ Hodgetts, J.E., "The Public Corporation in Canada", Public Administration, Vol. XXVIII, pp. 253-64.

As a final point of similarity, haphazard employment of the public corporation for a number of purposes, variety in organizational attributes of different corporations, and concern about maintaining democratic control over corporations have combined to produce remedial legislation in each country. The Canadian counterpart of the Government Corporation Control Act of 1945 is the Financial Administration Act of 1951.¹

The Financial Administration Act, 1951, made a more satisfactory classification. These are "departmental corporations, agency corporations and proprietary corporations". This classification is based on the extent of financial independence and the general nature of the activity. A systematic pattern of relationships between each class, on the one hand and parliament and ministers on the other, developed.

Departmental corporations are responsible for administrative, supervisory, and regulatory services of a governmental nature and are servants or agents of Her Majesty in rights of Canada. They are in fact regarded as ordinary departments of government, given corporate status usually for the sake of simplifying the process of litigation. Although they are subject to the day-to-day direction and control of the minister in practice they are operated with a substantial degree of independence, certainly more than the average government department. They look to the Parliament for annual appropriations to cover their financial requirements and unless specifically exempted by the authorizing statute are bound by the general provisions of Financial Administration Act and other statutory, constitutional and executive rules and precepts that limit and regulate the activities of ordinary departments.

Agency corporations are defined as Crown corporations that are agents

¹Musolf, Lloyd D., "Canadian Public Enterprise-A Character Study", The American Political Science Review, Vol. L. (1956, June) p. 406.

of Her Majesty in right of Canada and are responsible for the management of trading and service operations of a quasi-commercial basis or for the management of procurement, construction or disposal activities on behalf of the Crown. They are subject to considerable degree of ministerial control. They are the agents of the minister in that they act within the framework of broad directives, as in contradistinction with the department which is a servant of the minister in the sense that the employer (minister) reserves the control and direction of the way in which the work is to be done. One common characteristic of agency corporations is their dependence on parliamentary appropriations for deficit financing. They are usually given controlled "revolving funds".

Proprietary corporations are defined as Crown corporations that are responsible for the management of building or financial operations or for the management of commercial and industrial operations involving the production of, or dealing in, goods and supplying the services to the public and that are ordinarily required to pay their way or, in the words of the statute "to conduct their operations without appropriations".¹

They are usually given a considerable managerial freedom. The control that the minister or the governor-in-council exercises on them is comparable to that of a shareholder who holds all or the majority of the equity-stock of a private corporation. The minister is usually authorised, subject to the approval of the governor-in-council, to exercise the rights of appointing and dismissing the directors and of requiring periodic reports or evidence of satisfactory performance. But as in the United Kingdom, he is not responsible for the day-to-day acts of the servants of corporations as he is for the acts of the officers of the department over which he presides. He can, however, when occasion arises, give advice or directions.

¹Balls, H.R., "Financial Control and Accountability of Canadian Crown Corporations", Public Administration, Vol. XXXI (Summer) (1953), p. 131.

A further distinction is that after the amendment of the Income Tax Act in 1952, proprietary corporations are required to pay income tax in the same manner as any private company.

The Act is not all inclusive and complete. Some Crown corporations are not listed in the schedules and consequently are not subject to the Act.

The unclassified corporations are:

1. Eastern Rockies Forest Conservation Board	Excluded as they are joint Dominion-Provincial bodies.
2. Halifax Relief Commission	" " "
3. Northern Ontario Pipeline Crown Corporation	" " "
4. Canadian Wheat Board	Excluded as it is regarded as the agent of the farmers or grain producers rather than of the Crown.
5. Bank of Canada, and its subsidiary	Excluded because of their special character.
6. Industrial Development Bank	" " "

Those which are included in the schedule are subject to it only to the extent that it does not conflict with the Acts under which they have been created and operate.

Appendix A shows the corporations operating at the federal level in Canada as on July 1, 1971, with the names of the departments through whose ministers they report to the Parliament.

Agencies with "Limited" attached to their names are all Crown companies incorporated under Part 1 of the Dominion Companies Act, 1934, like any other private company. The Act does not restrict the type of activities upon which a corporation may embark, but limits the number of shareholders, regulates the right of transfer of shares, insists on all directors being shareholders and ensures that the corporation opens its books to the members of the public. It is flexible enough to enable the government to set up a great variety of business concerns connected with the war production and supplies. The Minister of Munitions and Supply was given blanket authority

by Parliament to propose to The Privy Council the creation of Crown companies. Under authority of the Companies Act, the minister in charge could maintain adequate control over the companies. A token share capital was authorised for each company and shares issued to the directors appointed by the minister. These shares were endorsed to the minister by the directors. Thus government control was very direct and intimate. There are three other legal instruments that determine the operation of these companies.

An order in Council is the creative instrument; Letters Patent issued by the Secretary of State provide the legal authorization for the company to do business under the Companies Act; and the formal agreement between the Company and the Minister sets out in detail the structure, financing and power of the agency. Through this somewhat complicated but convenient administrative form, the national government at the height of the war had set in motion nearly three dozen Crown companies.¹

Most of these enterprises have since been liquidated but a number of them bearing the title "Limited" have been retained. Amongst these the multi-million dollar Polymer Corporation Limited is important and reputed throughout the business world.

The Crown companies, all of which have originated through orders in Council are exceptions to the rule of incorporation by statute. They are thus a group apart from the regular statutory corporations.

From the discussion with officials in the Departments of Finance and Treasury Board of the Government of Canada the writer has learnt that at the present time in Canada there is considerable dissatisfaction with the financial management and performances of a number of Crown corporations. Although details are not yet available there appears to be a definite move on the part of Finance and Treasury Board officials to become much more closely involved with the financial management of several Canadian corporations. Perhaps the most significant example in this regard will be the Canadian National Railways.

¹Hodgetts & Corbett, Canadian Public Administration (Toronto, MacMillan Company, 1960) p. 190.

Saskatchewan, like other jurisdictions has found the Crown corporation a useful tool of administration. The formation of the Crown corporation in Saskatchewan received added impetus by reason of the electoral victory of the Co-operative Commonwealth Federation in 1944. The programme of that party favoured the social ownership of industrial and commercial undertakings and a number of enterprises were acquired for operation under public auspices. The public corporation was the device used to administer the new government enterprises as it was found not only suitable for the purpose but also fitted in with the political philosophy of the party.

Prior to the year 1944, the telephone system, power utility, and liquor board were the chief commercial operations of the government. The telephone system was organised as a department but had two characteristics of modern public corporations namely post-auditing and financial operations independent of the Consolidated Fund. The power utility was organised as an independent commission and the Liquor Board was an independent board. They had regulatory and commercial functions. Subsequently the Saskatchewan Power Commission and the department of telephone were constituted as Crown corporations and are functioning as such.

Appendix B shows the Crown corporations functioning in the province as on July 1, 1971.

Saskatchewan Crown corporations may be divided into two categories, namely, (1) those which have been set up under the general statute, the Crown Corporations Act, and (2) those which have been established by special statutes.

After its amendments in 1966, the Crown Corporations Act may be divided into two parts. Part I provides for the formation and general

organization of Crown corporations and Part II establishes a holding corporation namely the Government Finance Office.

Part I empowers the Lieutenant-Governor in Council to appoint one or more persons to operate any designated industrial, commercial, financial or public utility enterprise or undertaking, the operation of which on behalf of the Crown in the right of Saskatchewan is deemed advisable for the public good.¹

The person or persons so appointed constitute the corporation designated in the order in council. It is a juristic person with perpetual succession, a common seal, capacity to contract and to sue and be sued in the corporate name. In practice, a number of persons numbering from three to ten have been constituted corporations and the persons so named in each case form the board of directors of the corporations. Each corporation is made responsible to a member of the Executive Council named by the Lieutenant Governor in Council.

Part II provides that "there shall be a Corporation to be called the Government Finance Office which shall consist of three or more persons appointed by the Lieutenant Governor in Council."² This acts as a holding corporation for other Crown corporations. It is empowered to receive from the Provincial Treasurer all appropriations of money for the purposes of commercial, industrial, financial, and public utility development and in its turn advances loans to Crown corporations operating such undertakings. It is also authorised to make financial rules and regulations to govern the corporations, to approve rates of depreciation and reserves, to collect from the corporations all the surplus earnings, and to give broad directions in

¹Blackeney, A.E., "Saskatchewan Crown Corporations", J.E. Hodgetts and D.C. Corbett, Canadian Public Administration (Toronto, MacMillan Co., 1960) p. 214.

²Ibid p. 214.

financial matters to the corporations. It has at present three members in its board all of whom are cabinet ministers.¹ The idea was that the ministers responsible for the affairs of the corporations should be members of this board. For all intents and purposes this is a Cabinet Committee for corporations which co-ordinates the activities of all other operating corporations with a view to achieving uniformity in policy and practice.

The Crown corporations established under specific statutes are the Saskatchewan Government Insurance Office, Saskatchewan Power Corporation, Saskatchewan Telecommunications, Saskatchewan Water Supply Board, and the Municipal Financing Corporation. The first one set up by a special statute is the Saskatchewan Government Insurance Office, established in the early life of the C.C.F. Party Government before a general pattern of Crown corporations evolved. It was considered appropriate to set up this corporation by a special statute since the Provincial Treasurer was to be authorised, in effect, to guarantee policies of the Insurance Office and since the Office was to be given the responsibility of administering the compulsory automobile insurance plan. When it was deemed desirable to separate the operating functions of the Department of Telephones from its regulatory one and organize the operating utility as a Crown corporation, the corporation was organized under the Crown Corporations Act. The same procedure was adopted for setting up the Saskatchewan Power Corporation separating the operating function of the Saskatchewan Power Commission. It was only when these two corporations were given statutory powers to issue bonds on the security of their corporate assets on terms inconsistent with

¹Writer's interview with corporation officials at Regina on July 26, 1971.

Part II of the Crown Corporations Act that they were organized under special statutes and removed from the jurisdiction of the Government Finance Office. Although established under a special Act, the Insurance Office, however, remains under the control of the Government Finance Office. Structurally, the corporations set up under special Acts are very similar to those established under the Crown Corporations Act. Under both the procedures, the corporation consists of persons designated by the Lieutenant-Governor in Council and the special Act and order in council also provides for the duties and powers of the respective corporations.

Every corporation of the province is a separate financial unit. Except the Saskatchewan Power Corporation, Saskatchewan Telecommunications, Saskatchewan Economic Development Corporation, Saskatchewan Water Supply Board, and Municipal Financing Corporation, that do not get finance through the Government Finance Office, funds for capital expansion of other corporations, are obtained through the Government Finance Office. All surpluses earned by the corporations must be made over to the Government Finance Office unless the latter otherwise directs. The Provincial Legislature votes money to the Government Finance Office to finance the Crown corporations. No interest is paid on the Treasury advances. But each year it pays the Treasury Department approximately \$1,000,000 which represents approximately 14 per cent of the \$7,200,000 advanced to the Government Finance Office. With the balance left to it after payment to the Treasury Department, the Government Finance Office finances the corporations. Corporations also do not pay any interest to the Government Finance Office except on the short term loans. The advances and retained reserves are regarded somewhat as equity capital investment.

Saskatchewan Telecommunications and Saskatchewan Power Corporation receive funds for capital expansion from the loans arranged on their behalf by the Treasury Department. All surpluses earned by them setting off the dividends paid to the Treasury, which amounts to 50 per cent of the earnings, are reinvested in capital expansion by these corporations.¹

Whatever be the procedure of constitution, the Saskatchewan Crown corporations have similar legal attributes. They are public authorities rather than private companies. Each corporation is an agent of the Crown in the right of Saskatchewan and it exercises power only as an agent of Her Majesty. All property, real or personal, is the property of the Crown. For the purposes of taxation and other purposes, all the property of the corporations are deemed to be property of the Crown. The only exception to this is that the holders of the bonds secured by the assets of the Saskatchewan Power Corporation and Saskatchewan Government Telephones are given priority over Crown in respect to interest and principal repayments on these bonds. Every corporation except the Saskatchewan Government Insurance Office is empowered to expropriate property necessary for its operation, with the consent of the Lieutenant-Governor. The attachment of Debts Act provides that to attach the salary of a corporation employee, the procedure applicable to Saskatchewan Civil Servants and not the procedure applicable to the employees of private companies shall apply. This indicates the status of the Crown corporation as public authorities. As agents of the Crown, the corporations are not liable to municipal taxes and rates. The corporations do not pay Federal Income Tax, as agents of the Crown.

¹As learnt by the writer in course of discussion with Mr. Austin W. Selby, Secretary of the Government Finance Office on July 26, 1971.

But they pay the federal sales tax on goods purchased. The corporations have, however, been made liable to be sued without recourse to petition of right procedure. The corporations are liable in contract and tort, in almost all cases in which a private person of full age and capacity would be liable.

Saskatchewan has successfully experimented with a holding corporation that co-ordinates the activities of other operating corporations. It judges the success of the Crown corporations on the basis of their earning surplus. It enforces the payment of dividends by corporations to the Treasury on the advances, to the extent of 50 per cent of their earnings. It did not hesitate to transfer the enterprises that did not earn surplus and as such could not justify the expenditure of the money of the tax payer. The corporations have been made to realise that while in business they are no better than their counterpart private enterprises.

As businessman's outlook permeates the Canadian public corporation, here unlike in Great Britain, the board is designated the board of directors on the model of their counterparts in the private business world, and the Canadian government is willing to give to the head of the corporation "precisely the same degree of latitude and freedom as the shareholders of the Canadian Pacific (a private company) would give to...(its president)."¹ The provisions governing the tenure and independence of the board of directors of a Crown corporation should be designated to attract only the most capable men. Realising this, Sir Thomas White stated at the time of the incorporation of Canadian National Railways:

The greatest service that the Government can render is in the appointment of first-class men of the highest standing in the community,

¹Debates of the House of Commons of Canada (1923) p. 3673-74.
Prime Minister Mackenzie King.

men of such self-respect that they will feel that they will be judged so much by the success of their administration that they will not take any interferences on the part of the Government.¹

Persons with such high qualities of head and heart can be attracted to public service only by adopting measures appropriate enough to protect the security and prestige of such appointments. In recent time again Professor W.A. Robson has reiterated the same principle by saying

The success or failure of nationalisation is, indeed, likely to depend more on the quality of the boards directing the public corporations than on any other single factor. For from this flow all the decisions on policy and administration which together make up good or bad management.²

The Liberal Minister of Railways and Canals said

It is the intention of the Government that the board in this exercise of its several duties and functions shall be free from interference, political or otherwise.³

In Canada, the members of the boards of directors of Crown corporations are generally appointed by the Governor in Council at the federal level, that is to say by the cabinet. The normal practice is that the Minister under whose charge the corporation is placed makes recommendations to the Council.

The nearly universal provision for collegial approval of appointments is peculiar to Canada and its political necessity has not always been appreciated by even the most astute investigators from abroad. It conforms with the usual practice of permitting the Cabinet, with its carefully balanced regional representation, to exercise the power of veto over the decisions of a single minister.⁴

¹Debates of the House of Commons, Canada (1919) p. 1634.

²Robson, W.A., "The Governing Board of the Public Corporation", Political Quarterly (April-June, 1950) p. 135.

³Debates of the House of Commons (1922) p. 381.

⁴Hodgetts, J.E., "The Public Corporation in Canada", Public Administration Vol. 28 (Autumn, 1950) p. 266.

Most of the statutes are vague or totally silent in dealing with the conditions which qualify or disqualify members of the boards. It is important that the board should be harmonious in its deliberations. This tends to make it difficult to draw members from representative bodies or groups such as producers, consumers, and employees. The Acts governing the CBC, and the Bank of Canada enjoin "to give representation to the principal geographical divisions of Canada". Government invariably tries to meet the claims of those who wish to see on the boards members who can clearly reflect the point of view of labours, agriculture, women, finance etc. But such appointments are not conceded as a right of special interests. At the federal level, Canada does not favour the inclusion of the minister in the boards of directors of Crown corporations. In 1946 the opposition pressed for inclusion of the responsible minister on the board of the Atomic Energy Control Board preferably as chairman. Mr. Howe strongly objected to this. He stated

For example, sitting on the board of five, the minister might be outnumbered and outvoted four to one, which would hardly be consistent with the line of authority. Then if a recommendation came from the board of which the minister was a member and it became the duty of the deputy minister to overrule the decision, there will be some difficulty. I am strongly of the opinion that the board will function very much better if no minister of the Crown is a member of it.¹

But the practice in the provinces, particularly in Saskatchewan has till recently been the contrary. There the minister responsible for the corporation has always been the chairman of the board. In 1952 one minister, who was responsible for three corporations retired as chairman of three boards. It was then that an appointed official was appointed to succeed

¹Debates of the House of Commons, Canada, (1946) pp. 2432-83.

him. But now again all the corporations are headed by responsible ministers. One minister also heads more than one corporation. For example, the Premier is the Chairman of the Government Finance Office, Municipal Financing Corporation, Saskatchewan Pulpwood Limited, and the Saskatchewan Economic Development Corporation. The boards of Saskatchewan Power Corporation, Saskatchewan Forest Products and Saskatchewan Pulpwood Limited have more than one minister as directors.¹ The members of the Parliament in case of corporations at the federal level and members of the provincial legislatures in the case of Crown corporations at the provincial level are not generally included as members of their boards inspite of the fact that a Private Member's Bill proposing such inclusion was introduced in the House of Commons in 1962. But the chairman of the Niagara Parks Commission is a member of the Ontario legislature. Such an appointment would almost certainly be political whereas one of the motives of incorporation is to free government enterprise from politics. Besides, would the member on a board act mainly as a watchdog, or would he take a full share in the boards' activities? If the former, he would hamper the management; if the latter, he would probably do little to satisfy the inquisitive propensities of the opposition. His relations with the minister, who would probably recommend his appointment, would not be very happy if he started to inform the House and its committees of matters which ministers have consistently refused to disclose.²

Three members of the Ontario Food Terminal Board represent the producers and three others represent the whole-salers.³ Although

¹Writer's interview with the officials of the Saskatchewan Crown Corporation on July 26, 1971.

²Ashley, C.A. & Smalls, R.G.H., Canadian Crown Corporations, (Toronto, The MacMillan Company, 1965) pp. 22-23.

³Writer's interview with the General Manager of Ontario Food Terminal Board on July 20, 1971.

direct representation of interests and regions has been rejected in Canadian federal level Crown corporations advisory councils have been successfully associated with a few corporations, such as the Canadian Broadcasting Corporation, and Canadian Wheat Board. The Wheat Board is advised on highest policy matters by an exceedingly influential advisory committee, which represents all interests. Given the choice of an advisory committee or direct representation in the board of the Agricultural Stabilization Board in 1944, the organized farmers unhesitatingly chose the advisory committee. It was felt that a representative of agriculture in the board would tend to identify himself so closely with the board that he would no longer truly represent their interest. But on the other hand, equipped with the sad experience of pre-incorporation, petty politics and patronage in the local harbour authorities, the National Harbour Board objected to the creation of the local advisory committees in each port area. The advisory committees, where ver they exist, tend to serve the purpose of the Consumers' Councils obtained in Britain.

One outstanding feature of many Canadian boards, that is alien to British practice is the presence on them of senior departmental officials. Normally such a departmental representative is the deputy minister, who is the permanent head of the department, or a high official who deputises for him. The groups of financial corporations without exception follow this pattern, and several others also favour this practice. For example, the Department of Finance is represented on all the five federal level corporations engaged in lending and insurance functions.

In Saskatchewan, the chairmen of the boards are the responsible ministers. The other members of the boards are drawn from government officials e.g. deputy ministers and of course some members of the public. The board

of directors of the Government Finance Office, which is practically a holding corporation for all corporations, consists of three members, all of whom are Cabinet Ministers. The Treasurer advises boards of operating corporations on accounting matters and the industrial relations staff advises the boards of operating corporations on union-management relationship.

The board of the Central Mortgage and Housing Corporation presents better than any other Canadian Corporation an attempt to bring a balance between the three different sets of interests. Five of the ten members are part-time taken from outside, thus representing the public interest; three more part-time members represent departments specially interested in housing and the financing of housing programmes; lastly, there are two permanent members- the President and the Vice-President, who represent the managerial function. The policy of giving representation in the boards to government department has been carried to the extreme in the case of the Canadian Commercial Corporation. Its board consists entirely of part-time departmental representatives barring the full-time executive director. This board is thus nothing more than an interdepartmental commission of high permanent officials. The Canadian National Railways and the Air Canada each had in their boards a deputy minister for years, the Bank of Canada has a deputy minister as a non-voting member of the board and of its executive committee, and two deputy ministers are directors of the Industrial Development Bank. The Ontario Food Terminal Board is headed by a Civil Servant.

The inclusion of government officials into the boards of Crown corporations was not previously favoured by Mr. Howe to whose credit goes

the creation of a number of Crown corporations and Crown companies. But the subsequent implementation of the principle in violation rather than in observance gives rise to a number of tricky questions. If the minister who is in over-all charge of the department has consistently been found undesirable to be in the boards of corporations, it is difficult to see why his lieutenant the deputy minister should be included in the same. This gives rise to practical difficulties too. It is difficult to decipher what are the actual functions of the one or two government officials on the board. If it be to remind the board of the government policy in respect to some particular matter, the inclusion of the deputy minister in the board is not the only nor the best way of doing it. Rather this may create an embarrassing position in case the majority of the board decides to take decision contrary to what the government policy is. The deputy minister can neither prevent it nor dissociate him from it with ease. If the object be to report to the minister about the proceeding of the board's meeting, it is too inadequate a work to which an officer of the rank of deputy minister can be deputed. Besides, the board would in normal course inform the department of its proceedings. If the purpose be that the official representative is to take full part in the discussion of the board and unless denied the voting power to take some responsibility for the decision, the position may be still more embarrassing. The official cannot participate in a decision, which may be contrary to the views of his political head. The position of the deputy minister on the board of the Bank of Canada is still more helpless. He has no say in the decision of the board. This position of the departmental representative brought out adverse comments in the Parliament as back as in 1951 from J.M. Macdonnell, a leading financial

critic on the opposition. The conclusion of Professor Hodgetts is

Clearly, no senior civil servant should be placed in a position where, as a member of a corporation, he is compelled to join in an opinion that may be opposed to that of his own political chief. Such administrative ambivalence is neither healthy, necessary or feasible.¹

This preference for permanent experts on the board in Canada ushered in the advancing concept of "Managerial revolution". The question was to what extent should officials concerned with the direct execution of policy be members of the boards, where they could also participate in the formulations of the policy? In the mid-thirties the general assumption was that a clear-cut separation should be made between those responsible for policy formulation and those responsible for administration of that policy. Thus when the Canadian Broadcasting Corporation was set up in 1936, a large part-time Board of Governors was put in charge of policy-making while execution of the policy was vested in a General Manager who was not a member of the board. But the separation of policy-making and policy-execution broke down in practice, because policy issues arose from day-to-day and had to be determined by the General Manager in the absence of the board. His decisions, of course, received subsequent ex-post facto ratification by the board. To remove the anomalous position bred in this system, in 1944-45, the chairman of the board was made a full-time permanent official so that he could offset the de facto power that the General Manager had come to exercise over policy matters. The reorganization in 1936 of the board of the Canadian National Railways illustrates another tendency of rejecting in practice the theory of absolute separation of policy formation and its

¹Hodgetts, J.E. "The Public Corporation in Canada", Hodgetts J.E. and Corbett D.C. ed. Canadian Public Administration (Toronto, MacMillan Company, 1960) pp. 201-202.

execution. The statute contemplated separate positions for the chairman who was responsible for policy, and that of the president who was responsible for execution and was not a member of the board. The same person was appointed to both the posts and the same arrangements are continuing. In fact many corporations of later birth include more than one representative of the management on the board of directors. For example, the two executive officers on the Bank of Canada and the Central Mortgage and Housing Corporations, three executive heads of the National Research Council and the Crown Assets Disposal Corporation sit on the respective boards of these corporations. The climax of the managerial dominance is illustrated by the Bank of Canada where the Governor and Chairman of the Bank has the power to veto the decision of the full board. Thus the board's position as a buffer between the extreme political pressure and those responsible for the day-to-day administration is adversely affected by the elevation of the managerial official to the top-ranking position on the board. But the combination of the two positions is likely to lend greater weight to the corporation's representation to the cabinet or the minister in charge.

In Saskatchewan, no member of the management of a corporation is a member of its board, unlike that in the Crown corporations of the federal level and other jurisdictions. Nor is any employee representative included in the board. The Unions representing the employees themselves opposed the representation of the employees on the boards. They wanted the union-management relationship to be on the usual basis of collective bargaining as prevalent in the private industry. The Provincial Treasurer is the chairman of the Government Finance Office. The Government Finance Office and the Cabinet are the bodies who make top policy decisions on Crown corporations and who control these policies.

Statutory provisions as to the tenure of members of boards are far from uniform. The extremes are found in the Crown companies and the Canadian Wheat Board. The minister is free to remove the members of the boards of Crown companies at any time. The members of the wheat Board, on the other hand, hold office on "good behaviour", which almost resembles the privileged position of permanency conferred on the judiciary. All other corporations lie between these two extremes. In nearly every instance, the power of appointment is conferred on the Governor in Council. Tenure is generally to be "at pleasure" either of the minister or more usually of the Governor in Council i.e. the Cabinet. The more permanent tenure of being on "good behaviour" is not confined to the Canadian Wheat Board. This is associated with the other long term appointments too, e.g. the ten-year term of the chairman of the Board of Governors of the CBC and the members of the Harbours Board. Full time members are appointed presumably on the same basis as civil servants that is tenure "during pleasure" or less frequently for a stated period as in the case of the Bank of Canada and Central Mortgage and Housing Corporation for seven years, subject to reappointment. "where large boards exist, part-time directors are generally appointed on staggered three-year terms which can be renewed."¹

The size of boards vary from corporation to corporation ranging from "corporate sole" e.g. the Director of Soldier Settlement and Director, Veterans' Land Act, to twenty-two members of the National Capital Commission. In cases of small "functional boards", the full time members (usually three) like the Canadian Wheat Board and the National Harbours Board, the responsibility

¹Hodgetts, J.E., "Public Corporations in Canada", Hodgetts & Corbett ed. Canadian Public Administration (Toronto, MacMillan Company, 1960) p. 165.

for special aspects of the corporation's work are allocated to each member. Such boards' work suffers from the lack of firm provision for co-ordination. The usual procedure of co-ordination is circulation of memoranda and occasional joint meetings of the directors. Large boards are usually "policy boards" wherein part-time members out-number the full-time members. Such boards meet less frequently and usually confine the proceedings to policy formulation. In a few of such corporations the executive committee which meets more frequently than the full board is able to maintain their close contact with the day-to-day works.

No optimum number of members of the boards can be guessed from the Canadian experience. But the more recent corporations appear to have preference for five to nine members in the boards. But this all depends upon the size of the enterprise, the number of policy issues raised and the amount of supervision required.

There is no uniform pattern of employment procedure for all the corporations. The provisions of the incorporating statutes on the procedure of employment widely differ. In practice also the employment procedures differ from corporation to corporation.

However the statutory provisions regarding the personnel policy of Crown corporations may be divided into two general groups:

- (i) Where employees of the corporations must be employed in accordance with the provisions of the law or the Civil Service Act; and
- (ii) where the corporations may appoint their employees notwithstanding the Civil Service Act.

The second group again may be subdivided into two sub-groups:

- (1) Where the corporation may exercise the power of appointing staff and fixing remuneration without reference to the Governor in Council; and

- (ii) Where some or all the powers of the corporations of appointing staff and ~~determining~~ their remuneration may be exercised subject to the approval of the Governor in Council or in accordance with the provisions of by-laws or regulations which are subject to the approval of the Council.

No broad generalization is possible. However, departmental corporations tend to gear their employment policies and practices to the Civil Service Act. The agency and proprietary corporations enjoy more freedom. Amongst them again, the proprietary corporations are the most independent and have seldom to seek the approval of the Governor in Council. They enjoy nearly the same freedom as the private companies. Agency corporations tend to occupy a midway position. They are endowed with the power of appointment and fixation of remuneration but often with the approval of the Governor in Council. However, it cannot be said that any practice is prevalent to the extent that it can be said to associate with that group exclusively.

As the employment rules of departmental corporations more or less conform to the practice in Civil Service, it may be assumed that their salary and wage rates may be closely comparable to government departments. The salary and wage rates of the clerical and stenographic employees of the agency and proprietary corporations may be reasonably comparable to parallel positions under the government but the salaries of the managerial and higher executive officials are more comparable to those in private business offices.¹

¹Hanson, A.H., Public Enterprise: A Study of its Organization and Management in Various Countries (International Institute of Administrative Sciences, Brussels, 1955). p. 43.

This is also true for the semi-independent agencies of Ontario, e.g. the Hydro Electric Commission of Ontario, the Ontario Food Terminal Board, and the Niagara Parks Commission.¹

The Canadian corporations were set up at different times for varying purposes. It is not therefore, surprising that there was no typical formula for capital financing and financial control of them. The incorporating statutes provided for various ways of appropriation of funds, its limits, control of budgets, investments, borrowings and keeping and auditing of accounts. Many have essentially administrative objectives and are therefore dependent on government grants. Several others have essentially non-commercial purposes and are consequently dependent on appropriations. Only a few have purely commercial responsibilities. Among these even self-sufficiency is not a common characteristic.

The Financial Administration Act passed in December, 1951 provides for financial administration of the Government of Canada and financial control of Crown corporations. The Crown corporation part of it was brought into operation by a proclamation on October 1, 1952.

While setting out a general framework for the financial relationship of Crown corporations with Parliament and the ministry the Act does not give a complete and all-inclusive statement of those relationships.

Beside providing for making working capital² advances to Crown corporations, the Financial Administration Act has no specific provision for financing the capital and operating requirements of them. The advances providing working capital is limited to a maximum of five hundred thousand dollars to any one corporation at any time and they are repayable within

¹Writer's interview with officials of these agencies from July 20 to 22, 1971.

²Halls, H.R., "The Financial Control and Accountability of Canadian Crown Corporations," *Public Administration*, Vol. 31 (Summer, 1953) p. 133.

a period of twelve months. Thus this authority is very limited and restricted. It is clear that it was intended only as an urgent measure to meet urgent and unforeseen requirements. Parliament has made other provisions for the major financing requirements of the corporations.

Usually the incorporating statute sets out the methods of raising funds for the capital purposes of the corporation, but provision may also be made in special statutes or in votes in the annual Appropriation Acts. In practice, the capital requirements are provided from one or more of a number of sources. They may be derived from the operating revenues or internal resources of the corporation, in so far as these are available and are not required by law to be paid into the consolidated Revenue Fund, from the sale of bonds or debentures to the public with or without the guarantee of the government, from loans, advances or outright grants out of the Consolidated Revenue Fund, or from the sale of equity stock to the Government.

Few Crown corporations had been able to finance their capital requirements by revenue earned from their operations or from amounts set aside as depreciation and other reserves. The opportunity became all the more remote with the amendment of the Income Tax Act in 1952 making income of proprietary Crown corporations assessable to Income Tax. However, some Crown corporations like the Bank of Canada, Central Mortgage and Housing Corporation, Canadian National Railways, Eldorado Nuclear Ltd., Polymer Corporation Ltd., and Air Canada could meet all or part of their capital requirements from surplus accumulations, depreciation or debt discount reserves and other internal sources.

Issue of share capital to the government and borrowing from the Consolidated Revenue Fund constitute the most common methods of financing.

Direct borrowing from the public is an exception rather than the rule. This is also subject to careful scrutiny and control of the Minister of Finance. There are however, some corporations who have the right to borrow from the public in their own names and in the way they choose without restriction or control by the Treasury Board or the Governor in Council. For example, the Canadian Wheat Board can enter into ordinary banking arrangements on its own credit and can borrow money on the security of the grain held by it without reference to the Governor in Council. But without the authority of the Council, the Minister of Finance cannot grant a loan or guarantee advances made to the Board from the Consolidated Revenue Fund. The Industrial Development Bank, the Farm Credit Corporation and the Export Development Corporation may issue and sell bonds and debentures with the approval of their respective boards of directors only in cases where no government guarantee is required. But the Canadian National (West Indies) Steamships Ltd., the Canadian National Railways and the National Capital Commission cannot borrow from the public without prior approval of the Governor in Council. Whether the securities are guaranteed by the government or not, Crown companies formed under the Companies Act have the authority under that Act, to borrow. Some of them occasionally bridged over financial difficulties by means of bank overdraft, subject to the strict control of the minister and the Governor General in Council.

The Farm Credit Corporation, originally a mixed enterprise, combining federal, provincial and private funds, now derives its resources from equity share financing and debenture borrowing from the federal government. Crown corporations like the Export Development Corporation, Central Mortgage and Housing Corporation and Canadian Commercial Corporation

have part of their capital by equity stock. The Eldorado Nuclear Ltd. had to issue and sell equity stock to the government for the purpose of raising funds to compensate the private shareholders who held ownership in the previously existing private firm.

Polymer Corporation Limited has its origin dating back to the World War II. The initial conquest by Japan of most of the world's resources of natural rubber obliged the allied powers to turn their attention to the production of synthetic rubber in order to meet the war requirements. The Government of Canada decided to establish Polymer as a Crown corporation in 1942, for manufacturing synthetic rubber from petroleum gases in its factory at Sarnia, Ontario. The government intention was to continue the operation of the plant at Sarnia to make rubber for the country at war and at peace.¹

Polymer Corporation Ltd. and other corporations launched under the Department of Munitions and Supply Act were financed by advances from the Consolidated Revenue Fund and by retained earnings. The initial capital of the Atomic Energy of Canada Ltd. established in 1952 was contributed by the government in the shape of real property, plant and other assets, which were built and acquired with grants provided by the Parliament.

In 1952, Parliament approved a major recapitalization of Canadian National Railways. Under the Canadian National Railways Capital Revision Act, 1950, 50 per cent of the railways total fixed interest-bearing debt

¹Debates of the House of Commons of Canada, 1943, p. 3707, quoted in Ashley, C.A., and Smail, R.G.H., Canadian Crown Corporations (Toronto, MacMillan, 1965) p. 229.

to the government was converted into 4 per cent preferred stock. The Act also provided that the interest on 100 million dollars of fixed interest debt of the Newfoundland Railway and Steamship Services should be forgiven for a period of ten years.

The usual practice for the Crown corporations in Canada has been to rely on the government for their capital requirements although on occasions the Canadian National Railways has raised capital by public offerings. Almost always the rate of interest on these loans was less than what the corporations were to pay if the loan was raised from the public. The Central Mortgage and Housing Corporation, the Canadian Broadcasting Corporation, the Farm Credit Corporation, the Canadian Overseas Telecommunication Corporation, the National Harbour/^{Board} and Northern Canada Power Commission also similarly raised loans from the government.

Most departmental corporations like ordinary government departments get their capital and operating requirements by outright grant of appropriation. Many agency corporations as Canadian Arsenal Ltd., the National Capital Commission, and National Battlefields Commission also receive some or all their capital and working capital requirements from annual or statutory grants in the same manner. The Canadian Patents and Development Ltd. is partly financed by appropriation of fees, licences, royalties and other revenue sources. The Canadian Broadcasting Corporation, which is a proprietary corporation is financed by the appropriation of excise tax on radio and television sets, tubes etc., interest bearing loans, outright statutory grants and retained earnings. Outright grant is allowed to corporations which undertake on behalf of the government operations that are not currently self-sustaining.

Operating deficits of both agency and proprietary corporations, which cannot be met from accumulated earnings are generally covered by Parliamentary appropriation. These deficiency appropriations are not treated as loans or advances. The usual government practice is to absorb the loss which is included as a charge in its budgetary expenditure for the fiscal year.¹

The Financial Administration Act provides that the capital budgets of agency and proprietary corporations approved by the Governor in Council on the recommendation of the appropriate minister and the Minister of Finance must be laid before the Parliament each year. Agency corporations must also submit their operating budget to the two ministers for approval. But it is not specifically required that the same should be submitted to the Parliament too. In terms of a special statute, the Canadian National Railways, a proprietary corporation must also present its operating budget to Parliament. Their contractual commitments may be required to be scrutinised and regulated according to the conditions prescribed by the Governor in Council. The form in which to draw the budget of the agency and proprietary corporations may be prescribed. The financial year of the corporations is declared to be the calendar year unless the Governor in Council otherwise directs. The corporations are required to maintain books of account. They are also to submit annual reports to the appropriate minister to be laid on the table of the Parliament, along with their audited financial statements, in the form prescribed jointly by the appropriate minister and the Minister of Finance. These statements must contain such information as, in the case of a company incorporated under the Company's Act, 1934, is required to be laid before the company by the

¹Balls, H.R., "The Financial Control and Accountability of Canadian Crown Corporations", Public Administration, Vol. 31, (Summer, 1953) p. 135-36.

directors at an annual meeting and such other information as the appropriate minister and Finance minister may direct to be included. The auditor is to report to the appropriate minister in terms which are considerably more stringent than are required under the Companies Act. The Auditor General is eligible for appointment as auditor or joint auditor of any corporation in addition to the auditor who may have been appointed as per provision of the incorporating statute.

Apart from the Canadian Wheat Board and the Industrial Development Bank, both of which are not subject to the Act, the financial year of all operating corporations end either on the 31st December or the 31st March. There are certain practical advantages of designating the calendar year as the financial year. Firstly, it makes it possible to have the corporation's annual report placed before the Parliament earlier in the Session, thus facilitating consideration of the same during a time when Parliament may not yet be too much engaged in consideration of the country's annual budget. Secondly, as the government's fiscal year ends on the 31st March, it is possible to determine results of the financial operations of the corporations before the closing of the books of the government, thus making it possible for Parliament to appropriate any financial deficit and the operating surplus may be paid into the Consolidated Revenue Fund well within the financial year. Thirdly, it relieves the Auditor General's office of the work of auditing the accounts of the corporation in respect of which he is the auditor or joint auditor, sufficiently ahead of the time of their being more embroiled with the auditing of the government account by the closing days of the government fiscal year.

In spite of these advantages, the financial year of the Canadian Commercial Corporation, Crown Assets Disposal Corporation, the National

Capital Commission and the National Battlefields Commission ends on the 31st March as provided by the authorizing statutes. The Governor in Council has similarly fixed the financial year of the Atomic Energy of Canada Ltd., Canadian Arsenals Ltd., the Canadian Broadcasting Corporation, the Farm Credit Corporation, and the Northern Canada Power Commission.

The statutes of incorporation usually designate the auditor of the corporations. Some Acts authorise the Governor in Council to appoint the auditor. Again, the Canadian National Canadian Pacific Act, 1933 provides for the auditing of the accounts of the railways by independent auditors appointed annually by a joint resolution of the Senate and House of Commons. In practice, every year a special Act appointing the auditor is passed.

When the appointment of the auditor is designated in the statute the Auditor General is usually named. When the Act provides that the Governor in Council will appoint the auditor, the general practice is the appointment of a private auditing firm.

The Auditor General audits the accounts of many of the Crown corporations. But there are exceptions. For example, under the provisions of the Bank of Canada Act, the affairs of it are audited by two auditors eligible to be appointed as auditors of a Chartered Bank named by the Governor in Council on the recommendation of the Minister of Finance. The responsible minister with the approval of the Governor in Council may appoint for the Central Mortgage and Housing Corporation, two auditors who must be members in good standing of an institute or association of accountants incorporated under the authority of the Legislature of any Province of Canada. By statute, the Industrial Development Bank is audited by the

auditors of the Bank of Canada. The Farm Credit Corporation was previously audited by a firm of chartered accountants appointed for the purpose by the Governor in Council. After the 1952 amendment of the Canadian Farm Loan Act, the Auditor General audits the work of the corporation. The Canadian Wheat Board with the approval of the Governor in Council, is required to appoint a responsible firm of chartered accountants for the purposes of auditing accounts and records and verifying reports of the Board. The accounts of Air Canada are audited by an auditor named by the responsible minister. In practice the accounts of the airlines and the Canadian National (West Indies) Steamships Limited are audited by the auditors of Canadian National Railways.

The Act directs the auditor to report each year to the appropriate minister. The form of his report is also prescribed. The intention is to attain the actual and true picture of the affairs of the corporation during the financial year under consideration. He may also bring any matter which he deems proper to the notice of the Parliament. The report of the auditor must accompany the annual report of the corporation.

The incorporating statutes generally provides for the maintenance by the corporations, a system of accounting satisfactory to the responsible minister or the Minister of Finance. Under the Financial Administration Act, all corporations are required to keep proper books of accounts and related records. Annual statement of accounts must be submitted disclosing facts comparable to the standard of private companies. The Act specifically states that the annual financial statement shall include a balance sheet, a statement of income and expenditures and a statement of surplus containing such information as, in the case of a Company incorporated under the Companies Act, 1934, is required to be laid down before the Company by the

directors of an annual meeting.

The statutes of incorporation direct as to how the surplus money shall be applied for most but not all corporations. The agency corporations have usually to surrender all their profits to the Receiver General. An exception is that the Canadian Commercial Corporation may retain the money received in course of the business. But the Minister of Defence Productions may direct it to surrender to the Receiver General any of its surplus money that he deems in excess of its requirements.

Proprietary corporations generally have greater degree of control over their own funds. Many of them are permitted to retain their own funds. However, the practice differs from corporation to corporation. The Polymer Corporation, Canadian Broadcasting Corporation, Air Canada, Eldorado Nuclear Ltd. and the Farm Credit Corporation retain their surplus fund. The Bank of Canada and the Central Mortgage and Housing Corporation have the power to retain their earning for establishing reserve funds but the amount over and above the statutory limits is to be paid to the Receiver General. The Canadian National Railways has to pay the annual profits to the Receiver General. Subject to the approval of the Governor in Council, the Northern Canada Power Commission retains surplus earnings to be used for reduction of rates to consumers. Export Development Corporation and the Canadian Overseas Telecommunication Corporation are to pay the excess amount to the Receiver General on demand. According to the provisions of the Financial Administration Act, the Minister of Finance and the appropriate minister, with the approval of the Governor in Council may require a corporation to pay to the Auditor General any money deemed by them to be in excess of the requirement to be used to discharge any debt owing

by the corporation to the Crown or to be applied as revenue of Canada. But this provision applies only when it is not inconsistent with the special legislation applicable to the corporation concerned. It seems to be applied only in exceptional circumstances. But its very existence may tend to obviate its use.

The Minister of Finance exercises general control over the designation of bankers and depositories for the Crown corporations. The Financial Administration Act provides that with the approval of the Minister of Finance, a corporation may maintain in its name account with the Bank of Canada or any other bank or financial institute in and outside Canada. Normally, commercial banking facilities are allowed although on rare occasions, the Bank of Canada has been made the exclusive depository for a corporation. The Act also provides that the Minister of Finance with the concurrence of the responsible minister may direct any corporation to pay all or part of its money to the ^{Receiver} General to be placed to its credit in the Consolidated Revenue Fund. The amount may however, be available when necessary for the purposes of the corporation. Thus the Receiver General becomes the banker of the corporation. This has not however, been the practice in any great extent.

The incorporating statutes of many of the corporations provide for investment of temporary excess of corporation money in securities. Thus the Central Mortgage and Housing Corporation, Farm Credit Corporation, Industrial Development Bank, and the Canadian Overseas Telecommunication Corporation may invest their moneys in securities of/or guaranteed by the government of Canada. Export Development Corporation, however, invests its money in such manner as the Board may from time to time determine. The corporations formed under the Companies Act may invest their money

in such manner as may from time to time be determined through one of the ancillary powers listed in Sec. 14 of the Act.

The annual report of each Crown corporation, including the financial statement and auditor's report must be submitted to the responsible minister, whose duty it is to submit it to the Parliament within fifteen days, or if the Parliament is not in session within fifteen days after the commencement of the next session. Usually the report is not the subject of debate. The House does not often get sufficient time to consider or debate the report. But during the debates on Estimates, the corporations which must come to the Parliament for deficit appropriation come under discussion and debate. The report is usually sent to the appropriate standing or select committee for study. Financial statements of all Crown corporations together with the auditor's report thereon are published in the Public Accounts.

Financial autonomy is considered as an important virtue of Crown corporations. Corporations are released from the normal departmental process of estimating financial requirements for one year in advance. Public corporations, specially if their operation brings in substantial revenue, escape most of the controls imposed on government departments. They have not to haggle with the Treasury Board over their estimates, confront parliamentary scrutiny of the same, adhere rigorously to the allotments, the Comptroller of the Treasury does not so closely watch their expenditure, and their unspent balance does not lapse at the end of the financial year like that of the ordinary departments. The corporations, which are financed through appropriations, however, have no greater financial freedom than the regular departments. Moreover, the Treasury Board and the Department of Finance generally have power to intervene in

large financial transactions of all Crown corporations,¹ and as mentioned earlier at page 30 it will appear that they are increasingly going to do so.

Parliamentary control over public corporations has been deliberately restricted with the earlier view of extensive autonomy to them to facilitate the objectives for which they had been set up and also to keep them free from partisan political pressure. But for the very successful enforcement of them some necessary control and accountability were again essential.

A Crown corporation should have the degree of administrative flexibility comparable to that of a private corporation. At the same time it is accountable to the public, that is to say, to the Parliament or the legislature through a minister, for the conduct of its affairs. The choice of public corporation is due to an intention to get the best of both the worlds. The public corporation-device was adopted with an intention to draw the best advantages of a combination of public accountability, the enterprises' consciousness that it is working for the nation and not for sectional interests, capacity to take initiative and freedom of movement of a normal business enterprise.²

Crown corporations were set up in Canada to advance the growth and development of the nation. Though the Crown corporation should have adequate degree of freedom of action to attain its objectives, it is at the same time accountable to the public, whom it serves. The procedures of accounting to

¹Hodgetts, J.E., "The Public Corporations in Canada", Hodgetts, J.E. & Corbett, D.C., ed. Canadian Public Administration, (Toronto, MacMillan Company, 1960) pp. 193-194.

²Morrison, Lord, Government and Parliament (Oxford University Press, 1926) p. 292.

the public are therefore, of vital importance. This should be designed to avoid making a minister through whom the corporation informs the Parliament or legislature, answer questions on details of day-to-day administration in respect of which the corporate officials have to enjoy full autonomy, so as to attain the initiative and flexibility of a private corporation.

With the increase in the number of corporations, there has been a growing awareness of the difficulty in devising an acceptable form of control on them. Because of the tradition of full ministerial and parliamentary responsibility effective control on public corporations has assumed particular importance. Canada has gradually imposed greater control on public corporations. The assumption is that the people are the shareholders of the public enterprises. Accountability of the public corporations is therefore essential to assure that the public retain the ultimate control on their property. But unlike the private companies, a meeting of the shareholders of the public corporation is neither statutorily provided nor is practicable. Then the question is who are the representatives of the public to take the account of the activities of the public corporation. The relevant further questions are what information should be disclosed to the shareholders and how to assure the control.

As far back in 1919 it was claimed,

We are the shareholders in this Parliament. We hold proxy for the people.¹

Since then it has been established that Parliament is the body representing the shareholders of the public corporations. The public corporation has been set up to operate government participation in the commerce and

¹Debates of the House of Commons of Canada, (1919) p. 1414.

industry of the country and cannot always run at a loss. It must at least go its way by its earnings. It is necessary to allow it to retain some secrecy as to the business operation that is likely to ensure its business character. Information touching its operation should not therefore, be disclosed publicly in a way that is likely to impair either the managerial autonomy or the competitive position of the enterprise. Lastly, the procedure of assuring the control of shareholders is to articulate a concept of indirect control that remains a classic defence of corporate autonomy. There should not be any immediate accountability for the day-to-day process of operation.

Thus came into being a corporate accountability quite foreign to that prevailing for the ordinary government department. The manner of furnishing information to the Parliament about the corporation and the way in which government assured itself of responsible action by the corporation differ from the traditional practice of parliamentary democracy.

The early stage of corporate development did not foster any immediate trend toward regarding public corporations as a group for which collective rules should be made. A strong reason for the slow development of an overall approach to corporate accountability was the emphasis on pragmatic action to meet a succession of problems. For some corporations set up between 1919 and 1931, Parliament had to give special attention to organizational questions because of the changes made in the original arrangement under which the corporations were to operate. The Parliament and the ministers remained satisfied with the view that arrangement for solution of problems should be made when they arise. But there was a marked familiarity of the Parliament with questions of accountability.

A broader view toward corporate accountability appears to have come mainly from the widespread use, during the time of World War II of Crown companies, a special type of corporations. They owe their origin to the Companies Act, 1934. Under this Act, twenty-eight companies were incorporated during the war time. Eleven of them were to operate plants and the remainder was set up to undertake supervisory, administrative and purchasing functions. The proliferation of these bodies necessitated some regular legislation. Thus came to be enacted, the Government Companies Operation Act, 1946, with intent to make legal and fiscal position of Crown companies more uniform. It was not made applicable to all the Crown companies. But even then the Act was an important precedent for the subsequent and more broad based Financial Administration Act, 1951.

The general significance of the Act on the development of the public accountability of Crown corporations is far reaching. Firstly, the statutory corporations and Crown companies were equally brought within the purview of the Act. This had the important implication that regardless of the origin of the Crown corporations, the need for some general rules to bind their activities was recognized. Secondly, the central idea of corporate accountability appeared to be financial control. Thirdly,

the inclusion of the corporations in a general statute dealing with all types of administrative agencies indicated an attempt to fit corporations into a larger scheme of fiscal controls.¹

Fourthly, the Act statutorily added to the continued recognition of corporate individuality by (1) classification of Crown corporations into three categories: namely departmental, agency and proprietary corporations, (2) exemption of some corporations from its purview and (3) by recognising

¹Musolf, Lloyd, Public Ownership and Accountability: The Canadian Experience (Harvard University Press, Cambridge, Massachusetts, 1959) p. 40.

the superiority of the statutes under which corporations were set up in case of conflict with its provisions.

According to the definition of Crown corporations under the Financial Administration Act, ministers serve as a link between the corporations and the Parliament to which they are "ultimately accountable." But ministers are not responsible for the activities of the corporations in the same manner as for the activities of the government departments over which they preside.

Four types of ministerial controls over public corporations are envisaged in the statutory provisions. These are appointment and dismissal of the members of the boards of directors, issuance of ministerial directives, approval or veto of certain corporate actions, and requiring information, which is, in practice, supplementary to the foregoing powers. All these powers are neither of equal importance nor do they equally apply to all the corporations, but all of them contribute to the pattern of corporate accountability to ministers.

There is no uniformity in the causes for dismissal of members of the board of Crown corporations. It differs from corporation to corporation. Crown company directors, however, serve completely at the pleasure of the minister. In case of the Crown Assets Disposal Corporation, however,

The Governor in Council may, without cause, remove a director at any time during his term (of three years).¹

But in cases of other corporations the members work in the board "during pleasure" or "during good behaviour" and are removable "for cause".

The highly uncertain tenure of Crown company directors appears to be only part of a broader arrangement for ministerial dominance

¹ Statute setting up Crown Assets Disposal Corporation.

of this type of corporation.¹

Statutory powers to issue directives to corporations is not as widespread in Canada as in Britain. But it is a development of increasing importance. Although varying in character, at least six instances of provision for issuing direction are visible in the incorporating statutes in Canada. The statute of the Crown Assets Disposal Corporation provides that "Subject to the general or specific instructions given by the Minister, the Corporation may, when so directed by the Minister" perform a number of enumerated functions. Section 4 of the Canadian Commercial Corporation Act, 1946 reads "The Corporation shall comply with any general or special direction given by the Governor in Council or the Minister with reference to carrying out its purposes". The Atomic Energy Control Act, 1946, also contains a similar phrasing of the directing power. With minor variations, similar directing powers are incorporated in North Western Territories Power Commission Act, 1948, (now Northern Canada Power Commission), Canadian Overseas Telecommunication Act, 1949, and the amending Act of 1951 of the Central Mortgage and Housing Corporation Act.

Significant variations with the British practice are first, the inclusion of the Governor in Council and the minister as authorities to have directing powers, and second, the authorization to issue both general and special directions. Directing power is governed by the factors of each individual corporation. Thus the minister and the Governor in Council were authorised to issue direction on the Central Mortgage and Housing Corporation

¹Musolf, Lloyd D., Public Ownership and Accountability Canadian Experience (Harvard University Press, Cambridge, Massachusetts, 1959) p. 48.

so that on matters of policy the minister or Governor in Council may have direct control over the operation of the corporation. The directive power of the Canadian Commercial Corporation was meant to "expedite action under the organic statute and even to empower the corporation to perform tasks not covered in statute".¹ Occasionally initiative for issuance of directive came from the corporation itself rather than from the minister. For example, for the purpose of expediting import of monkeys required for experiment with a salk vaccine, corporation officials themselves suggested that the Minister of Health may write to the Minister of Defence Production requesting him to direct the corporation to procure the monkeys. Unlike the British practice, directives received by the corporations from ministers are not required to be disclosed in the annual reports.

The power of approval of corporate action rests mainly upon fiscal controls. Table I below indicates the nature and extent of power given to the ministers and Governor in Council under Part VIII of the Financial Administration Act.

Besides the Financial Administration Act, special statutes also provide for outside approval to corporate actions. For example, the St. Lawrence Seaway Authority must obtain the approval of the Governor in Council for its by-laws, short term loans, acquisition of lands, regulation for management thereof, and leasing of land to others.² The Canadian Broadcasting Corporation requires the approval of the Governor in Council with regard to leases for a period exceeding five years and involving an amount exceeding \$100,000, agreements involving expenditure of \$100,000 or above and acquisition or disposal of real or personal property for amounts

¹Musolf, Lloyd D. Ibid. p. 50.

²Revised Statute of Canada, (1952) p. 242.

Public Ownership and Accountability

Table 1. Responsibilities of the minister to whom an agency or proprietary corporation reports, the Minister of Finance, and the Governor in Council, under Part VIII of the Financial Administration Act.*

Subject	Minister	Minister of Finance	Governor in Council
Operating budgets (of agency corporations only). Sec. 80 (1)	Receives and approves budgets	Approves budgets	
Capital budgets. Sec. 80 (2)	Recommends approval by Governor in Council; error in Council lays approved budget before Parliament	Recommends approval by Governor in Council; error in Council	Approves budgets
Form in which budgets are prepared. Sec. 80 (3)	May jointly recommend that Treasury Board prescribes form		
Maintenance of bank account(s). Sec. 81 (1)		Approves establishment of accounts and choice of banks	
Creation of special account in corporation's name in Consolidated Revenue Fund. Sec. 81 (2)	Concurs in direction	May direct payment of all or part of corporation's money to account; may pay out this money for corporate purposes or to repay corporation	Approves direction
Reduction of cash reserves. Sec. 81 (3)	May jointly direct payment to the Receiver General of an amount considered to be in excess of needs; this may be applied toward reduction of corporate debt or as revenues of Canada		

* Source: Adapted from *Statutes of Canada*, 15-16 Geo. VI, c. 12 (1951).

The Supervisors

Subject	Minister	Minister of Finance	Governor in Council
Loan of working capital (up to \$500,000 for each corp.) from Consolidated Revenue Fund. Sec. 82	May request loan of 12 months or less duration	Makes loan; reports every loan to Parliament within 15 days	Approves request for loan
Contractual commitments of agency corporations. Sec. 83			May make regulations as to conditions
Provision for reserves for depreciation of assets, etc. Sec. 84	May jointly recommend action		Authorizes action
Preparation of annual statements of account. Sec. 85	May jointly give directions as to form of statements of account listed in Sec. 85 (1) and of such other financial information as either minister may require		

Source: **Musolf, L.D., Public Ownership and Accountability.**

exceeding \$100,000.¹

Sub-section 4 of Section 85 of the Financial Administration Act provides that "A corporation shall make to the appropriate minister such reports of its financial affairs as he requires". The minister however, retains considerable discretion about requiring information.² In terms of the Canadian National Railways Act, the Minister of Transport may "appoint or direct any person to enquire into and report upon any matters or things relating to or affecting the Company or its works and undertakings". The organic statute of Trans-Canada Air Lines (now Air Canada), provides that the annual report of the corporation will include information as may be required from time to time by the Governor in Council. These provisions of the special statutes and the provisions of the Financial Administration Act create the impression that the government has sufficient authority to supervise corporate operations. There are many unspecified reasons why a corporation must comply with the minister's desire to furnish information called for from time to time.

Consultation between the minister and head of the corporation is an important factor in the minister-corporation relationship. The possible difference between their respective views is cemented in course of a congenial and co-operative atmosphere of discussion during which each of them normally try to understand the view-point of the other. In broad policy matters the views of the minister are generally respected, in matters of policy of day-to-day administration the views of the head of the corporation is found expedient enough to be conceded. Consultation has the one virtue of keeping both the minister and the head of the corporation informed of not only their respective views on any particular matter but also keeps the minister posted

¹Elizabeth II, (1958).

²Musolf, Ibid. p. 56.

with the current happenings in the operation of the corporation. Generally, speaking, ministers wish to retain the initiative in communication. He does not after all, like to be "merely a conduit pipe in forwarding recommendations from the corporation to the Governor in Council".¹

The traditional question on accountability of public corporations are: Is corporate accountability adequate for the purpose of democratic government and more particularly, for the purposes of the parliamentary system? Does the system of accountability interfere unduly with the freedom of operation of corporations? The variety of corporations in Canada make it difficult to give categorical answer to these questions. The Canadian public know only a handful of public corporations consisting of those operating in fields that touch their everyday life. But they are not typical of the entire body of corporations for the purpose of the question of corporate accountability.

In the Parliament too most of the attention is directed to those few corporations in the public eye during the question period or the debate time. This is because the members of the Parliament are also interested in the cases of corporations in whose affairs their constituents are interested and as a matter of fact these are the most important corporations both in size and function.

More discipline in assuring #self of a comprehensive approach to the question in the House of Commons is what is needed. Corporations which promise little of political gain are generally ignored. The leading members of the opposition may give wider coverage to the activities of lesser publicised corporations rather than concentrating on certain subjects of

¹Debates of the House of Commons of Canada, (1945) Second Session, p. 2015.

certain agencies. The opposition may also be extended the necessary staff assistance. Systematic attention to all corporations is likely to improve the quality of discussion of corporate activities. Questions on more important matters of policy rather than on the day-to-day management of corporations would elicit more information of public interest. More minute scrutiny of corporate activities in committees in place of the current haphazard procedure may be more beneficial.

The work of a few standing and select committees on a few important and controversial corporations has opened the possibility of achieving systematic accountability through the committees as the principal instrument. It therefore, seems appropriate to emphasize more on committee examination of the corporate activities. It may not be possible or expedient to cover all the corporations through special or select committees, but yet extension of such activity, should not lose prospect and encouragement. The committee on Public Accounts may find it desirable to increase its efficiency. For this purpose, it may have annual meetings as a matter of course, appoint sub-committees, concentrate on selected corporations for more thorough examination, and preferably be presided over by a member of the opposition. Attempts should there be to relate past actions of corporations to debates and questions dealing with current activities. In case of inability of carrying the entire burden of such committee activity by the House of Commons alone, the desirability of having Senate Committees for the purpose deserves consideration.

Increased committee activity should not lead to intolerable degree of interference with decision making authority of the corporation and disrupt the pattern of ministerial responsibility. Regular committee investigation is likely to yield three-fold benefits, namely, (1) Parliament

would be ensured of regular knowledge of corporate activities, (2) the corporation will get a forum and the committee an opportunity of transmission of parliamentary and public reaction on the corporate activities, and (3) Parliament, as representative of the tax-payers gets more adequate recognition and adequate knowledge not only about the corporation who comes to it for funds but also those who do not require the same and as such escape attention and scrutiny.

As already shown, there exists a relatively strong system of corporate accountability to the ministers. Systematic vigilance of Parliament over corporate activities then in a way amounts to its holding the government of the day accountable. Had there been no such ministerial control, it is likely that Parliament might feel more tempted to interfere in the management decisions of corporations. Knowing of the existence of this, Parliament tends to rely on the ministers in holding the corporations accountable. Strong ministerial control undoubtedly simplify the problem of accountability.¹

It is a fact that in Canada, although ministerial controls over corporations may be substantial, they leave sufficient discretion to corporations to enable ministers to disclaim knowledge or control over a variety of corporate actions. There has persistently been a vague sphere of activities of corporations in the name of either day-to-day administration, that Parliamentary questions have been evaded by ministers. In exasperation, Mr. Diefenbaker stated in the House of Commons:

Whenever they need money they come to parliament, but whenever we endeavour to ascertain whether they have overexpended or recklessly wasted, then they hide behind the fiction that parliament has no right to know.²

¹ Musolf, Ibid. p. 143.

² Debate of the House of Commons of Canada, (1955) p. 957.

Parliament may allay frustration by keeping it informed more fully short of decreasing the existing corporate independence. In Canada accountability is, no doubt, dominant, but corporate freedom is not extinct. This is in keeping with the trend of western world and parliamentary system.

Commercial standards, based on the profit yardstick, seem inapplicable to public corporations which are not created with any profit motive. The tendency to apply commercial standards unconsciously to organizations which are set up for public purposes of such a nature that many of these commercial standards are in fact inappropriate, seems to be in existence while criticising their performances. Indeed many of the proprietary corporations too fail to meet the requirement that they are ordinarily required to conduct their operations without appropriation for the simple reason that they cannot make profit-earning their main aim in preference to the service that they have to give to the people of Canada, for which purpose they were primarily created.

The Crown corporations of Canada were established to serve important and specific national purposes. Their functions are multifarious ranging from the task of lending to the farmers, safeguarding the interests of exporters to foreign countries, carrying out varying activities in the field of housing, advancing loans to small industries, upholding the national culture, and encouraging arts. They conduct commercial operations, manage important harbours, mine, refine uranium, produce atomic energy, synthetic rubber, and operate communication and transport facilities over land, on sea and in the air, and mint all Canadian coins.

The Canadian National Railways sets a standard for the Canadian Pacific in the sense that the latter is conscious of a need to operate efficiently in order to be certain of not being absorbed by the former. The standard set by the former however, is limited in scope. It need be remembered that no yardstick of performance in the sense set up by the T.V.A. is envisaged in Canada. Private enterprise is thus left with the scope to develop its own efficiency which may even surpass the performances of the public corporations.

But the physical performances of the Canadian National Railways do not present a very bright picture. In this National Railways government invested 2.1 billion dollars and got back \$45 million last year. Bonds and debentures stocks of the company guaranteed by the government amounted to \$1.5 billion at the end of the fiscal year 1968-69 and federal active investment in the C.N.R. totalled \$2.97 billion. During the year 1969 the corporation made a gross operative profit of \$49.6 million. However, payment of interest on debt of \$74.2 million turned this into loss of \$24.6 million. Its loss in the year 1968 was \$29.2 million.

Of the investment of \$652.7 million in the St. Lawrence Seaway government got back \$10 million only. But the interest payment on government loan means that instead of becoming self-sufficient the Seaway has incurred a net loss of \$16.6 million in the year 1969 only.

Facilities of transportation and ~~commu~~nication afforded through the Air Canada has been a powerful tool in fashioning Canadian unity. Distance lost its old significance, new sense of nationhood has been fostered, and ~~commerce~~ and industry have received major stimulus from transport. In terms of earning however, the corporation has not been able to fully repay the

government loan which amounted to \$61.4 million upto the end of March, 1969.

In the Farm Credit Corporation government invested \$1.1 billion. It could repay only \$60 million. Thus although the farmers are being helped the corporation has not been able to meet its own ways.

In the Atomic Energy of Canada Ltd. government invested \$343.4 millions. No repayment has yet been made.¹ Of course the return from such corporations can hardly be expected to be very much on monetary terms.

The Canadian control of broadcasting from Canadian sources has been ensured of freedom from foreign interference or influence so that the national consciousness may be fostered and sustained, and national unity strengthened. It has as well afforded the enjoyment of benefit and pleasure. Here again in terms of earning the picture is not so bright. The government of Canada invested \$121 millions on the Canadian Broadcasting Corporation. The corporation has been able to repay only the paltry sum of \$7 million.²

The proliferation of Crown companies, a subspecies of Crown corporations, during the trying time of the Second World War had been imbued by the laudable ideal of merger of national development theme with that of national defence. Each reinforced the strength of the other.

The active economic role of the state has not however, been extended to the weeping nationalisation of industry except perhaps in the province of Saskatchewan. No existing large-scale industry other than the bankrupt railroads was nationalised. State enterprise entered into the fields where it must, to play the role of gap-filling rather than eliminating the private enterprise by competition. Even in the sphere of railroads the prosperous Canadian Pacific was left to thrive along with the Canadian National Railways.

¹The Winnipeg Tribune, January 18, 1971.

²The Winnipeg Tribune, January 18, 1971.

The fundamental idea of free enterprise in the national economic set up was left to operate.

Highly practical reasons induced the employment of public enterprises as agencies for national development. Thus, the Industrial Development Bank was set up to provide capital assistance to new or existing business enterprises, particularly those of smaller size which may reasonably be expected to prove successful but were unable to obtain financing elsewhere on reasonable terms and conditions. Since its establishment the bank has advanced loans totalling \$1,400 millions to some 20,800 small and medium size businesses. The principal borrowing groups are manufacturing enterprises, wholesale and retail trade, and tourist industry. The average size of loan issued in 1970 was \$46,000 but some 50.8 per cent of the loans authorised were for amounts of \$25,000. Loan disbursement totalled \$151.00 million in the fiscal year 1970 compared with \$122.4 million in the fiscal year 1969. Repayment in 1970 amounted to \$81.3 million, \$7 million more than the previous year.¹

In Canada's economic development the role of the Canadian Commercial Corporation deserves commendation. This corporation is the Canadian Government's contracting and procurement agent when other countries wish to purchase defence and civil supplies and services from Canada on a government-to-government basis. The corporation has continued to handle successfully the purchases of the U.S. military department, those under the Colombo Plan, and for the NATO countries. In the fiscal year 1965-66 alone the corporation was awarded some 2,000 contracts by 22 countries all over the world. The next year it handled 3,000 such contracts. The products and services supplied

¹See Annual Report of the Industrial Development Bank of Canada for the year 1970.

by the Canadian industry through this corporation are wide in scope and diverse in nature. They include defence items like aircrafts, amphibious vehicles, anti-submarine warfare weapons, and materials of civil use. Many of the contracts were for commodities of original Canadian design and indicate a rising interest abroad in technically sophisticated Canadian products. An important milestone of the services of the corporation was the supply of electric generating units to the Kundah Project in Madras in India, the Sukkow Thermal Electric Project in West Pakistan, nylon fishnet twine for the fishing co-operatives in East Pakistan, a wide range of other miscellaneous equipments, and a computer for the Pakistan Central Statistical Office.¹ The corporation has thus been engaged in the work of holding the image of Canadian Commerce and Industry high in the eyes of the world over and above the work of earning a lot of foreign currency for the nation.

Canadian public corporations enjoy monopoly in the production of synthetic rubber, atomic energy, and certain lines of amunitions. The Polymer Corporation Limited, the country's sole manufacturer of synthetic rubber has not only made tremendous strides in the trade but has also enhanced the Canadian national prestige. With its subsidiaries in France, Belgium, Switzerland, and the Netherlands, and marketing subsidiaries in Italy, the United Kingdom, Scandinavia, U.S.A., Austria, Mexico and Japan, the corporation is today one of the world's leading synthetic rubber manufacturers. It has survived the competition with the U.S. giant plant in this line of business, and has been steadily earning reputation , prestige, money for Canada and industrial goodwill for itself. Polymer once accused to be the favoured child of Mr. C.D. Howe is today the pride of Canada.

¹See Annual Reports of Canadian Commercial Corporation from the year 1965-66 to 1969-70.

The Polymer Corporation Limited, one of the world's major producers of synthetic rubber, is one of Canada's biggest exporters supplying about one-tenth of the world's supply of synthetic rubber. Polymer and its "Polysar" products are well-known in more than 90 countries of all six continents.

The Canadian Arsenals Limited has been adequately meeting the defence needs of the country. Its Small Arms Division is equipped to produce small arms up to 30mm caliber and their ancillary equipments. Its Filling Division Plant is a unique facility in Canada for loading of high explosives and propellants into large caliber amunitions. The operation includes the manufacture of initiating composition, primers, detonators and delays, and the assembly of mechanical, proximity, and various other types of fuses.¹ It has also made substantial profit from the sale of materials and services.

One of the most outstandingly successful public corporations is the Ontario Hydro Electric Commission. It stands as a model for many others.

Almost unbridled legal freedom extended to the semi-independent agencies of Ontario on the one hand and the growing centralisation of the administration of Crown corporations of Saskatchewan on the other, present a necessity for further research on the workings of this new arm of public administration.

Though many of them have not yet been able to earn surplus the Crown corporations of Canada literally link the nation together. They have attained a vital place in the economy of the country by virtue of their commendable performances in the continuing task of nation-building. They have proved their capability to serve the needs of the public of Canada.

¹See the Annual Report of Canadian Arsenals Limited for the year ended March 31, 1970.

CHAPTER 3

PUBLIC CORPORATIONS IN PAKISTAN

Pakistan came into existence on August 14, 1947 as a result of not only the political and ideological awakening of the Muslims of undivided India but also an intense desire for their economic emancipation. The Muslims wanted a separate homestead for ensuring their cultural, political and economic independence. The areas comprising Pakistan were the least developed in commerce, industry and agriculture. At the time of Partition, the areas now covered by the two wings of Pakistan were inhabited by about twenty per cent of the population of British India. But its share of the total industrial employment in the Indo-Pak sub-continent did not exceed 6.5 per cent. Out of the 14,569 industrial concerns of preindependence India, Pakistan had within its area only 1,406 which is roughly only 9.6 per cent of the total. The position of large-scale industry was all the more appalling. Only 34 out of the total number of 884 of such concerns fell to the share of Pakistan,¹ although the areas comprising Pakistan produced most of the important raw materials and food crops. For example, East Pakistan grew about 70 per cent of the total raw jute and enjoyed a world monopoly of finer quality of jute. Ironically, not a single Jute Mill of British India was situated within the area now comprising Pakistan.

The major effects of the Partition of India were the enormous upheaval that accompanied the influx of an estimated number of six million refugees from across the border, the disruption of trade and industries, and channels of communication. The Hindus and Sikhs, many of whom lived in towns and were engaged in trade, industries and moneylending business

¹K.M. Zaman, "The Concept of Public Corporations and the West Pakistan Railway Board", Hassan Habib & Gruthrie S. Dikhead (ed) selected Papers on Development Economics and Administration, (Lahore Pakistan Administrative Staff College, 1963) pp. 103-104.

left Pakistan enmass. The Muslim refugees who came in from India were mostly agriculturists and craftsmen. Banks, insurance companies, commercial and manufacturing firms, most of which were owned and managed by Hindu owners, were crippled as they left for the rest of India in large numbers. The village money-lenders with all their faults, who had provided the much needed source of credit for cultivators, suddenly disappeared, with the result that rural credit facilities remain a problem even today. The mass departure of non-Muslims created a sudden void in many vital fields which the Muslim refugees with different professional background could not always refill.

The commercial and industrial institutions set up during the British rule in India during the period 1900-1947, did not create any stir in the economic life of the sub-continent for they were conceived more as measures of administrative and strategic expediency rather than planned process of economic development. More important is that the area now comprising Pakistan was totally deprived of the benefit of whatever industrialisation was effected.

The economic consequences of such a situation was serious. The overriding necessity of diversifying the economy obtained at the time of independence was keenly felt because it could hardly sustain teeming millions of the population of the newly-created Pakistan.

Soon after independence the government of Pakistan convened an industrial conference for formulating an industrial policy. In its statement of the industrial policy issued in 1948¹ the government of Pakistan declared that industries of the type of railways, arms and

¹The writer gathered the information in course of working in the Commerce and Industry Department of the Government of East Pakistan.

ammunitions, factories, hydro-electric plants, and establishments for the manufacture of telephones, telegraph and wireless equipments were scheduled for state ownership, others were to be located, at least provisionally, in the private sector. But the government recognized the possibility that the private enterprise may not be willing or able to play its allotted role. It was therefore, decided that the government must reserve their right to take over or participate in any other industry vital to the security or economic well-being of the state. Government might find it necessary, in the national interest, in the event of private capital not forthcoming in adequate measure for the development of any particular industry of national importance, to set up a limited number of standard units more as a means of attracting private enterprise than for any other object.

To assist the private entrepreneur in his search for capital, an Industrial Finance Corporation was to be established. The fear that the private capital would be too shy, particularly in certain sectors, was proved fully justified.

In the first year of the country's industrial development, private investors, presented with a variety of opportunities, selected those which assured the highest profits with the least organizational effort and minimum investment. Although this was wise from the standpoint of the individuals concerned, it did not lead to balanced industrial development from the standpoint of the country. Several industries in which the country has considerable natural advantage remained largely undeveloped for lack of private capital.¹

It became clear that promotional measures more vigorous than those contemplated in the resolution would be necessary. Lacking as Pakistan was in the tradition of modern industrial development, the government had no time to lose in adopting measures to meet the needs for accelerating the

¹Government of Pakistan, Planning Commission, The First Five Year Plan, Vol. II, p. 218.

pace of development and to make up the deficiency of private enterprise.

It was realised that

where private entrepreneurship is weak, where capital is scarce, and where privately-owned investable funds tend to flow into developmentally neutral channels, development through public enterprises appears a matter of necessity rather than choice.¹

Pakistan could not afford to await the impersonal market interaction for economic development. Its development plan, however, is not tied with any ideology or political philosophy.

No doctrinaire assumptions underlie the Plan, and neither an exclusively capitalist nor an exclusively socialist economy is postulated. The approach throughout is pragmatic.²

Hence the socialistic appearance of economies of new countries, such as Pakistan, which certainly have no ideological leanings toward a socialist pattern of society. It was found necessary to adopt steps that would enable direct governmental participation in certain specified industries and to make available agencies for affording financial assistance either in the form of loans or investment to the private sector. One of these steps was the establishment of a number of public corporations. Because

major portion of the task of laying the basis upon which the structure of a dynamic and diversified economy is to arise, is assigned to the public enterprise.³

Government did not contemplate entering into competition with the private entrepreneur. The public agencies should concentrate upon their own large and varied tasks, and in the fields open to private enterprise operate only in those geographical areas or sectors of development where private

¹Hanson, H.A., "Public Authorities in Underdeveloped Countries", Law and Contemporary Problems, (School of Law, Duke University, Vol XXVI, Autumn, 1961, No. 4) p. 617.

²Government of Pakistan, Planning Commission, The Second Five Year Plan, (1960-65), (Karachi, Manager of Publications, 1960) p. XIII.

³Hanson, A.H., Public Enterprise and Economic Development (London, Routledge and Kegan Paul Ltd., 1960) p. 182.

action lags.¹ As clarified by President Ayub Khan

...the policy of the Government had been to include a project in the public sector only when private enterprise is found wanting.²

and

The government has limited its own role to providing a suitable framework for the private sector and to the creation of those facilities which the private sector had neither the ability nor the willingness to develop.³

Although the adoption of the public corporation was a practical necessity, there existed some reasons for preferring this device. One of the principal reasons was the inadequacy of the inherited system of government. The conventional undertakings in the public sector, e.g. the railways, post and telegraphs which Pakistan inherited with independence were managed as government departments. Their efficiency was anything but laudable.

The principal criticism of Pakistan's inherited Governmental system has been that it was designed as a instrument for administration of colonial policies, for maintenance of law and order and for collection of revenue, that it lacked resilience and dynamism, was overcentralised and dilatory and in consequence failed to answer the needs of a situation where prompt and purposeful action was required to press forward with national development...A further and related criticism has been that the working of this outmoded system was entrusted to multiple layers of generalists, lacking in professional competence demanded of a modern welfare government.⁴

Mr. Ghulam Ishaq, another eminent member of the Civil Service of Pakistan believes that the Government of Pakistan was forced to select this tool on the realization that a government department was inherently inappropriate as an institutional framework to conduct an efficient service

¹Government of Pakistan, First Five Year Plan, p. 85.

²Pakistan Administrative Staff College, Lahore, Reading Paper No. 72, (Summary of President Ayub's address on August 29, 1961).

³Government of Pakistan, Planning Commission, The Third Five Year Plan, (1965-70) p. IV.

⁴G. Ahmad, "Changes in the Administrative Organization of the Government of Pakistan since 1953". Inayatullah (ed) Bureaucracy and Development in Pakistan (Peshawar, Pakistan Academy for Rural Development 1963) p. 154.

of a commercial or industrial nature. Because the government department partakes of a character of Government as a whole, it is largely impersonal. Impersonal administration means low motivation of employees, which, coupled with the large measure of in-built service security, makes it ideally suited for routine, repetitive operations in which there is a precedent for every situation and a rule for every action, but hardly for anything more. A government department aims at perfection, uniformity of treatment of problems and of individuals. The exercise of discretion in individual judgment is kept at its minimum. Risk-taking is out of question and nothing is left to chance. The deep-rooted idea in the mind of civil servants working in a government department is that nothing should be done which would upset the established system or order.

This preoccupation with order and system, conformity, and perfection as also with playing it safe succeeds in loading a government department with such a mass of rules and regulations, codes and practices and manuals and charts that inevitably keeps it, by and large effectively in check and balanced, but at the same time, makes its movement so rigid, so ponderous as practically to incapacitate it for undertaking a large, business type venture.¹

The First Five Year Plan, 1955-60 considered the administrative machinery of Pakistan as the most serious single impediment to development, suggested the corporate device for implementing programmes requiring a commercial and multipurpose approach.²

Public corporations and authorities should be established freely to manage commercial undertakings as well as for large multipurpose schemes which require a high degree of co-ordination in planning and execution,

¹Ghulam Ishaq, "Public Corporations as an Organizational Device for Development in Pakistan" an address delivered to the Members of PASC on the 25th October, 1962. He was at that time Chairman of West Pakistan WAPDA. He subsequently took up as Secretary, Finance, Gov. of Pakistan. Guthrie and Birkhead (ed) Administrative Problems of Pakistan (Syracuse, N.Y., Syracuse University Press, 1966) p. 123.

²Braibanti, R., Research on the Bureaucracy in Pakistan (Duke University, Common Studies Centre, 1966) p. 236.

such as the co-ordinated development of water resources.¹

The main grounds on which public corporations were set up in Pakistan may be enumerated as follows:

Investment, particularly in basic heavy industries is unlikely to materialise in the requisite scale as private investment is not interested in ventures where prospects of immediate profitable return are poor. In the interest of national economy government considers it necessary to set up industries involving heavy investment with low return.

Public enterprise is the only institutional medium for providing social services on non-profit basis.

Balanced development of the different areas of the country can be achieved only through public undertaking as private capital is attracted to the areas already developed. Since it is the government responsibility to develop backward regions, public enterprise becomes essential.

The pace of development as contemplated in the Plans make government participation necessary. Private enterprise may neither be willing nor serious to achieve the prescribed targets.

Considerations of defence, national security, and national requirements demand that certain enterprises should be entrusted to the public sector.

Government has to step in where private enterprise creates monopolies to the detriment of the interest of the general consumers so as to prevent artificial shortage attempted to be created with profiteering motive.

Certain credit facilities not extended by normal banking institutions are to be ensured by government through the creation of special types of lending institutions.

¹Government of Pakistan, Planning Commission, The First Five Year Plan, (1955-60) p. 87.

Pakistan has used the corporation device extensively both in the central and provincial spheres. As compared with other underdeveloped countries, Pakistan established quite a large number of public corporations in quick succession. The State Bank of Pakistan, and the Pakistan Refugee Rehabilitation Finance Corporation were set up in 1948. In the following year were established the National Bank of Pakistan, the Pakistan Industrial Finance Corporation and the Pakistan Security-Printing Corporation. The Pakistan Industrial Development Corporation, the Agricultural Development Finance Corporation and House Building Finance Corporation came up in 1952. The Karachi Electric Supply Corporation, which had been set up as a private limited company in 1913, was also taken over by government in 1952. The following year, were set up the Pakistan International Airlines Corporation and the Pakistan Insurance Corporation. The Dacca Improvement Trust was set up in 1956. In 1957 were established the Agricultural Bank of Pakistan, the Pakistan Industrial Credit and Investment Corporation, the Karachi Development Authority, the East Pakistan Jute Marketing Corporation, the East Pakistan Film Development Corporation and the East Pakistan Small and Cottage Industries Corporation. The East Pakistan Inland Water Transport Authority, the West Pakistan Water and Power Development Authority and the Karachi Road Transport Corporation came into being in 1958. The Atomic Energy Commission, East Pakistan Water and Power Development Authority, the Chittagong Development Authority, East Pakistan Forest Industries Development Corporation were set up in 1959. The Agricultural Development Finance Corporation established in 1952 and the Agricultural Bank in 1957 were merged together into the present day Agricultural Development Bank of Pakistan on February 18, 1961. To give stimulus to agriculture, the East and West Pakistan Agricultural Development Corporations were established in 1961.

In terms of the Constitution of 1962, Industry became a provincial responsibility. The Pakistan Industrial Development Corporation was, therefore, bifurcated into the West and East Pakistan Industrial Development Corporations. The Pakistan Industrial Finance Corporation was converted into the Industrial Development Bank of Pakistan in August, 1961 on the recommendation of the Credit Enquiry Commission (1959) "to promote industrial development by providing loans both in local and foreign currencies to the existing, and new medium and small-scale industries".¹ Other corporations are the Capital Development Authority (1960), Oil and Gas Development Corporation (1961), National Shipping Corporation (1963), Investment Corporation of Pakistan (1966), Trading Corporation of Pakistan (1967), Pakistan Television Corporation (1967), East Pakistan Road Transport Corporation (1961), Khulna Development Authority (1961), E.P. Shipping Corporation (1964) and E.P. Fisheries Development Corporation (1964) and West Pakistan Small Industries Corporation (1960).

Appendix C gives the names of public corporations operating in Pakistan as on March 31, 1970 with the statutes creating them, the number of members of their boards, the dates of their coming into existence, and the ministry or department to which they are responsible.

The most characteristic feature of the development Programme of Pakistan is the important role that it gives to a number of newly-created developmental institutions all of which are designed to operate in conjunction with private industrial and commercial interests, which the State aims at stimulating to the maximum possible degree. The Industrial Development Bank

¹Government of Pakistan, Ministry of Finance, Government Sponsored Corporations, (1969-70) p. 9.

of Pakistan, Pakistan Industrial Credit and Investment Corporation, the Agricultural Development Bank of Pakistan, the two Provincial Agricultural Development Corporations, the House Building Finance Corporation, and the Pakistan Insurance Corporation are entirely or mainly concerned with the provisions of loan capital to private entrepreneurs.

The National Bank of Pakistan, brought into being to bridge the crisis in jute trade due to the refusal of India to accept the exchange rate of Pakistani rupee in 1949, the Industrial Development Bank of Pakistan, the Pakistan Industrial Credit and Investment Corporation, the Agricultural Development Bank of Pakistan, are mixed enterprises in which both the government and the public participate.

The entire Capital of Pakistan Industrial Credit and Investment Corporation came from private sources. Over 60 per cent of the paid-up capital has been subscribed by private Pakistani investors, while the remaining 40 per cent is held by International Finance Corporation (IFC) and private investors in U.S.A., U.K., Japan, West Germany, and Italy. 53 out of the 781 shares are held by private investors from these countries. Because the Government of Pakistan advanced an interest-free loan to the tune of Rs. 30 million and interest bearing loan of another R. 30 million it is a public corporation. It is again a specimen of international participation in the industrial development of Pakistan. The foreign shareholders have their representatives in the board of directors. It is thus a multinational corporation.

The Industrial Development Bank is itself a mixed enterprise with three of its nine directors elected by private shareholders. When it gives loan assistance to any private company, it has the right to appoint a

director or two to that company's board, to limit its dividends, and to insist on any necessary modifications to its Articles of Association. Here we have an example of state participation in industries established by private enterprise without appropriating or incorporating it as in Britain and Canada at the initial stage.

The Industrial Development Corporations which plays a key role in the development programme, is concerned with the actual establishment and management of new industries. It submits industrial development schemes to the government, gives effect to such schemes, when approved, by sponsoring public companies, and raises and guarantees their capital. Thus it has successfully experimented the scheme of joint-venture between Public and private enterprises. Most of the jute mills that are being set up now in East Pakistan are joint-ventures of this nature, in which the public investment is rather small. The EPIDC puts in some money and the private enterprise, then becomes quite willing to join in the venture. As a matter of fact EPIDC's participation is in demand by the private entrepreneurs because it gives them certain facilities and provides technical know-how in areas where it is not plentiful.

In brief the corporation is encouraging to the maximum possible extent the flow of private capital into industries, supplying the deficit where necessary and providing the technical skill and managerial experience necessary for heavy industries.¹

In Pakistan, the Industrial Development Corporation was conceived as and has, in fact, become the country's main agency for industrial development and economic diversification. Unlike India with a socialistic tendency, Pakistan wishes to retain in the public sector as few enterprises as possible and therefore, is far less interested in long-term problems of industrial

¹S.A. Imram, "The Growth of Development and Finance Corporations in Pakistan". ECAFÉ, Bangkok, (1952) p. 20. A.H. Hanson, Public Enterprise (Brussels International Institute of Administrative Sciences, 1954) p. 406.

organization than in the short-term problem of promoting concerns which will be developed as rapidly as possible to the point where they become ripe for transfer to private ownership. In the early days of economic development government had been compelled, due to lack of private initiative, to pioneer a variety of industrial, financial, agricultural and commercial enterprises but it hopes gradually to divest itself of these responsibilities by transferring them as time becomes ripe, to the private enterprise. As a matter of fact, a number of industrial projects have already been transferred to private entrepreneurs. In this regard, Pakistan's policy resembles that of Japan.

It is however, the announced policy of the Government that enterprises built by the Pakistan Industrial Development Corporation should be transferred to private hands as soon as they have been established as going concerns and willing buyers are found.¹

Creation of public corporations in Pakistan has been the work of administrators and the legislative branch has seemingly played no role at all. All the important public corporations were set up on the administrative recommendation rather than on presentation of proposals in the legislature.

Pakistan, however, has not shown any special capacity for institutional invention. The western model of the public corporation had a profound influence. The two provincial Water and Power Development Authorities are modelled upon the Tennessee Valley Authority.

In Pakistan the prestige of businessman is still not so high. Competent managers are scarce, and opportunities for prestigious employment outside government service are difficult to find. Governments are the

¹Government of Pakistan, the Planning Commission. The First Five Year Plan, (1957) p. 87.

largest employers. The best talents have yet the first preference for government service. Hence many of the public corporations are headed and manned in the upper echelon by civil servants.

Pakistan's public corporations are also juristic persons. Each public corporation has been set up by a separate statute except the few registered under the Companies Act, 1913. But there has not been any statutory attempt to classify, or devise uniform financial rules or working procedure for them, although the legal charter for each specify very broadly what it should do. There is no general common law governing all public corporations in terms of certain general matters which apply to all such bodies.

In Pakistan public corporations are the agents of the government created for the purpose of discharging government's obligations to the public in specific fields of development and services. Government cannot therefore, divest itself of the responsibility of close supervision. Thus there exists stringent auditing procedure of their accounts besides their being under obligation to submit annual reports.

The boards of directors of public corporations in Pakistan vary widely in nature and composition. The authorizing statutes specify the size and composition of the boards and also lay down the general principles of their functions. Generally, small functional boards composed of full-time directors are organized for the development corporation while policy-making boards composed of larger numbers of directors are found in financial corporations. A majority of the directors of policy boards are part-time and are not involved with the day-to-day functioning of the corporation. The objectives for which the corporation has been set up and the requirement for representation of special interests of regions largely determine the

composition of boards. The statutes also specify the tenure of office of the chairmen and members of the boards but they are less specific about their qualifications and emoluments.

The First Five Year Plan contains some general policy in this regard. It says,

In general, the relationship between the statutory bodies and the Government should be established on the analogy of that between the management of a joint-stock company and the general body of its shareholders, the responsibilities of the shareholders being interpreted in an active sense and in their fullest scope. The Minister should have the power:

(a) To appoint the Chairman and key officers at the top, as well as Directors, except to the extent they are elected.¹

Although the authorizing statutes are not specific about the qualifications for appointment into the boards of directors of public corporations, the First Five Year Plan has set up some qualifications thus

The Board of Directors should consist of persons selected for their personal qualifications, such as broad business or administrative experience, who are capable of acting independently in their individual capacities. In order to avoid overlapping of responsibilities, divided loyalties and extraneous influences, ex-officio departmental representatives, ministers, members of the legislature, representatives of interests and persons having an interest in any connected business should be excluded. We recognise that, due to the paucity of eligible men, the condition concerning ex-officio departmental representatives and persons having an interest in any connected business may be difficult to fulfill. It must, however, be kept as a goal, and exceptions should be made only in unavoidable circumstances.²

The minister has been excluded because his inclusion in the board of corporation has two serious disadvantages. First, if the minister is included in the board he has to take the responsibility of the day-to-day operation of the corporation. He may not attend to both the corporation work and his more important political work, and the policy-determination

¹Government of Pakistan, The First Five Year Plan, (1955-60) (Manager of Karachi, December, 1957) p. 100.

²Ibid. pp. 100-101.

work with equal effectiveness. Secondly, as chairman of the board he has to closely identify himself with the policy initiation of the corporation. The policy of the corporation may not be in conformity with the government policy. If he agrees to the policy formulated by the corporation, he may be embarrassed in the Cabinet, which may not endorse it. On the other hand if he has prior knowledge of the government views on a particular matter, he may not be able to carry it in the board's meeting in which other directors may not agree with him.

Although the idea of having ministers and legislators as members of the boards of public corporations is not favoured on principle exceptions are not rare. Thus, the Minister of Agriculture, Fisheries and Co-operative Societies in East Pakistan was the Chairman of the East Pakistan Fisheries Development Corporation for a number of years.

The Minister of Commerce, Government of Pakistan ^{was} the Chairman of the Trading Corporation of Pakistan. The other members of the board are the Secretaries of the Ministries of Commerce, Finance, Industries, Director-General of Ports and Shipping, Vice-Chairman of Export Promotion Bureau, and the Managing Director of the Corporation. Thus the entire board is an official body. The reason for such official predominance in the corporation may be that the corporation was established with the objective of promotion of trade between Pakistan and socialist countries, where foreign trade is entirely handled by government agencies. State trading also forms an integral part of the economic activities in several Asian States like Burma, Cambodia, Ceylon, Nepal, India, Indonesia and Laos. Even in western developed countries e.g. U.S.A., Canada, France and also in Australia state trading is a well established feature for some agricultural commodities, particularly for subsidizing and keeping the domestic prices of agricultural products at the desired level.

The management of the Printing Corporation of Pakistan, again, is entrusted to a fully official board consisting of a chairman, who is the Secretary, Ministry of Education and Scientific Research, a whole time Managing Director, a Finance Director and five Directors representing the Ministries of Industries, Information and National Affairs, and the Provincial Governments. (Before the disintegration of one unit in West Pakistan)

Likewise the board of Oil and Gas Development Corporation is entirely official.

There is another side of the table presented by Pakistan Petroleum and Pak-Stanvac Petroleum Project. The former is headed by a Director of a participating Company, who also appoints the majority of the directors. The latter is entirely managed by the participating private company. There is however, one official representing the government in the management.

The tenure of office of the chairman and members of the boards of directors of public corporations is not permanent as civil servants. In the words of the First Five Year Plan

Their initial tenure should be from three to five years. Their appointments should be phased so as to ensure continuity of policy and administration.¹

Some of these conditions have been incorporated in the authorising statutes of public corporations. Thus the East Pakistan Water and Power Development Authority Ordinance, 1958 provides

The term of office of the chairman shall be for such period not exceeding five years and that of a member for such period not exceeding three years as the Provincial Government may determine.²

¹Government of Pakistan, The First Five Year Plan, (1955-60) (Manager of Publications, Karachi, December 1957) p. 101.

²Government of East Pakistan, The East Pakistan Water & Power Development Authority Ordinance, (1958). (OSD in charge of East Pakistan Cr-Press) Sub-section 2 of Section 4.

They are eligible for re-appointment for another full term or for shorter periods of time as the Provincial Government may decide. The chairman or any member of the board may resign at any time. Such resignation takes effect with the acceptance of it by the government. Similarly, the directors of the boards of the two Provincial Industrial Development Corporations hold office for three years after which they may be re-appointed for another full term or any specified period. The directors of the two ADC's hold office for five years and may be reappointed.

The board of East Pakistan WAPDA consists of "a chairman and two members appointed by the Provincial Government".¹ The number of directors is thus fixed at two. The special characteristic of the board of directors of the Industrial Development Corporations is its flexibility in regard to the number of members. Besides the chairman, the board of the two provincial Industrial Development Corporations "shall consist of such number of Directors, not less than three and not more than five, as may be appointed by the Government".²

The board of EPADC is organized on the same line. It consists of

- (a) Not more than four wholetime directors appointed by the Provincial Government; and
- (b) the Registrar of Co-operative Societies, or Commissioner, Co-operative societies and Agriculture, who shall be an ex-officio Director.

The board of WPADC is also organized in the same way.

Directors of the boards of public corporations may be either whole-time or part-time. The government preference in this regard is that

¹The East Pakistan Water and Power Development Authority Ordinance, 1958, (East Pakistan Sub-section I of Section 4).

²Government of Pakistan, Ordinance No. XXXVII, 1962, Sub-section I of Section 6.

Subject to availability, whole-time directors should be appointed in preference to part-time ones. In the case of functional boards, all directors have to be whole time; but even in the case of policy boards there should be a suitable proportion of whole-time directors. The chairman or managing director in either case must be whole-time.¹

The boards of the two WAPDA's, the two Industrial Development Corporations and the two Agricultural Development Corporations are functional boards and their members are all whole-time directors. They are officers of the corporations and hold charge of supervision of some specific functions. One of them is a financial director, usually representative of the Ministry of Finance, Government of Pakistan or the Provincial Governments. The members of the boards make decisions in a body and then execute them individually.

The National Bank of Pakistan has a board of 13 directors. The managing director and two other directors are appointed by the government. The remaining ten directors are elected by the shareholders. The Industrial Development Bank of Pakistan has a board of eleven directors, of whom government appoints the chairman, managing director and 6 other directors. The rest are elected by the shareholders. The Agricultural Development Bank of Pakistan has a board of seven directors, appointed by the government.

The PIA which is a purely commercial corporation has a board of nine directors. Government appoints the chairman, the managing director, and all but two members. This is an example of policy board. Such boards confine their activities to policy-making. The day-to-day administration of these corporations is run by the managing directors. Some of the

¹Government of Pakistan, Planning Commission, The First Five Year Plan, (1965-70), December, 1957, p. 101.

corporations have executive committees, which meet more frequently than the board of directors to fill up the gap created by long intervals between the meetings of the board of directors.

Government discouraged the appointment of ex-officio representatives in the boards of corporations. In addition to this disapproval being expressed in the First Five Year Plan, Gladieux was of the view that

While it may be advisable at times to appoint members of the public service to these directorships such should not be in ex-officio capacity. Ex-officio officers as members of corporations' boards tend to prejudice subsequent government decision on policy when submitted for official approval. They should be given leave from their present posts to put full time on their corporation duties.¹

But this desire could not be realised as yet. In the board of the Agricultural Development Bank of Pakistan there are two officers of the Ministries of Finance, and Food and Agriculture, one officer of East Pakistan Government and another of West Pakistan Government. There are at least two government officials in the board of Pakistan Insurance Corporation. The entire board of the Trading Corporation of Pakistan is manned by officials, and the Chairman is the Minister for Commerce. The board of the Printing Corporation of Pakistan also consists of officials. The Secretary of the Ministry of Communication is the Chairman of the Telephone Industries of Pakistan. Two directors represent the Ministries of Finance and Industries in the Karachi Electric Supply Corporation. The Secretary of the Ministry of Industries and Natural Resources is the Chairman of the board of Oil and Gas Development Corporation, while the Financial Advisor, Natural Resources Division, act as a member of the board. One officer represents the Government of Pakistan in the Pak-Stanvac Petroleum Project.²

¹Gladieux, B.L., "Reorganization of Pakistan Government for National Development" (1955) Dacca NPA Reprint No. 207 p. 54.

²Government of Pakistan, Ministry of Finance, Government Sponsored Corporations, (1969-70).

In August, 1970, the chairmen of 14 out of 16 public corporations of East Pakistan belonged to the civil service. Only two corporations had members of the Engineering Service as their chairmen. One chairman was a member of the EPSS. Nearly 70 per cent of the directors of these boards were also regular government servants.¹ This is due to the paucity of men with proved ability and requisite qualifications. A number of government officials not seconded to the corporations were their chairmen and members of the board. Consequently, it has been alleged that the works of the corporations proceeded in slow speed, without the desired initiative and boldness. This is a controversial question and more discussion on this point will be made in a subsequent chapter of this study.

The First Five Year Plan recommended the organizing of a small cadre of specially qualified and trained men who would specialise in business and management and act as directors in the various concerns in which the Government are interested.² In his report on "Reorganization of Pakistan Government for National Development" Gladieux also said,

It may prove advisable to develop a special corps of officers who are equipped with the business acumen to assume such assignment.³

But no substantial progress in this direction has yet been made. It is also doubtful whether a separate commercial and industrial service will bring any tangible result. It is a known phenomenon in Pakistan that the best talent prefer the government service, which is still held in high esteem in the society. Moreover, when the overall resource is admittedly

¹Survey made by the author.

²Government of Pakistan, Planning Commission, The First Five Year Plan, p. 101.

³Gladieux, R.A. "Reorganization of Pakistan Government for National Development" (1955) NIPA, Dacca Reprint No. 207 p. 54.

limited drafting of more talent to the government service and corporate service may result in creating a vacuum in the private sector, whose importance in a developing nation is not insignificant.

The management pattern of Pakistan public corporations vary depending on their character and functions. In the case of the East Pakistan Industrial Development Corporation, for example, the organization is centrally located at the provincial headquarters with branch offices, project offices, offices of the wholly-owned companies spread out in the interior of the province. At the initial stage the subsidiary companies promoted by it remain under its direct control. They gain their own management on being converted into private companies. In case of companies, the overwhelming majority of whose shares are held by the EPIDC the boards of directors are appointed by the parent corporation. Either the chairman of the EPIDC or one of its directors become the chairman of the board of the company. In cases of associated companies the EPIDC, retains the right of appointing members of the board in proportion to its share capital. The chairman of the board is invariably a nominee of the EPIDC. If the EPIDC is the single majority shareholder, it works as the managing agent. If not, the managing director is appointed from among the directors representing the majority shareholders. These are however, temporary arrangement as the basic policy is disinvestment or reprivatization as soon as suitable opportunity arises. The organizational pattern of the West Pakistan Industrial Corporation is also similar.

The two WAPDA's and ADC's are resource development service corporations. Their administration is organized on territorial basis. The principal office of the corporation is at the provincial headquarters with subordinate offices at the divisional, district, and sub-divisional levels

corresponding to the provincial administrative set up.

The nationally organized financial corporations like the Industrial Development Bank, Agricultural Development Bank, Pakistan Industrial Credit and Investment Corporations, the House Building Finance Corporations are centrally administered with delegation of powers to the local offices in the provinces.

One striking feature of the management of public corporations in Pakistan is excessive centralization. The board is generally reluctant to delegate adequate authority to the general managers or the officers in the next line of command, who in turn are prone to keep the heads of departments under close control. Consequently, most decisions are made at a level far too high in the hierarchy. The directors who are expected to think and plan do not get sufficient time to do so as they have to dispose of large quantities of business of routine nature. But there has been a noticeable shift in the attitude of the top level managers in the recent past. A beginning of the adoption of advanced management techniques has been made and more and more confidence and reliance on the ability and industry of the lower echelon is becoming visible.

In Pakistan the authorising acts and ordinances provide for the recruitment, promotion, dismissal etc. of the employees of public corporations. The Pakistan Industrial Development Corporation Ordinance empowers it "to appoint such officers, advisers and employees as it considers necessary for the efficient performance of its functions on such terms and conditions as it may see fit."¹

¹Government of Pakistan Ordinance No. XXXVII of 1962, Sub-section 1 of Section 10.

Similarly, the East Pakistan Water and Power Development Authority "may from time to time employ such officers and servants, or appoint such experts or consultants as it may consider necessary for the performance of its functions on such terms and conditions as it may deem fit"¹ and "shall prescribe the procedure for appointment and terms and conditions of service of its officers and servants, and shall be competent to take disciplinary action against its officers and servants".²

The West Pakistan Water and Power Development Authority Act also makes similar provisions.³

The authorities thus have the legal power to hire and fire their own staff. But the practical picture is different. At the outset, with the transfer of the Electricity Department and Projects like the Gudu Barrage, Warsak Dam Project, Ground Water Development Organization, Karachi Irrigation Project, Multan Power Station etc. to West Pakistan WAPDA, the authority got the services of practically all the staff employed therein. Moreover, on request both the Central and Provincial Governments loaned out the services of a number of government servants, whose services they could conveniently spare. The terms and conditions of all such deputationists were mutually determined between WPAWPA and the lending government. The employees of the Irrigation and Electricity Departments were transferred to WPAWPA under the Act. When the East Pakistan WAPDA was set up, a large number of government employees of the former Irrigation

¹Government of East Pakistan, The East Pakistan Water and Power Development Authority Ordinance, 1958 (East Pakistan Ordinance No. 1 of 1959) Sub-Section 1 of Section 17.

²Ibid Section 18.

³Government of West Pakistan, West Pakistan Water & Power Development Authority Act, 1958, Sub-Section 1 of Section 17.

and Electricity Directorates were transferred to the Authority.

Similar are the provisions of the statute regarding recruitment, terms and conditions of service of the employees of the other corporations including the two Agricultural Development Corporations. The corporations are empowered to frame rules and regulations for the management of their staff. The East and West Pakistan Agricultural Development Corporations also got a huge number of government servants deputed to them at the initial stage.

Large-scale rise of civil servants in state industrial enterprises is often not a matter of choice but of necessity. Experienced industrial business managers and accountants are simply not available.¹

These civil servants retain their civil service privileges while in the Service of the corporations. The corporations cannot change the terms and conditions of the service of the deputationists unilaterally, nor can they take the extreme disciplinary step against them. The East Pakistan Water and Power Development Authority Ordinance therefore, provides that "the terms and conditions of the service of any such person as aforesaid shall not be varied by the Authority to his disadvantage."² This is true in respect of other corporations also. This adversely affects the freedom of the corporations.

The deputationists have created some serious personnel problems for the corporations. The setting of the conditions of the deputation by the government enabled them to shift many of their unwanted servants to the corporations. The element of safety-mindedness is inherent in a

¹United Nations, Public Industrial Management in Asia and the Far East, New Delhi Seminar, 1959) p. 41.

²Government of East Pakistan, The East Pakistan Water and Power Development Authority Ordinance, (1953), Sub-section 2 of Section 17. (Proviso).

government servant. He is often likely to lack boldness, vision and imagination. In a commercial concern as the corporations are, quick and correct decisions, courage to take calculated and worthwhile risk, and above all leadership that generates confidence of the superiors and spontaneous respect and obedience from those below are required. The deputationists may not all be bad but many of them do not come up to the standard. Their existence in the services of the corporation without being under complete control of the corporations prevents the formulation and administration of a uniform personnel policy by the corporations.

The powers conferred upon the corporations are seriously limited by the extent that "liberty given with one hand has been taken away with the other".¹ The corporations cannot take any disciplinary action against the government servants deputed to the corporations. Government can institute an enquiry into the conduct of any employee of the corporation. Government can review any order of appointment, suspension, dismissal or discharge passed by any appropriate authority of the corporation.² The EPID Corporation cannot without specific approval of the government offer to an officer or employee salary higher than that admissible to a government servant of equivalent rank. The corporation cannot create a post and appoint any one whose salary is Rs. 1,200.00 or above per month without the prior approval of the government. It cannot appoint retired or dismissed persons without the approval of the government. In appointment of consultants prior approval of the government is necessary. For example, by a notification

¹Hanson, A.H., Public Enterprise and Economic Development (Routledge & Kegan Paul Ltd., London, 1960) p. 459.

²Government of East Pakistan, Gazette Extraordinary, Dacca, (July 15, 1965).

issued in 1963 by the Finance Department of the government of west Pakistan the initiative of the WPADC in the matter of personnel policies was severely restricted by a seemingly innocuous provision for prior approval of the government. This requirement has ever since been used to enforce strict conformity to career-service rules and regulations and government pay scales. All these limitations erode the autonomy of the corporations in personnel management.

Depending on whether they are wholly government-owned or mixed enterprise, the public corporations of Pakistan may be divided into two types: namely the service-cum-development corporations and the finance and purely commercial type corporations. Generally speaking, the service-cum-development corporations are hundred per cent government owned. They depend entirely on government for their financing. The finance and purely industrial and commercial type corporations raise their capital structure from the sale of equity shares both to the government and the general public. They are in relatively more flexible position with respect to their ability to tap other sources for financing.

The capital of the wholly government-owned corporations is derived from the following sources:

1. Grants made by the government;
2. Loans obtained from the government;
3. Grants made by local authorities;
4. Sale-proceeds of bonds issued under the authority of the government;
5. Loans obtained by the corporation with general or special sanction of the government;
6. Foreign aid and loans, with the sanction of, and on such terms and conditions as may be approved by the government;
7. All fees and levies, charges, and rates received by the corporations;

8. Sale proceeds of both raw materials, finished products and by-products etc.
9. Revolving fund placed at the disposal of the corporations by government for survey, feasibility study etc. of the schemes;
10. All other sums received by the corporations.

The corporations are empowered to borrow both from within the country and abroad with the prior approval and sanction of the government, the terms and conditions of which are determined by the government. The liability of the government to the creditors shall be limited to the extent of grants made by the government and the loans raised with the sanction of the government. The public corporation also gets annual appropriations made for the development schemes from the government. The different corporations have different amounts of authorized capital. The authorized capital of East Pakistan Industrial Development Corporation is "one crore of rupees" (\$2,000,000) but the corporation is authorised to increase "its capital with the previous sanction of the Government."¹ The East Pakistan Agricultural Development Corporation may assess, with the previous sanction of the government, and realize development fee from the beneficiaries of its development plans. The corporation is also authorised to invest money not immediately required for its operation.

With regard to the finance, and Industrial and Commercial Corporations, their authorised capital and subscribed capital are statutorily fixed. The extent of participation of government in their capital financing varies considerably but in most cases the government subscribes normally 51 per cent of the paid-up capital. This ensures the controlling grip of the government

¹The Government of Pakistan Ordinance No. XXXVII, (1962), Sub-section (i) and (ii) of Section 4.

over the affairs of the corporations. The pattern of financing also varies widely. The authorised capital however, may be increased with the prior approval of the government. Some corporations have been specifically authorised in the establishing charter to borrow while others have not been so empowered. Loans may be raised from within the country and abroad but must be with the approval of the government, which determines the terms and conditions thereof. The normal capital structure of finance corporations like the Industrial Development Bank of Pakistan besides the sale of equity share consists of:

- (1) borrowing from the government,
- (2) borrowing from the State Bank of Pakistan secured by the government,
- (3) rediscounting of bills with the State Bank of Pakistan,
- (4) time deposits,
- (5) issue and sale of bonds and debentures,
- (6) deposits by constituents from amongst the private industrialists, farmers, and the public, and
- (7) interest earnings and repayment of loans.¹

The arrangements with respect to the disposal of any surplus of the public corporations are very diverse. These provisions exist generally only in respect of financial type of corporations. These vary from the creation of a general reserve fund and other funds, payment of minimum rate of dividend to the shareholders, and some other commercial and profitable investment.

In Pakistan it has been recognized that while emphasis on initiative and performance is desirable, in order to ensure financial accountability,

¹See Government of Pakistan, Ministry of Finance, Financial Institutions National and International, (1964).

the Government has introduced certain controls of a external character and some regulation of an internal character. The main features of external control are the initial acceptance by government of the programme of a corporation, the budgetary approval of new capital outlays, the availability of accounts and annual reports and the audit of these accounts. The internal measures consist in internal rules and regulations, the attachment of a Finance Officer; and internal audit.¹

The Planning Commission makes an over-all allocation for individual sectors both in terms of financial and physical targets. Most of the development programmes of public enterprises are new capital programmes and an appropriation is required for them. Some other enterprises need to be subsidised in their day-to-day operations. For example, the Agricultural Development Corporation and Small Industries Corporation get additional funds from year to year. The Atomic Energy Commission also gets a large amount of its annual requirement of funds through annual appropriation.

The charters of all the public corporations in Pakistan prescribe that the corporations shall submit their annual budget estimates for approval of the government. They are also required to submit annual financial statements and annual reports on their activities to the government. The government may from time to time call for any report or statement from the corporations which they are bound to produce.

In practice the Ministry of Finance and the Provincial Finance Departments often play a more decisive role than the responsible ministry and provincial government department because of their control over the funds required by the public corporations. One of the important means by

¹See, N.I.P.A., Lahore, Problems of Public Enterprise (1967).

which the government exercises financial control over the public corporations is by attaching a representative of the Ministry or Department of Finance to the corporation as a Finance Officer, or Financial Adviser. Most public corporations in Pakistan have full-time Finance directors on the board.

In some cases where the Managing Director type of operation exists, the Finance Officer is the whole-time Financial Adviser.¹ The corporations have to submit annual reports on their activities in the year, to the government. They also have to keep their accounts in the form prescribed by the government. The accounts of the corporation are to be audited by two auditors appointed by them with the approval of the government who fixes their remuneration. Government may direct such auditors to examine the accounts of the corporation in any particular manner or in any particular sphere of the corporate activities. Moreover, the Comptroller and Auditor-General also may be authorised to audit their accounts. The accounts of the E.P. WAPDA

shall be audited every year by the Comptroller and Auditor-General in such manner as may be prescribed. Copies of the audit report shall be sent to the Authority and with the comments of the Authority, to the Provincial Government and shall also be available for public inspection. The Authority shall carry out any directive issued by the Provincial Government for rectification of an audit objection.²

In actual practice a procedure has been established under which funds are released to the corporations in quarterly instalments. The corporations have lately been subjected to the financial rules and procedure which place a high premium on individual transactions and itemized control rather than on the total results. For every minor re-appropriation, the corporation has to approach the Finance Department, which more often than

¹See Chi Yuen W.U., "Public Enterprise as an Instrument of Development", Journal of Overseas Administration Vol. VI, No. 3.

²A.R. Ibrahim, "Financial Control and Accountability of Public Enterprise", NIPA, Lahore, Problems of Public Enterprises (1967).

not, rejects the proposal on merely technical grounds thus depriving the corporation of all opportunities of initiative and timely adjustments. The corporation may open a deposit account with a bank as the government may approve.

Finally the Public Accounts Committee of the Legislature thoroughly examines and discusses the annual Financial statements of the corporations. The House as a whole also gets the opportunity of discussing the financial position of the corporations during the discussion of the budget as many of the Pakistani corporations have to depend on annual appropriation of funds from the Treasury.¹

In Pakistan, public corporations perform many functions. For example, commercial and industrial development as well as providing certain types of services are deemed to be important adjuncts of the functions of modern welfare states. This is all the more true of the developing country as Pakistan is. As the government departments with their traditional reputation of slow movement are ill equipped to handle these responsibilities of the government with the desired expedition, public corporations have been called upon to discharge them. Thus, public corporations in Pakistan are the agents and the government is the principal. This is why the First Five Year Plan declares

The Government cannot divest itself of responsibility for such corporations and authorities; the main problem is how to exercise control sufficient to ensure public accountability and conformity with public policies, without affecting the operational flexibility essential to successful business management.²

It is thus unequivocally admitted that corporate accountability is quite something other than the one applicable in the case of an ordinary

¹Government of East Pakistan Ordinance No. I of 1959. Section 28.

²Government of Pakistan, Planning Commission, The First Five Year Plan (1955-60), December 1957, p. 100.

government department. True that the public corporations have to be afforded the degree of freedom of action essential for success as a business organization but at the same time their accountability to the public, to serve whom they have been established, must be ensured. Accountability should be for the result and not for the methods. If there is too much interference with the autonomy of a corporation then the corporation's internal functions will be so affected that the very purpose for which it was created would be set at naught. There must be the most efficient utilization of the resources, a task entrusted to the public corporation in Pakistan.

Some public corporations have to submit their annual budget for approval of the government. Government approval is invariably necessary for financing arrangements, terms of sale of projects to private parties, major investments and sometimes prices of commodities sold for public consumption.

The charters of all the public corporations prescribe the submission of annual financial statements and annual reports to the government. Some corporations, for example, the East Pakistan Film Development Corporation, have to submit to the government such returns and statements at such intervals as the government may require from time to time. There are two types of audit of the accounts of the public corporations: namely internal and external. The internal audit is of commercial nature and is undertaken by auditors appointed by the corporation with the approval of the government. The external or government audit is undertaken by the Comptroller and Auditor-General or an officer deputed by him. Government may issue directive to the auditor to examine the accounts in any particular manner or to examine particular aspects of the accounts.

As in many other developing countries control of public corporations in Pakistan is exercised mainly by the executive arm of the government.

The Minister should have the power

- (a) To appoint the Chairman and key officer at the top, as well as Directors, except to the extent they are elected;
- (b) To give general directions in matters affecting the national interest and on broad questions of policy;
- (c) To accord previous approval to all capital programmes, market borrowings and allocation of profits;
- (d) To appoint auditors; and
- (e) To call for periodical or special reports and to order an enquiry into the affairs of a statutory body in special circumstances.¹

As in Canada and other developed countries four types of control of public corporations are provided by the statutes setting up the public corporations in Pakistan. These are (1) appointment and dismissal of the members and chairmen of the boards, (2) issuance of directives from time to time, (3) approval or vetoing of certain works of the corporations, and finally (4) requiring information, which is in fact a corollary of the former three types of control. It will not be correct to assume that all these controls equally and uniformly apply to each and every public corporation. But the fact remains that all these join together to evolve the pattern of control and accountability of the public corporations.

The general practice has been to place a public corporation under the supervision of a ministry or provincial government department responsible for the area of economy within which it operates rather than under a minister personally. In regard to all public corporations government exercises absolute power of appointing the chairman and members of the boards.

¹Government of Pakistan, The Planning Commission, The First Five Year Plan (1955-60), December, 1957, p. 100.

The chairman and members of the board are appointed by the government . The statutory provisions for appointment and removal of the chairman and members of the boards of different corporations are quite elaborate. Their tenure of office is fixed in the cases of almost all the corporations. In the case of EPWAPDA "the term of office of the chairman shall be for such period not exceeding five years and that of a member for such period not exceeding three years as the provincial government may determine".¹ They may be reappointed for another term or for such shorter time "as the Provincial Government may decide."² The chairman or a member may be removed from office among other reasons, if, "in the opinion of the Provincial Government"³ he becomes incapable of discharging his responsibilities. "The Government may remove the Chairman or a Director" of the EPIDC "if among other reasons he refuses or fails to discharge or becomes, in the opinion of the Government, incapable of discharging his responsibilities under the Ordinance or has in the opinion of the Government, abused his position as Chairman or member."⁴ In the case of the East Pakistan Small Industries Corporation, "A Director appointed by the Provincial Government shall hold office during the pleasure of the Provincial Government."⁵ The chairman or any director of the East Pakistan Jute Marketing corporation may be removed 'if he is found unsuitable by the Provincial Government.'⁶ Similarly, the directors of East Pakistan Film Development Corporation

¹Government of East Pakistan, The East Pakistan Water and Power Development Authority Ordinance, (1958), Section 4 (2).

²Ibid Section 4 (3).

³Ibid Section 6.

⁴Government of Pakistan Ordinance No. XXXVII, (1962) Section 9 (2).

⁵Gov. of E.P., The East Pakistan Small & Cottage In. Cor. Act, (1947) Sec. 3 (1)

⁶Gov. of E.P., The East Pakistan Jute Marketing Corp. Act. (1957) Sec. 8 (6).

appointed by the government hold office 'during the pleasure of the Provincial Government'.¹ The emphasis on the opinion of the government, 'found' by the Government and 'pleasure' of government need be noted. These indicate that government need not show any specific reason for taking action for removing the chairman or the members of the board.

Government approval has been made mandatory for certain corporate activities mainly falling within fiscal category. The corporations may open accounts in a bank with the previous approval of the government. Similarly, the corporations cannot invest their surplus amount in any business without government approval. Nor can dividends be paid to the shareholder before the rate thereof has been approved by the government. The corporations also require the government approval for launching any new business venture. Government sanction is also necessary for the raising of loan by any corporation from within the country or abroad. The development plans of the town planning corporations need be approved by the government. The East Pakistan Inland Waterways Transport Authority has to obtain the prior approval of the government for enforcing its regulations to the inland waterways. The corporations may make regulations for achievement of the objectives for which they have been set up but only with the previous approval of the government.

The East Pakistan Forest Industries Development Corporation needs the approval of the government to open account with any scheduled bank if it does not keep its money in the Treasury or the State Bank of Pakistan. Government approval of the capital structure of any company that it wants to sponsor is also necessary.

¹Gov. of E.P., The E.P. Film Development Corporation Act, (1957) Sec. 3 (1).

The East Pakistan Agricultural Development Corporation Ordinance provides that

The Provincial Government may require the Board to furnish--

(a) any returns, statements, estimates, statistics or other information regarding any matter under the control of the corporation; or

(b) a report on any such matter,

and the Board shall comply with any such requisition without undue delay.¹

Similar provisions are there in the statutes setting up other corporations too.

The Legislatures in Pakistan seem to have played rather a limited role in the work of exercising control over the public corporations. The members seem to be more after the details of day-to-day working of the corporations than the broad policy. However, the Public Accounts Committees in the Central and Provincial Legislatures do play an active role on behalf of the legislatures in discouraging the tendency towards extravagance or deviation from statutory limitations on the part of the public corporations. The annual reports of all the corporations are placed on the table of the House for information of the members. The Legislatures also can directly review the work of a corporation when its budget is under discussion. Another chance of scrutinizing the affairs of a corporation arises when the Auditor-General's report is considered and discussed by the Public Accounts Committee.

The most definite way in which public accountability of public corporations is sought to enforce in Pakistan is by means of statutory provisions for keeping of accounts and performance of audit. The public

¹Government of East Pakistan, The East Pakistan Agricultural Development Corporation Ordinance, (1961), Section II (2).

corporations are required to maintain proper accounts and other relevant records, and submit annual statement of accounts including the profit and loss accounts, and balance sheet, in accordance with such general directions as may be issued and in such forms as may be specified by government usually in consultation with the Comptroller and Auditor-General of Pakistan. The wholly government-owned corporations have to face two types of audit. One is held by two Chartered Accountants appointed by the corporation with the approval of the government. The second audit is held by the Auditor-General himself or an officer deputed by him. A deviation is the accounts of the two Provincial WAPDA's whose accounts are audited by the Comptroller and Auditor-General of Pakistan alone. The Auditor-General has been bestowed with sweeping power to investigate any irregularity that may exist or be detected. Thus, in the case of the EPIDC "...in the event of a test audit disclosing irregularities, the Auditor-General may carry out, or cause to be carried out, such further audits as he considers necessary".¹ In holding the audit, the Auditor-General is further directed to keep in view the provisions of sub-section (2) of Section 5 of the Ordinance and state in his report how far in his opinion these provisions have been complied with. The directors are to be guided in their work, by such directions as the government may issue from time to time. In the case of the two WAPDA's "copies of the Audit report shall be sent...with the comments of the Authority to the Provincial Government and shall also be available for public inspection. The Authority shall carry out any directive issued by the Provincial Government for

¹Government of Pakistan, Ordinance No. XXXVII, (1962) Section 16.

rectification of an audit objection.¹ In cases of some corporations there is no provision for audit by the Auditor-General. The Public Investment Safeguards Ordinance, 1961, however, empowers government to issue directives for the auditing of any sector of a corporation's activities in any manner which it may desire.

The part that the public corporations have gradually come to play in the implementation of development plans in developing countries like Pakistan is so vital that it is important to examine their working so as to assess the prospect of achieving the targets set out for them. The bulk of the development activities in Pakistan has been entrusted to the public corporations.

The basic criterion for evaluating the performance of a corporation is the achievement of the physical targets laid down for it either in the incorporating instrument or in the development programme of the government from time to time. As the corporations operate in the commercial field they are sought to be judged on the basis of the profit that they earn. It is forgotten that although profit making is the sole motive of a private company it is seldom so in the case of the public corporation. The consideration for setting up a public corporation may be the provision of goods and services at a fair price, the creation of employment, the opening up of new areas, the pioneering and promotional efforts, defence and strategic enterprises.

In the case of an industrial corporation profit-making is often taken to be the criterion because in the same field private enterprises are

¹ Government of East Pakistan, The East Pakistan Water and Power Development Authority Ordinance, (1953) Section 28.

in operation with profit motive. But industrial public corporations do not enjoy full freedom in the choice of the enterprise. In Pakistan the development programmes of the Industrial Development Corporations are determined by the government.

Moreover, the public corporations cannot lower the quality of their products to ensure profit. They have little freedom in the fixation of price of their products. It is not possible for the public corporations to adopt the tactics of evading taxation and other tactics which the private enterprises are said to adopt to maximise profit. The public corporations have also to prove themselves as the best employer providing housing and other fringe advantages to the employees.

It will therefore not be just to judge the performances of the public corporation by comparison of the same with those of their business counterparts.

The role of public corporations in national development is important today in any country of the world especially the developing ones and Pakistan is no exception. Pakistan confines state enterprise in the economic sphere to providing the infra-structure for industrial development, water and power development, transport. Government took strong and widely ranging initiative in the early stage of economic development of the country, gradually withdrawing from direct participation in various fields as private enterprise became more capable of taking over the burden. The state however, continues to help the private sector take up the responsibilities, thus transforming the economy of the country. "These corporations have been set up to supplement and encourage private enterprise, not to replace it."¹

¹Government of Pakistan, Planning Commission, The Second Five Year Plan, (1960-65), June 1960, p. 38.

The implementation of the development programmes of Pakistan has, no doubt, been greatly accelerated as a result of the operation of public corporations. As in most other developing countries, in Pakistan the general attitude is that while the public utility corporations should be expected at least to break even, manufacturing and trading concerns should be regarded as actual or potential sources of capital formation.

It is essential that the commercial nature of the corporations be greatly emphasised and their future policy should, no doubt, be guided by considerations of social gain, but the need for financing their future expansion out of their own resources must also be given due weight. The corporations should increasingly reduce their dependence on government finance, by investment of their own profits and through share flotations in the market.¹

The enormous contribution to the development of the economy of Pakistan made by the public corporations in their respective fields can hardly be exaggerated. Of the total amount of Rs. 9,750 million to be spent in the public sector in the Second Five Year Plan period, it was estimated that the public corporations were to undertake a total investment programme of Rs. 3,250 millions i.e. one-third of the total. They were expected to handle around 55 per cent of the total public sector allocation under the Third Plan. Systematic and detailed study of the performances of the public corporations in Pakistan is lacking. Although the Third Five Year Plan emphasised the necessity of making a balanced and careful assessment of the performances of the various autonomous agencies, there appears to have so far been no serious attempt to implement the recommendation. Even though the passing of a decisive judgment is difficult and perhaps premature, it can, however, be said from a general look at the picture that the Pakistani corporations have done their best, despite a number of disabilities such as the shortage of talents and materials. In actual

¹Government of Pakistan, The Planning Commission, The Second Five Year Plan, (1960-65), June 1960, p. 35.

efficiency, the performance of the Pakistan International Airlines Corporation, for instance, ranks with some of the top enterprises in the world.

The Third Five Year Plan says

In overall terms, the implementation of the public sector programmes has been accelerated markedly as a result of the operations of the autonomous agencies.¹

The public corporations of Pakistan particularly the East Pakistan Industrial Development Corporations and the Pakistan Industrial Credit and Investment Corporation have successfully experimented the scheme of joint-venture between the public and private enterprises. Most of the Jute Mills that are now being set up in East Pakistan are joint-ventures in which the public investment is very small. The EPIDC puts in some money and private enterprise then becomes quite willing to join the venture. As a matter of fact, the EPIDC's participation is desired by them because it gives them certain facilities and provides the technical know how in areas where it is not plentiful.

Every public corporation has been set up for a specific objective. The objectives of the Pakistani public corporations are industrial developments, support to the private sector, institutional arrangements for providing credit or provision of a particular service.

For example, the Pakistan Industrial Development Corporation was set up to make a beginning with regard to industrial development of the country in cases of those industries which were not being set up by private investors. It was to give a fillip to the industrial development of the

¹Government of Pakistan, Planning Commission. The Third Five Year Plan, (1965-70), June, 1965. p. 167.

country. The corporation started off by setting up industries like sugar mills, cement factories and jute mills. The role of the PIDC was, in the first instance, to stimulate industrial activities and then to go into more difficult fields as and when private sector becomes competent, able, and willing to handle simpler sectors like textile mills, jute mills, cement factories, fertilizer factories etc. Encouraged by its example, the private sector began to come into the industrial field. After bifurcation, the East and West Pakistan Industrial Development Corporations have continued the same promotional activities. The expected result has come in. Private sector is now not only willing to get into the industrial field but also has become adequately suited to handle large scale enterprises even in heavy chemicals, including fertilizers wherein sometimes back the PIDC was the only agency to do the job.

Through the two provincial Industrial Development Corporations, government builds new plants, establishes them as going concerns, and sells them to the private owners.

It is important to note that the West Pakistan Industrial Development Corporation is no longer a losing concern. All its projects except one or two chemical plants have been making profits. Thus while the corporation achieves the social and larger economic objectives, it also ensures some minimum and fair return to the tax payer for his money. The corporation has adopted the policy of ensuring the government a certain minimum return on its advances and thereafter to self-finance its projects with whatever surplus is left with it. If the best way of judging the performance of a corporation is how much money it can redeploy in its own projects, how much self-financing it can do, and how much can it enlarge its development programmes without borrowing from the government or other sources, the

success of West Pakistan Industrial Development Corporation presents no gloomy picture.

In actual physical terms, since its inception in 1952, the PIDC/WPIDC completed fifty-four projects by June, 1969, with a capital investment of Rs. 1,010 millions, including Rs. 233.73 million (i.e. 23 per cent) from the private sector collaborating in all fields, except ship-building, minerals and surveying. Of these, eighteen projects have been handed over to the private enterprise, while WPIDC continues to manage thirty-six industrial projects, employing 28,000 workers for fertilizers, cement, ship-building and repairs, chemicals, sugar, coal and salt, woolen textiles and carpets. The estimated value of goods produced by these thirty-six industries in 1968-69 amounts to Rs. 273 million as compared to Rs. 265 million in 1967-68.¹ It completed fifteen industrial and mining projects at a cost of Rs. 27.68 crores during the Third Five Year Plan period (1965-70). This has added substantially to the production of cement, coal, super-phosphate, amonium sulphate, amonium nitrate, salt, cresote oil, tarpitch, timber, machine tools and mineral gas.²

The East Pakistan Industrial Development Corporation completed 34 projects on a total expenditure of Rs. 1154.32 millions by the end of the Second Five Year Plan (1960-65). At the start of the Third Year Plan (1965-70) the corporation had forty-two on going schemes, out of which twenty projects were completed during the first three years of the Plan period, while another ten were nearing completion by the middle of 1969. These covered the industrial fields: jute textiles, paper and board, ship-building, sugar, cotton textiles, non-metallic mineral products,

¹National Publishing House, Pakistan Year Book, 1970, p. 176.

²The Daily 'Pakistan Observer', dated May 17, 1971.

basic metals, chemicals, and fertilizers, engineering, fuels and minerals, and miscellaneous enterprises. By the end of June, 1968, it disinvested 11 projects which include Jute Mills, Cotton Mills and Paper Mills,¹

In brief, the Corporation is encouraging to the maximum possible extent the flow of private capital into industries, supplying the deficit where necessary and providing the technical skill and managerial experience necessary for heavy industries.²

The Financial institutions have contributed greatly to the growth of industry by providing large funds at reasonable rate of interest. These include the Pakistan Industrial Credit and Investment Corporation financing large enterprises, the Industrial Development Bank of Pakistan, designed for financing medium and small-scale industries, the West Pakistan Small Industries Corporation, and East Pakistan Small Industries Corporation.³ The Agricultural Development Bank of Pakistan advances loans to individuals engaged in agriculture or in the development of agriculture or agricultural products or in storage, warehousing, marketing or processing of agricultural produce or any public or private limited company or co-operative society incorporated or registered by or under any law for the time being in force. The House Building Finance Corporation provides financial aids to individuals and co-operative Housing Societies in the form of long term loans for construction of residential houses in urban areas of Pakistan.⁴

Appendix D gives the financial position of some of the corporations at the end of the financial year 1969-70. It may be noticed that out of

² Hanson, A.H., Public Enterprise: A Study of its Organization and Management in Various Countries (International Institute of Administration Sciences, Brussels, 1954)

¹ E.P.I.D.C., E.P.I.D.C. in Figures.

³ National Publishing House Ltd., Pakistan Year Book 1970, p. 177.

⁴ Government of Pakistan, Ministry of Finance, Financial Institutions National and International, (1964).

the 25 corporations in the list, fourteen have shown net profits and ten of them declared dividends ranging from 1.05 to 20 per cent. The share prices of 8 of them have appreciated considerably.

The Pakistan Industrial Credit and Investment Corporation sanctioned loans amounting to Rs. 41.65 millions in foreign exchange and local currencies for setting up ten industrial projects during the quarter January-March, 1971, in addition to other projects financed by it earlier. In addition to extending loans the corporation's other forms of assistance during the quarter included commitment for underwriting bridge financing to the extent of Rs. 1.20 million in a woolen mill and purchase of preference right shares amounting to Rs. 2.18 million in a jute mill machinery manufacturing enterprise of East Pakistan. During the quarter, twenty industrial projects financed by PICIC started production. These include both new projects and also those which involved balancing, modernization, and expansion.¹

The East Pakistan Small Industries Corporation now runs eighty projects established at a cost of Rs. 48.8 millions. Another 24 projects budgeted at Rs. 13.7 millions are also being implemented.²

The East and West Pakistan Water and Power Development Authorities prepare and execute plans for augmenting and harnessing the water and power resources in each province. Master plans have been established for flood control in East Pakistan and for irrigation, salinity control, and land reclamation in West Pakistan. Power development in both the zones of the country is also looked after by these corporations.

Despite an average of 76 inches of rainfall in a year, East Pakistan

¹The Pakistan Times, May 18, 1971.

²National Publishing House, Pakistan Year Book, 1970.

is deficient in water during the winter months of the year. With the world's highest density of population, the area needs to grow more than one crop in the year to meet its food requirements. This can be done only with the help of adequate irrigation projects. The Ganges-Kobadak Project of East Pakistan WAPDA is East Pakistan's foremost multipurpose, flood control and irrigation project, which aims at pumping water from the river Ganges to irrigate a total area of 2.58 million acres. The first phase which is already complete provides for the irrigation of 120,000 acres, over which the canal system is already in operation. Phase two was scheduled to be completed by June, 1971. The Teesta Barrage which is in hand, when completed, will be instrumental in increasing annual production to the value of about Rs. 430 millions. A scheme for utilization of under-ground water, through the use of low-lift pumps was put into operation in the dry districts of Rangpur, Dinajpur, and Rajshahi consisting of high uplands which are not affected by floods. This has yielded very good initial results, raising crop production several times over.

Recurring floods and tidal waves have had a crippling effect on the economy of East Pakistan. Tidal inflows from the sea directly paralyse an area of 6,000 square miles in the coastal districts. Vast areas of other inland districts are affected by the monsoon flood of the three major rivers, the Ganges, Brahmaputra, and the Meghna.

It has been estimated that, on average, 1070 million acre-feet of water flows in through these three rivers from catchments outside East Pakistan and an additional 100 million acre-feet of run-off water collect from rainfall inside the zone. The total quantity of water is equivalent to a depth of 34 feet over the whole Province. This floods an area of some 10 million acres each year.¹

The East Pakistan WAPDA has prepared a Master Plan for water

¹Ibid. p. 218.

development including a flood control scheme. The plan has been reviewed by the East Pakistan government and the World Bank Experts, who have evolved an action plan. The broad aims of the project are building embankments along the sea coast and river banks in the affected areas, setting up drainage sluices and irrigation facilities through gravity divisions and installation of pumping outfits for the protected area. The natural water-way will be used for irrigation and flood drainage.

As a short term measure of flood control, East Pakistan WAPDA has undertaken a Coastal Embankment project aimed at reclaiming 3.4 million acres of land from tidal inundation and periodical flood by constructing 3000 miles of embankment with some 900 drainage sluices. The total expenditure increased on it up to December, 1968 amounted to Rs. 736 millions.

The dry and arid land of West Pakistan requires on an average 3 feet of water per acre for each crop. It was estimated that for expanding cultivation to maintain the existing level of consumption of food crops, 7.5 million to 9 million acre-feet of water is annually required. With the expansion of cultivation the requirement of water grew. During the First and Second Five Year Plan periods, the West Pakistan WAPDA took into hand a number of important irrigation projects including gigantic works as the Ghulam Muhammad Barrage, Warsak Dam, Gudu Barrage, Kurram Garhi Project, Tausa Barrage, Rawal Dam and Tanda Dam. The corporation has since undertaken 50 projects and completed 26 of them. The most important project completed by the Authority in 1967 is the Mangla Dam. Other water projects completed are the Tanda Dam, the Chablat Khas Irrigation Scheme, the Gudu Barrage, the Rawal Dam, and a pilot project of windmills. The construction of the Mangla Dam was completed almost one year ahead of the schedule.

The completed works of the Indus Basin Project, namely, the Mangla Dam,

Trimmu-Sadhnai-Mailsi, Mailsi-Bhawal, and Qadirabad-Balloki link canals. Sadhnai Barrage, Qadirabad Barrage and Mailsi Siphon and Remodelling works were inaugurated in November, 1967. The Mangla Dam is a multipurpose project designed to conserve and control flood waters of the Jhelum for the purpose of replacement. It is a key project of the entire settlement. The gross storage capacity of the reservoir, which is equal in area to the island of Malta, is 5.55 million acre-feet. It will also generate one million kw. of energy which may in time be raised to 3 million kw. The main dam is a rolled earth-filled embankment with a crest length of approximately 11,000 feet. Its height above the river is 380 feet and it is considered one of the largest earth-filled dams in the world.

The World Bank appreciated the work and its Vice-President said on the occasion of its inauguration

The Bank had been financing 164 projects all over the World. They had been associated with the Indus Project for the last 7 years. Their experience was that of all the Projects which they have financed and administered, the Indus Project was the most successful. This project was a model of efficiency, of good engineering, and of good administration. The Bank had disbursed some 900 million dollars on this project so far, but there was never a question, never a dispute and never a failing on this project. Whenever I spoke about this project to the U.S. Government and the European Countries, I told them that it is a model of all countries to follow.¹

In the face of the common belief that public enterprises, particularly in developing countries, as a rule lack the vigour and resourcefulness associated with private enterprise and that business undertakings managed in the public sector are subjected to too much departmental control, these results even though reflecting performance of only some of the corporations can by no means be regarded as insignificant achievement. The performance

¹Address of Mr. M.S. Alderwereld, Vice-President, World Bank, on the inaugural ceremony of Mangla Dam.

of all the corporations has not been uniform. While some of the business-type financial corporations have shown reasonable outlays, some others do not present too bright a picture. Generally speaking there is ample scope for improvement. But if due allowance is made for initial handicaps, insufficient industrial and technical experience, the magnitude of the task entrusted to some of them, and the diverse fields of their activities, some of the results achieved can indeed be regarded as commendable. They have set a pattern, provided a base and furnished the ignition spark which has geared the industrial development of the country on sound lines.

CHAPTER 4

A COMPARATIVE STUDY

Canada and Pakistan differ widely from each other in their geographical location, the degree of commercial and industrial development, the philosophy and organization of their respective governments and in many other respects. Both have found it necessary to develop public enterprises which would help them perform the complex new tasks of government in forms other than traditional government departments. There may be differences in the ways they have tried to develop the public enterprises. But the common features are their deliberate and systematic legislative and executive action for the development of more or less autonomous system of public enterprise. Different historical, political, economic and legal backgrounds in the two countries exerted profound influence on the development of public corporations. Yet out of the diversity some similarities may be found out.

In both Canada and Pakistan different names have been assigned to the public corporations. Difference in nomenclature is noticed not only in between the countries but also within the same country. Thus, in Canada are found the Agricultural Stabilization Board, Canadian Wheat Board, Medical Research Council, Science Council of Canada, Canadian Survey Authority, Canadian National Railway, Securities Trust etc. although the connotation of the word "corporation" is predominant. Likewise, in Pakistan the word "corporation" is not universal though predominant; one comes across such names as the East and West Pakistan Water and Power Development Authority, Areas Improvement Trust, Pakistan Electric Agency, Pak-Steel Petroleum Project, Petroleum Development of Pakistan etc. It is a matter of fact, that the concept of group companies as a separate sub-species as available in Canada did not take root in Pakistan.

In both the countries, public corporations have developed as an empirical response to specific needs, without any preconceived theory, and without much uniformity. Practical necessity has been an important motive in establishing public corporations in both countries.

Expedition of defence supplies played a more dominant role in the proliferation of public corporations in Canada. As many as twenty-eight corporations were set up in quick succession during the period of the Second World War. The depression of the 1930's was the other major factor in Canada as well as in many other western countries. No such reason influenced the establishment of corporations in Pakistan.

A blend of political and practical factors has also been the determining motive for the institution of public corporations in many developed countries.

A maximum of practical consideration, and a minimum of socialist or even semi-socialist philosophy, may be said to have prevailed in such countries as Canada...which except for the Canadian province of Saskatchewan, are singularly free of socialist philosophy in government.¹

But no such philosophy can be traced in Pakistan. The overwhelming necessity of expeditious exploration of national resources played the more predominant role. Large-scale emphasis on public sector and consequent creation of a number of public corporations were dictated by necessity rather than choice. As emphasised in the First Five Year Plan no doctrinaire philosophy underlies such action of the government. Indeed, in Pakistan the government has been orientated to a mixed economy, but the reality of circumstances has gradually compelled the country to adopt the public corporation on a far more extensive scale than was initially envisaged.

¹Friedmann, W., The Public Corporations (Carswell Company Ltd., Toronto, 1954) p. 545.

This is primarily due to the fact that the government, in addition to performing the pioneering role to which limit it originally intended to restrict its activities has been called upon by circumstances to take up the onerous responsibility of nation building. Nationalization, as such has not been the primary reason for setting up public corporations in the country. They have been established preponderantly for the purpose of stimulating industrial growth, credit facilities, and economic well-being of the society rather than for administering the existing industries and public utilities after bringing them under state ownership. In fact the only industry that has been nationalised is the electric supply industry.

In both countries development of water and power has been considered a state task of paramount importance. This has led to the setting up of a number of public corporations at the provincial level in Canada some of whom have achieved world-wide recognition.

It is interesting to note that both in Canada and Pakistan the form of joint-stock company has been chosen for the organization of new enterprises controlled by the government and deliberately designed to carry out a public service. But in Canada, the pattern of commercial company has been modified so profoundly as to make the choice of the form a meaningless fiction. Most of these public enterprises were deliberately set up by the Crown for specific purposes in connection with the war effort under the Companies Act, by orders in council. Shares were issued as a matter of form rather than substance, to the directors appointed by the minister. These shares were endorsed over by the owners to the minister so as to ensure complete government control. Prominent examples are the Air Canada and Polymer Corporation Limited. Examples of similar corporations in Pakistan are the Industrial Development Bank of Pakistan and the Pakistan

Insurance Corporation. The striking difference is that shares of these companies are actually floated and sold. Government however, subscribes 51 per cent of the shares to retain complete control. The private shareholders not only hold the shares as tangible property but also have their chosen representatives in the board of directors.

The Pakistani public utility corporations are akin to their Canadian counterparts and the finance corporations of both the countries fall in the same category. The two Industrial Development Corporations of Pakistan charged with the responsibility of promoting industrial development in the two wings, undertake, as in Canada, construction and management of industries directly. "It is, however, the announced policy of the Government that the enterprises built by the Pakistan Industrial Development Corporation should be transferred to private hands as soon as they have been established as going concerns and willing buyers are found."¹ But unlike Canada, they at the same time can hold shares in the private companies which they may have themselves promoted and of which they may or may not be managing agents. Although in Saskatchewan some of the enterprises have been transferred to private entrepreneurs, there is a fundamental difference of principle with the case in Pakistan. While disinvestment is an avowed policy of the Government of Pakistan, reprivatization in Saskatchewan was effected primarily because the enterprises had a very poor record of economic performances.

In one very important respect some of the Pakistani corporations differ from those of Canada and that is while in the latter country the

1. Government of Pakistan, Planning Commission, The First Five Year Plan (1955-60), December, 1957, p.87.

public corporations are wholly owned by the state, some of the financial and business type corporations in Pakistan are partly owned by the state and partly by private shareholders. The subsidiary type of public corporations found in Canada under another corporation is totally absent in Pakistan. No corporation is authorised to set up any subsidiary corporation.

Some Canadian statutes such as the Department of Defence Production Act, the Atomic Energy Control Act, the Research Council Act, and the St. Lawrence Seaway Authority Act contain provisions delegating the power to establish corporations to the governor in council, a minister, or other specified authority under the provisions of the Federal Companies Act or otherwise. But there is no such delegation of authority in Pakistan.

The existence of a central co-ordinating and controlling corporation of the type of a holding company as the Government Finance Office of Saskatchewan is totally absent in Pakistan. There has not yet been any contemplation to establish any central controlling or co-ordinating organizational structure as this in Pakistan. There each of the public corporations is independent of the other like the federal level corporations of Canada (with the exception of the subsidiaries).

In matters of size, and composition of boards, the tenure of board members, their remuneration, frequency of board meetings, wide variations exist in the two countries. This is only to be expected as even within the same country it is difficult to see any great uniformity in such matters beyond a certain irreducible minimum. The variations are all the more pronounced due to the fact that while Canada, a developed country, has its own traditions and ones there do not necessarily obtain in developing

countries like Pakistan which have only started to tread their foot on the hitherto untrodden path of the economy and consequently are faced with problems which are new. A remarkably universal practice however, is to entrust the administration of public corporations to governing boards. In both Canada and Pakistan boards are designated as boards of directors, perhaps to indicate their affinity to their counterparts in the business world as well as to imply their commercial character. In Canada, members of the boards are generally appointed by the governor in council i.e. by the Cabinet. The normal practice is that the minister under whose jurisdiction the corporation works makes recommendations to the council. As pointed out by Professor Hodgetts, this is peculiar to Canadian Crown Corporations. It conforms with the principle of joint responsibility of the Cabinet.¹

The only deviation was the Bank of Canada. As originally it was a privately owned public trust, the selection of the board was guided by recommendations from the Chamber of Commerce. Between 1936 and 1938 a system of mixed selection existed. But finally in 1938, the private ownership was eliminated and the need to represent them on the board vanished.

In Pakistan, the members of the board are appointed by the government. The omission of 'minister' or 'cabinet' is significant. The work has not been entrusted to either of them because an overwhelming majority of the corporations were set up when no Parliamentary government of the British or Canadian pattern functioned. In actual practice, however,

¹J.E. Hodgetts, "The Public Corporation in Canada", Public Administration, XXVIII (Winter 1950) London, p. 286.

the minister (when he exists) has the deciding word in the appointment of the board members of the corporations as the executive head of the Ministry or Department. But the Cabinet as a whole do not ever appear to have chosen the directors.

Ministers or ministerial representatives were earlier decided to be excluded from the boards both in Canada and Pakistan. Members of the legislature were also equally not favoured. Despite this earlier protestation the practice of having a minister or more in the boards of corporations is universal in Saskatchewan. The practice of having ministerial representatives as members of the boards of the public corporations at the federal and other provincial levels in Canada is now fairly universal. Thus, the deputy minister of the Finance Department is a member of the boards of all the five corporations engaged in lending and insurance business. The policy of giving representation to the government departments, has been carried to the extreme in the case of the board of the Canadian Commercial Corporation. With the exception of its full-time executive directors it consists entirely of part-time departmental representatives. Likewise, the policy of the government of Pakistan was the exclusion of ex-officio departmental representatives, ministers, members of the legislatures, representatives of interests and persons having business connection with the corporation.¹

It was however held that "due to the paucity of eligible men, the condition concerning ex-officio departmental representatives and persons having an interest in any connected business may be difficult to fulfil."²

¹Government of Pakistan, Planning Commission, The First Five Year Plan, (1955-60), December, 1957, pp. 100-101.

²Government of Pakistan, Planning Commission, The First Five Year Plan, (1955-60), December, 1957, pp. 100-101.

But contrary to this principle a minister of the East Pakistan Government headed a corporation for several years,¹ providing of course, a solitary example in the province. At least one of the central level corporations was headed by a minister of the Government of Pakistan till recently.²

It need however, be noted that there lies a fundamental difference between the practice in the Province of Saskatchewan and Pakistan. Whereas in the former the inclusion of ministers in the boards of corporations is part of the political philosophy of the C.C.F. there is no such ideal behind the practice in Pakistan where it is an exception rather than the rule. Another striking difference between the two countries is that while in Pakistan no member of the legislature sits on the board of any public corporation in Ontario there are many examples of members of the legislature being appointed to boards, one of which is that the Chairman of the Niagara Parks Commission is a member of the Ontario Legislature.³

Practice contrary to the declared policy is all the more evident in respect of membership of officials in the boards in ex-officio capacity. For example, the Secretary of the Ministry of Education and Scientific Research is the Chairman of the Printing Corporation of Pakistan, the Secretary of the Ministry of Commerce is the Chairman of the Telephone Industries of Pakistan, and Secretary of the Ministry of Industries is also the Chairman of the Oil and Gas Development Corporation. Two officials, again, represent each the Ministry of Finance and the Ministry of Industries

¹The Minister of Agriculture and Fishery was the Chairman of the Board of East Pakistan Fisheries Development Corporation for several years.

²The Minister for Commerce was the Chairman of the Trading Corporation of Pakistan.

³Writer's interview with the officials of Niagara Parks Commission on July 22, 1971.

in the board of Karachi Electric Supply Corporation. Some Secretaries of the Provincial governments are also members of the boards of some corporations in their ex-officio capacity. In addition, all the public corporations of both in East and West Pakistan are headed by civil servants appointed as such. They retain their rank and status in the Civil Service while working in the corporations. Examples are not rare where one single official heads more than one corporation both at the central and provincial level. Likewise, in Canada, the Dominion Coal Board and the Atomic Energy of Canada Ltd. are headed by ministers. The Agricultural Stabilization Board, and the Fisheries Prices Support Board have Deputy Ministers as their Chairmen. All the directors of Canadian Commercial Corporation are officials of the different government departments.

The practice of the permanent departmental head working as head of a semi-independent agency is not rare in the provinces of Canada too. The head of the marketing branch of the Agriculture Department of Ontario is the Chairman of the Ontario Food Terminal Board, to quote only one example out of many.

The corporations in Pakistan which are headed by officials in their ex-officio capacity are all joint-stock companies. In mixed undertakings of joint-stock company type the representation of the government by civil servants or even by ministers is inevitable in order to safeguard the government interest. But this does not appear to be true in the cases of Canadian provincial corporations. Professor Hodgetts has criticized the practice in strong arguments. According to Professor Friedmann

...if the public corporation proper is to have the maximum of autonomy and independence in its management, as distinct from its general responsibility to the public, the blurring of managerial and supervisory functions is most undesirable...In either case the idea of the public corporation is falsified, but where a ministerial

representative sits on the board it seems almost impossible that the necessary independence should be attained whereas a moderate and restrained use of the directing power...does make such autonomy possible...¹.

The preponderance of civil servants in the boards of public corporations in both Canada and Pakistan has invoked criticism from within and outside. The practice of appointment or deputation of civil servants to public enterprises violate the principles that make for efficiency in a commercial enterprise namely (a) recruitment on grounds of specialised merits, (b) fullest prospect of promotion subject alone to merit consideration, and (c) cordial group relations among the staff and stable group loyalties to the enterprise. The reply to the criticism according to the United Nations, is that trained, experienced and competent industrial, and commercial managers and accountants are not simply available in Pakistan.²

This too sweeping generalisation may not hold good at present in Pakistan. Business managers and accounts are not as rare as they had been. But their price in the business market is rather too high for the public corporations to afford. Moreover, many of the public corporations have not yet been able to attract such kind of people with their still to be built up high prestige, profitability and independence. In any way, the supply of such capable persons in the society, although growing up gradually, is not yet as adequate as to feed both the private and public sectors. If too many of them be drafted to the public sector, there will be shortage in the private sector whose role in the development of the country is not also insignificant.

¹Friedmann, W., The Public Corporation (The Carswell Company Ltd., Toronto, 1954) p. 562.

²United Nations, "Public Industrial Management in Asia and the Far East", New Delhi Seminar, (1959) p. 41

In both the countries administrative or operating boards are smaller than policy boards in size. The members of the former are full-time officials of the corporations having charge of specified branches of administration. Policy boards in both the countries are larger in size and consist of both full-time and part-time directors. Here ends the similarity in the two countries in respect of boards' membership. In Canada the two corporations sole are one member administrative board. These have no counterparts in Pakistan. In Canada the statutes of incorporation generally specify the number of members of the board but some merely fix the upper and lower limits. Thus the board of the Canadian National Railway consists of seven members who hold office for a term not exceeding three years and the board of Air Canada consists of seven members. The board of the Canadian Commercial Corporation is to consist of the President and not more than nine or less than five directors to hold office during pleasure. The board of the Crown Assets Disposal Corporation is to be of not less than six directors who may hold office for three years but may be removed at any time without cause. Unlike Canada, policy boards consisting of all part-time members are also in operation in Pakistan.¹

The Chairman of the East Pakistan WAPDA is appointed for five years and the members for three years. In Pakistan, the number of members of the boards of the corporations differ widely ranging between three and twenty-one. The usual tenure of board members is between three and five years and they may be reappointed. Members may be removed when found physically or mentally unfit to discharge the responsibilities entrusted to them.

¹All the four members, including the Managing Director of the East Pakistan Film Development Corporation are part-time directors.

Representation of special interests in the boards has been equally discouraged in both the countries. Thus the boards of corporation of either country do not include any member of the labour unions, agriculturists, consumers or similar other organization. In Canada, exceptions are the Ontario Food Terminal Board, in which the growers and whole-salers are represented, and the board of the Niagara Parks Commission wherein the local municipal councils are represented. Likewise, in Pakistan the Chairmen of the municipal committees are members of the Dacca Improvement Trust, the Chittagong and Khulna Development Authorities. But regional representation in the boards is not uncommon. In the cases of the Bank of Canada and the Canadian Broadcasting Corporation government invariably tries to include in the boards as far as possible the interest of different regions of Canada who can clearly reflect the point of view of labour, agriculture, women, finance and so on. But such appointment are not conceded as a right of special interest.

In Pakistan, with its unique geographical situation, provision for the representation of the two regional interests in the boards of central government level corporations is more pronounced and open. Some of these corporations include representatives from both the wings of the country according to the number fixed by statutes or convention. Some corporations have again regional boards which are subordinate bodies. For example, the National Bank of Pakistan has local boards established at Karachi, Lahore, and Dacca.

The subtle difference between the regional representation in the two countries can not be overlooked. While in Canada the regional representation is allowed as a gesture of benevolent attitude of the government, in Pakistan such representation reflects the admission of the rights of the

people of the two wings to participate in the management of public enterprises.

In Canada complete independence from the Civil Service Commission has been given to the corporation in respect of their staff. But still some external control persists. In a few instances cabinet approval of important appointments is necessary. For instance, the CBC, Agricultural Stabilization Board and the Export Development Corporations are statutorily obliged to obtain such approval. In the case of the Northern Canada Power Commission salaries must also be approved by the Treasury Board. But most of the corporations are free to appoint their officials and staff without external approval. This enables the corporations to compete successfully with private companies, who may be in search of the same type of personnel. Exceptionally competent hands and experts can be appointed on the spot and their salaries adjusted without reference to the Civil Service Commission and the Treasury Board. Disciplinary action leading to even dismissal of undesirable hands can be taken by the corporation executives as and when warranted. This has the important effect of strengthening loyalty and efficiency in the members of the staff of the corporation which are so very necessary for successful operations of a business concern. But corporations generally follow very closely the pay scales of the routine and clerical staff in the government departments. Thus they derive the best benefits of both worlds.

In Pakistan the corporations are empowered to appoint their officers and determine their terms and conditions of service. They may make regulations in regard to these and other matters. But the regulations must obtain the previous approval of the government. It has been observed by some executives of the corporations that the regulations controlling the personnel management

of corporations are more stiff than the Government Rules in this regard. In matters of probation, retirement, re-instatement after suspension, and questions not specifically defined in the Regulations the Government Service Rules apply. Again government approval is necessary for granting any new allowance or more than three premature increments to the servants of the corporations. The corporations cannot take disciplinary action against government servants working in the corporation on deputation. Above all, government may issue directives to the corporations for (a) instituting an enquiry into the conduct of any employee of the corporation, (b) reviewing any order of appointment, suspension, dismissal or discharge passed by any appropriate authority of the corporation, and (c) carrying out such directions as may be issued by the government after considering the report of the corporation under (a) and (b) above. Thus the statutory freedom granted to the corporation is rendered a shadow rather than reality. The power given by one hand seems to be taken away by the other.

Doubtless, the corporations of Canada at both federal and provincial levels enjoy more freedom of personnel management than their counterparts in Pakistan. This is because the public corporations in Pakistan have to depend upon government not only for finance but also to a large extent for the mid-management staff. It has thus been necessary to bring the corporate personnel policy as near as possible to the government personnel policy.

In both the countries, the incorporating statutes provide for the procedure of capital financing. In addition, the Financial Administration Act, 1951, has not only classified the corporations of Canada but has also made some uniform financial rules for the guidance of the corporations. There has been no such statutory attempt in Pakistan. In Canada direct capital financing from the Public Exchequer is limited to the extent of five

hundred thousand dollars at a time to be repaid within a year. But in Pakistan there is no such limitation or stringent fixation of the repayment time. This is because the public corporations there have to handle the major part of the development programmes of the government. The main sources of capital financing of the wholly-owned government corporations are grants and loans from the government and the mixed corporations get their capital from the sale of shares the majority of which is subscribed to by the government to ensure control.

In Canada the departmental corporations are as good as ordinary government departments for the purpose of financial rules. The capital of other two types of corporations are drawn from the operating revenues, internal resources of the corporations, sale of bonds and debentures, loans, and grants, outright grants out of the Consolidated Revenue Fund, and from sale of equity stock to the government. The most common procedure is the issue of share capital.

Direct borrowing from the public is exception rather than the rule in both the countries. This is subject to the careful scrutiny of the Finance Minister in Canada and the government in the Finance Ministry or Department in Pakistan. However, there are some exceptions in Canada. For example, the Canadian Wheat Board can raise loans on the security of the grain held by it without reference to the Governor in Council. But there is no such financial freedom to any corporation in Pakistan. The public corporation of Pakistan may raise loans from within and outside of the country only with the approval of the government, who determines the terms and conditions of the same.

The basic financial control of corporations in both the countries is through requiring the submission and approval of budgets. In Canada, the

capital budget of both agency and proprietary corporations on approval of the Governor in Council is to be laid before the Parliament. Agency corporations have, in addition, to submit their operating budgets for approval of the controlling minister and the minister of Finance. These are not required to be placed before the Parliament. The budgets of the Pakistani corporations both capital and operative need the approval of the government.

In Canada, the financial year of the corporations is declared to be the calendar year, unless Governor in Council otherwise directs. But in Pakistan the financial year of the corporation is that of the government. The ending of the financial year with the calendar year has certain advantages, that are available in respect of some Canadian corporations. These are not available in respect of the public corporations of Pakistan.

In Canada, the auditor of the Crown corporation is usually designated in the statute of incorporation. Some Acts, of course, provide for appointment of the auditor by the Governor in Council. The Auditor of the Canadian National Railways is appointed by an Act each year. Where the Governor in Council is empowered to appoint the auditor usually a private auditing firm is appointed. According to the provisions of the Financial Administration Act, the Auditor-General may be appointed auditor or joint auditor of any Crown corporation.

In contrast, Pakistan makes provisions for two types of audit of the accounts of the public corporations; internal and external. The internal audit which is generally of commercial nature, is to be conducted by not less than two auditors who should be chartered accountants to be appointed by the corporation with the approval of the government. The external audit is made by the Auditor-General in person or by an officer deputed by him.

An exception has been made in case of the two WAPDAS, whose accounts are audited by the Comptroller and Auditor-General of Pakistan. The Auditor-General has been given sweeping powers to investigate any irregularity in the accounts of the corporation. Government may also direct the Auditor-General to conduct audit of any sector of the corporation's activities in any manner it may deem desirable to specify.

With regard to the keeping of books and accounts, submission of annual reports, annual financial statements, maintenance of bank accounts, and investment in securities by the public corporations, the rules and practices in the two countries seem to be more or less similar.

The appointment of a Financial advisor, Finance Officer or Financial Director in the public corporations as representative of the Finance Ministry or Department is almost universal in Pakistan. The underlying idea is to restrain the corporations from exceeding the financial rules in the name of autonomy. These officers are sometimes deemed by the corporation executives as more than watch-dogs. There is no counterpart of them in Canadian corporations.

It will appear that financial control on public corporations is a little more stringent in Pakistan than in Canada. Control in financial matters is stringent there because many of the corporations have yet to depend on government grant or loan, and have been entrusted with the implementation of government development programmes.

State control and public accountability of public corporation in both the countries aim at satisfying the public that they, as owners of these enterprises, have the final word in controlling them. In Canada, these have been ensured through the media of ministerial control, parliamentary control, and control by the Auditor-General.

As far as ministerial control or control through the executive arm of the government is concerned the statutes of the two countries are equally emphatic in its assertion. In Canada, the web of ministerial controls over the corporations seem to be as systematic to the degree as that of the legislature is haphazard. The controlling powers of the minister in Canada over corporations consist of appointment and dismissal of board members, approval of developmental and financial actions, requirements of reports and in certain cases issuance of directives in the public interest. The Canadian situation points to close working relation between the Crown corporations and the ministries of departments. Consultation plays a very prominent part. Moreover, interested departments have representatives on the boards of the corporations.

The general pattern of government's control over public corporations in Pakistan take a much similar but a far more stringent form. The autonomy enjoyed by Pakistani corporations with the exception of a few cases is apparently much less than that enjoyed by their Canadian counterparts. The difference is that there the controls are entrusted to the government rather than to the minister. Government exercises wide control on the corporations. Except in purely internal matters most of the Pakistani corporations are required to obtain prior concurrence of government on important decisions before they can be acted upon. In fact, the degree of autonomy enjoyed by a particular public corporation depends on its size, status, number of personnel employed, nature, sphere, and extent of activities. Thus whereas the two Industrial Development Corporations, and the Pakistan International Airlines Corporation are almost free to frame and follow their personnel policy, scales of pay, rules of recruitment and

promotion, smaller corporations like the East Pakistan Small Industries Corporation or the Dacca Improvement Trust must obtain previous government approval on even comparatively minor matters in regard to recruitment, promotion, emoluments, etc.

Parliamentary control on public corporations in Canada as well as in Pakistan is less direct and of relatively lesser importance than the control exercised by the executive. It is now established that the control should not be of form or magnitude that would tend to cripple the initiative and drive of the corporation because that would ultimately defeat the purpose of the creation of the public corporation. But the need for keeping the members of the legislature informed of the affairs of the corporations has been well recognized as they are the representatives of the owners i.e. the public. It has therefore, become the practice that questions on policy matters, not on the day-to-day operations are to be replied by the ministers. Besides, committees are also formed in the legislatures of both the countries to enable closer consideration of the reports of the corporations. In the Canadian Parliament the Committee of Supply or the Committee of Ways and Means appear to furnish the best occasions for discussion of specific issues on corporations. Parliamentary committees are important links in the chain of accountability of Crown corporations in Canada.

In Pakistan the annual reports of all the corporations are placed before the Assembly for information of its members. The Public Accounts Committee of the Assembly scrutinises in detail the report of the Auditor-General on the accounts of the corporation. There is, however, no committee of the National or Provincial Assemblies to scrutinise the activities of the corporations.

In both Canada and Pakistan there are no consumers' consultative councils in any corporation as existing in the United Kingdom. But there are advisory committees in some of the corporations in the two countries. There is however, a Public Relation's Department in the corporation of both Canada and Pakistan to look into the public enquiries.

Pakistan has successfully experimented the use of joint public-private investment corporations. It is redeeming that all such corporations have been earning surplus and paying dividends on the shares. Canada may perhaps consider its use.

CHAPTER 5

CONCLUSIONS

Most of the countries - eastern and western - have under the dual pressure of ever increasing state functions and growing technical complexities of them adopted some form or other of the public corporation. Despite the fact that many nations have placed an unambiguous faith in the virtues of public ownership of industries and services, the question has not yet totally lost its controversial character. While admitting the evil effects of monopoly, it may be contended that public ownership and management add to them tending to make it the worst type. In public ownership some amount of centralization is unavoidable. The system of audit and reporting often render the organization rigid in administration and insensitive to the requirements of the consumer. Efforts to produce uniformity are likely to foster rigidity which the idea of incorporation designed to eliminate. Corresponding to the profit motive in the private enterprise there is no effective instrument of spur to efficiency in the public sector. This is often said to result in the inefficiency of the public sector, which may beget higher charges on the consumers or losses that the tax payer has to make good. Why then the governments all the world round have gone in for nationalization of industries and services? The motivation has been both ideological and pragmatic. Government decision for operating business enterprises is also influenced by the socio-economic values obtaining in a society and the responsiveness of the government to uphold such values. State ownership, in particular circumstances, may be considered as the most desirable being in the interest of the general public. It is necessary to look into each case individually to ascertain the circumstances surrounding its nationalization.

The case for public enterprise is much stronger in developing nations like Pakistan. In these countries public enterprise has an essential role to play in the process of national development which cannot be entrusted to any other agency. This does not, of course, mean that public enterprises in the developing countries are more efficient and efficacious than the private one nor does it tend to prove that government can do what the private entrepreneur cannot. Indeed, public enterprises may even be less efficient but yet it is the only practical way of performing some vital economic tasks and achieving the national goal. The role that the public sector plays in these countries is determined partly by necessity and partly by free choice. What is particularly important in many of the developing countries and especially in Pakistan is that the operation of a specified undertaking in the public sector does not necessarily imply hostility or competition with the private enterprise as such. In fact, in Pakistan one of the major purposes of public enterprise has so far been to provide an economic environment in which the private entrepreneur may get the maximum encouragement and support. The concept of public corporation is the result of a continuous search for a form of organization that combines the autonomous behaviour and operational flexibility of a commercial concern with the public accountability of state-owned enterprises.

Some amount of centralization and unification in the nationalized industry is necessary because there should be some form of responsibility if the need for public accountability is to be satisfied. Some measure of centralization in publicly owned industries is also necessary for effective planning of the development and management of industry in the national interest. It is also necessary to carry out the functions of capital development and management of industry in the national interest. It is also

necessary to carry out the functions of capital development, marketing, research and training as well as for effecting economies through unification, integration and standardization. But at the same time it has to be remembered that over-centralization encourages bureaucracy, causes frustration and inhibits initiative. There should be a maximum amount of decentralization consistent with the central control of national policy and planning. Therefore, what is needed is necessary devolution of administrative functions so as to give the power of decision to the man on the spot in appropriate cases. Over-centralization in the administration of the public corporations of Pakistan has been a persistent complaint. It has also been held at some quarters that over-centralization has been the root cause of the slow and uncertain achievement of the objectives of many of the public corporations.

There has been a growing tendency in Canada to regulate and co-ordinate the affairs of all public corporations by means of comprehensive statutes. This rationalization movement started with the passing of the Government Companies Operation Act, 1946, designed to standardise the forms and procedure of Crown companies. It was supplemented by the Financial Administration Act, 1951, which was again, designed to consolidate the various financial practices scattered through the special statutes creating the public corporations, although it was not an all-inclusive legislation. The amendment of the Industrial Relations and Disputes Investigation Act in 1948 requires government corporations to accept collective bargaining agents for their staffs. An amendment of the Income Tax Act in 1952 forces proprietary corporations to pay income tax. The Crown Corporations Act of Saskatchewan provides for a holding corporation under the caption of Government Finance Office which receives from the Provincial Treasurer

money and in its turn advances loans to other operating Crown corporations, makes financial rules and regulations governing them, approves rates of depreciation and reserves, collects surplus earnings from them and issues broad directions in financial matters.

Legislation of this type shows an increasing concern on the part of government to clarify, consolidate and standardise the status and operations of government corporations. Inevitably, these assertions of executive and legislative authority tend to constrict the overall autonomy of the corporation.¹

The appointment of senior departmental officers to the boards of corporations and the issuance of ministerial directives on the corporations are also evidence of the same trend. Legislation was also expected in 1969 for formation of the Canada Development Corporation as a holding Company.²

Pakistan has much to learn from this trend in Canada. The Pakistani corporations have also often been seriously criticised for poor performances by the press and the public. The setting up of a holding corporation is likely to improve the position as it does not appear to have failed this expectation in Canada or Italy.

But the appointment of ministers only as members of the board of the holding corporation as in Saskatchewan cannot be congenial to corporate growth. It becomes virtually a cabinet subcommittee, which is not essential for running a holding corporation.

There is no denying that the performances of the public corporations in Pakistan have not been uniform and there is ample room for improvement.

¹Hodgetts, J.E., "Responsibility of Government Corporation to the Governing Body", Proceedings of the 5th Annual Convergence of the Institute of Public Administration of Canada, 1953, p. 396.

²Mullington, H.J., The Federal Government as an Entrepreneur, The Canadian Experience, M.A. Thesis, Carleton University, 1969.

The extent of success or failure of the public corporation and its ability to function properly would largely depend upon whether or not its character is maintained with diligence and scrupulous regard is paid to the principles on which the concept is based. One of the most important areas in which anomaly is almost consistently noticed between concept and practice lies in the satisfaction of the twin requirements of autonomy and public accountability. It is clear since the public corporation is the instrument of public policy, it should be subject to public control. But the difficulty lies in deciding what should be the extent of such control that may be compatible with their objective of autonomy of management and flexibility of operation. One problem is how to give to public undertakings of an industrial or commercial character a large measure of independence in its day-to-day activities, while reserving to the government the final decision in major policy matters. Another problem is how to encourage or permit the management of public corporations to follow commercial principles while ensuring that social, political and economic goals are pursued when the national interest so requires.

The tendency in Canada, particularly in the province of Ontario is for ministers to intervene in many matters in different ways, regardless of whether they possess the legal power to do so. The result is that even though in theory public corporations enjoy freedom from ministerial and parliamentary control, in practice that freedom is very frequently greatly circumscribed.

The situation in Pakistan has been depicted as still more worse. Even some of the statutory provisions are such that in general the autonomy and operational flexibility of the public corporations are hedged around by too many restrictions. It is said that although the public corporations are

authorised to hire and fire their employees, make their own purchases, award contracts, and organise their own procedure, in actual practice government directions and instructions are issued in an unending chain. Consequently, the freedom that is given to them by one hand is taken away by the other. Government wishes to make the pay scale of the corporation employees conform to the government scale of pay, regardless of the different working conditions and need for less security and greater incentives. It wishes to regulate the employment of pensioners, clear the appointment of consultants, and compliance with hundreds of petty and inessential bureaucratic requirements. Even holding of meetings between the officials of the government departments and the heads of the corporations has been objected to on grounds of killing time unnecessarily. Although the members of the boards are appointed for a tenure period they are transferred and withdrawn at any time. While the government departments are audited once only in a year by the Auditor-General the corporations generally face two audits within the year. Even government approval of the development plans of the corporations has been resented on grounds of delay in processing and finalising of the same. Thus, "Behind the facade of autonomy, public undertakings are sought to be reduced virtually to government departments".¹

This is too sweeping a statement to stand test. A closer examination of the situation in Pakistan and other countries side by side will lead to the conclusion that Pakistani corporations are not placed under a degree of government control which is unknown to their counterparts anywhere else.

In Canada, the departmental corporations may be authorised to appoint

¹A.R. Ibrahim, "The Working of Public Corporations", NIPA, Karachi, Reporter (January-March, 1964) p. 32.

technical advisers and assistants for a temporary and fixed period with the approval of the Governor in Council. The fixation of remuneration of the employees of such corporations is also subject to the approval of the Governor in Council. In practice, most of the agency corporations work under some measure of ministerial control in respect of personnel policy whether the incorporating statute contains such a provision or not. Some of the proprietary corporations also are statutorily obliged to obtain the approval of the Governor in Council for appointment of members of the staff other than those appointed for the most temporary period of three months. It is interesting to note that some corporations have found it safe and advisable to obtain the government approval to employment of their staff although they have the full legal freedom to make appointments without reference to government. For example, the Niagara Parks Commission, after sad experience of a few years now obtains government approval to the appointment of its staff. Canadian Crown corporations have also been following the policy of keeping the pay scales of their clerical and stenographic employees as near as the government pay scales.

Government is the biggest employer in Pakistan. The over all employment policy is the concern of the governments throughout the world. Employment of government pensioners need the approval of the government all the more because of the fact that the incumbent's capability and performances for at least a period of twenty-five years is best known to the government. It is but true that government is the most competent authority to decide if such a person is likely to be of practical use to the public corporation which has been set up for achieving some national objectives, apart from the effect of employment of pensioners on the solution of unemployment problems that is no mean a task of the state in developing nations of which Pakistan is one.

In Pakistan majority of the consultants are foreign experts. Employment of such personages is everywhere the concern of the government as it involves policy decisions. It is the universal practice for governments to procure the services of foreign experts. Employment of experts from within the country should also likewise be the concern of the government only. After all the public corporations are the agents of the government. Discussion meetings between the heads of departments and the public corporations has been found to be the best and most effective instrument of cementing the differences of opinion between the corporations and the government everywhere. Pakistan cannot be an exception. The discussions should however, be held in an atmosphere of give and take. In high policy matters the government decision should invariably prevail. But it need be remembered that operational freedom is conducive to the efficient management of the public corporations.

Success or failure of a corporation, to a large extent, may depend on the men who constitute its board of directors, particularly the chairman. The sense of purpose and direction they give to the subordinates and the loyalty of purpose and devotion to the organization which they themselves display can materially affect the total organizational efforts in achieving the assigned goal. Here again the government comes in the picture in a prominent way for it is the government which appoints the members of the board. Members of the boards should be carefully chosen, preferably hand-picked, and once appointed they should be given the opportunity to play their proper role. Frequent transfers and replacements of Chairmen and members of the boards of corporations should be avoided as far as possible. If the boards are to be manned preeminently by civil servants, who do not necessarily have commercial and industrial training and experience, they should be retained in the corporations sufficiently long enough to learn and

understand the work and to contribute effectively to the successful operation of the undertaking.

There is a strong feeling in Pakistan that in the interest of operational efficiency of the corporations government should relax some of the more stringent and restrictive provisions of financial sanction and approval and to allow the corporations greater discretion in day-to-day operations. But the Pakistani corporations have not been placed under any financial restraint unknown to their Canadian counterparts. It should be recalled that the enlightened Canadian public have been increasingly demanding more stringent government control over the public corporations, particularly in the financial sphere. The corporations of both the countries have to remember that by their own achievements they are to justify their existence and should never expect unlimited bounties from the government. The Canadians judge ^{some of} their public corporations by comparison with the private business corporations. The public corporations of Pakistan should also be ready for being judged on the same standard. Corporations should not however, be made dependent on monthly or quarterly government sanction and they should be given wider power of reappropriation within the bounds of the total sanction which should be made on annual basis.

Corporations should not be averse to the directives of the government in matters of importance. Issuance of government directives is not a new thing in Pakistan only. Public corporations of many countries of the world have to carry out government directives in terms of the incorporating statutes and even in the absence of such provisions therein. Government directives are particularly a necessity in Pakistan. Frequent transfers and changes of the heads of corporations and members of the boards may lead to discontinuity and possibly dislocation of policy implementation

by the corporations. In such circumstances government department is the only source of maintaining continuity of policy and directing its implementation.

In Pakistan one of the financial rules that is said to have acted as one of the most potent forces in discouraging initiative and discretion in the managerial decisions is the procedure of double auditing. Although the system of double auditing is not universal it is not completely absent in other countries too. For example, in Canada the accounts of the Bank of Canada, the Central Mortgage and Housing Corporation, the Industrial Development Bank, the Canadian Wheat Board, and the Air Canada are audited by auditors appointed in terms of the authorising statutes. The Financial Administration Act, on the other hand, provides for appointment of the Auditor-General as auditor or joint auditor of any corporation.

The intention behind this was perhaps a desire to assess the degree of efficiency and economy with which the public corporations were operating. Mere certification of the balance sheet, and profit and loss statement as done in commercial audit does not sufficiently safeguard the interest of the tax payer. What is actually needed is the development of a regular system of efficiency audit. The audit that obtains in Pakistan at present is far from the type of efficiency audit. The auditors are said to be more with the observance of formalities than with rationality and economy in expenditure. In many cases auditors fail to appreciate the necessity of taking out of the way decision and in the end make the working of a commercial enterprise impossible.

It is perhaps this kind of situation which Mr. Paul Appleby had in mind when he commented in connection with Indian public enterprises that "auditors don't know and cannot be expected to know very much about good administration. Auditing is a necessary but highly pedestrian function with

a narrow perspective and very limited usefulness".¹ This is undoubtedly an extreme view and the latter part of the comment on the usefulness of the audit may be contested on the ground that it is public money which the public corporations are spending. Audit only aims at making them render due public accountability for such expenditure. It may be that in the form in which it is practised in Pakistan at present the negative aspects more often than not outweigh the positive benefits that are supposed to accrue through audit. No doubt, the practice should continue in Pakistan where officials transacting public money should not only be honest but should also show that they are honest. However, to make it truly useful as an instrument of public accountability radical transformation in the attitude and outlook of the auditors are also a thorough reorganization of the auditing procedure is necessary.

Appointment of senior officers in the boards has been severely criticised in both Canada and Pakistan. The brighter side of such appointment has been overlooked. The officials carry with them a store of long experience and expertise which may profitably be utilised by the corporations. This is particularly true for Pakistan where admittedly dearth of competent commercial and industrial manager still exists. The practice need be continued at least for some time more. Once appointed they should be allowed to continue there for a period sufficient for the useful utilization of their superior intelligence, expert knowledge and experience.

While conceding that the public corporations in both Canada and Pakistan have to work under certain handicaps, they have a number of advantages over their counterparts in the private business. They have easier access to finance and foreign exchange, to the government officials which ensures possibility of securing with less difficulty goods and services

¹ J. B. G. J., *Administrative and Financial Control of Public Corporations*, 1966, p. 100.

within control of the government e.g. land, water and electric supply etc. Above all, the very existence of the government support for them counts heavily in their favour, and in some cases more than compensates the handicaps that they have to face. They should therefore make it a point to set up entrepreneurial ideals.

It has already been proved that inspite of the little bit of difficulties under which they have to work, it is possible for the corporations to achieve their objectives. The Hydro Electric Commission of Ontario has set up a high standard of performance recognized all over the world. The performance of the Indus Valley Project has also been able to enlist the appreciation of the World Bank. What is needed more than anything else is sincerity and devotion on the part of the corporations officials.

The public corporation has come to stay as an arm of public administration in Canada and Pakistan. It has a continuing role to offer clear advantages to the government in discharging obligations to the governed in the fields of commerce, industry, and services. Like all other organs of administration the public corporation is also subject to gradual evolution and modification. The prominent trends that have already made appearance are centralised control and co-ordination and ultimate disinvestment.

Appendix A

CROWN CORPORATIONS & GOVERNMENT AGENCIES

Source: Library of the Departments of Finance and Treasury Board,
Government of Canada.

Corporation	Minister	Under F.A.A. Act				Notes
		Departmental	Agency	Proprietary	Unclassified	
Agricultural Stabilization Board	Agriculture	X				
Air Canada	Transport			X		
Atomic Energy Control Board	Energy, Mines & Resources	X				
Atomic Energy of Canada Ltd.	Energy, Mines & Resources		X			
Bank of Canada	Finance				X	
Canada Council	Secretary of State				X	
Canada Deposit Insurance Company	Finance			X		
Canadian Arsenal Ltd.	Supply and Services		X			
Canadian Broadcasting Corporation	Secretary of State			X		
Canadian Commercial Corporation	Supply and Services		X			
Canadian Dairy Commission	Agriculture		X			
Canadian Film Development Corporation	Secretary of State		X			
Canadian Livestock Feed Board	Agriculture		X			
Canadian Maritime Commission	Transport	X				
Canadian National Railways	Transport			X		

		Under F.A.A. Act				Notes
Corporation	Minister	Departmental	Agency	Proprietary	Unclassified	
Canadian National Railways Securities Trust	Transport				X	
Canadian National (W. Indies) Steamships, Ltd.	Transport		X			
Canadian Overseas Telecommunication Corp.	Communications			X		
Canadian Patents & Development Ltd.	Chairman of the Committee of the Privy Council on Scientific & Industrial Research		X			
Canadian Saltfish Corporation	Fisheries & Forestry		X			
Canadian Wheat Board	Hon. Otto Lang				X	
Cape Breton Development Corporation	Regional Economic Expansion			X		
Centennial Commission	Secretary of State		X			
Central Mortgage and Housing Corporation	Privy Council			X		
Company of Young Canadians	Secretary of State		X			
Crown Assets Disposal Corporation	Supply and Services		X			
Defence Construction (1951) Ltd.	National Defence		X			
Director of Soldier Settlement	Veterans Affairs	X				
Director, Veteran's Land Act	Veterans Affairs	X				
Dominion Coal Board	Energy, Mines & Resources	X				
Eastern Rockies Forest Conservation Board	Fisheries and Forestry				X	

Corporation	Minister	Departmental Agency	Proprietary	Unclassified	Notes
Economic Council of Canada	Privy Council	X			
Eldorado Aviation Ltd.	Energy, Mines & Resources		X		
Eldorado Nuclear Ltd.	Energy, Mines & Resources		X		
Export Development Corporation	Industry, Trade & Commerce		X		
Farm Credit Corporation	Agriculture		X		
Fisheries Prices Support Board	Fisheries and Forestry	X			
Freshwater Fish Marketing	Fisheries and Forestry		X		
Industrial Development Bank	Finance			X	
Medical Research Council	National Health & Welfare	X			
Municipal Development and Loan Board	Finance	X			
National Arts Centre Corporation	Secretary of State			X	
National Battlefields Commission	Indian Affairs and Northern Development		X		
National Capital Commission	Regional Economic Expansion		X		
National Harbours Board	Transport		X		
National Museums of Canada	Secretary of State	X			
National Research Council	Chairman of the Committee of the Privy Council on Scientific & Industrial Research	X			
Northern Canada Power Commission	Indian Affairs and Northern Development		X		

Corporation	Minister	Departmental	Agency	Proprietary	Unclassified	Notes
Northern Transportation Co. Ltd.	Indian and Northern Development			X		
Polymer Corporation Ltd.	Supply and Services			X		
Royal Canadian Mint	Supply and Services		X			
Science Council of Canada	Privy Council	X				
Seaway International Bridge Corp. Ltd.	Transport			X		
St. Lawrence Seaway Authority	Transport			X		
Unemployment Insurance Commission	Labour	X				

Appendix B

Source: Government Finance Office, Saskatchewan

Crown Corporations in operation in Saskatchewan as on July 1, 1971

In the field of co-ordination and control

1. The Government Finance Office,

In the field of financing

1. The Municipal Financing Corporation

In the field of transportation

1. Saskatchewan Transportation Company

In the field of commerce and industries

1. Saskatchewan Minerals,
2. Saskatchewan Pulpwood Limited,
3. Saskatchewan Forest Products,
4. Saskatchewan Fur Marketing Service, (commission marketing agency
for privately produced fur)
5. Saskatchewan Economic Development Corporation,
6. Saskatchewan Government Printing Company,
7. Saskatchewan Government Insurance Office, (Operates general insurance business and also
administers the Automobile
Insurance Act)

In the field of communication

1. Saskatchewan Telecommunications

APPENDIX C

Data on Some Government Corporation, Authorities,
Boards and Companies in PakistanSource: R. Braibanti, Research on the
Bureaucracy in Pakistan

Abbreviations:

GPE - Gazette of Pakistan Extraordinary
D.G. - Dacca Gazette
GWP - Gazette of West Pakistan ExtraordinaryGWP - Gazette of West Pakistan Extraordinary
DG - Dacca Gazette
GWP - Gazette of West Pakistan

1	2	3	4	5	6
Sr.No.	Name of Agency	No. of Board Members	Date of Establish- ment	Authorising Statute	Ministry/Department to which responsible

1.	Pakistan Refugees Rehabilitation	9	April, 1948, re- organised Jan. 1960	GPE, Jan 25, 1960	Finance
2.	Industrial Develop- ment Bank of Pak.	11	Feb. 29, 1949, became bank on July 18, 1961	GPE, March 1, 1949, and GPE, July 29, 1961	Finance
3.	Security Printing Corporation	7	March 10, 1949	Agreement Feb 1, 1949 between Government of Pakistan and de la Rue Co. Ltd.	Finance
4.	National Bank of Pakistan	14	Nov. 9, 1949	GPE, Nov, 9, 1949	Finance
5.	House Building Finance Corporation	7	April 19, 1952	GPE, April 18, 1952	Finance

6.	Pakistan Insurance Corporation	9	May 8, 1952	GPE, May 8, 1952	Communication				
7.	Pakistan International Airlines Corporation	9	Jan. 1955	GPE, Jan. 10, 1955	Defence				
8.	Agricultural Development Bank of Pakistan	7	April 30, 1957 reconstituted 1961	GPE, April 30, 1957 and GPE, Feb. 11, 1961	Food and Agriculture				
9.	Pakistan Industrial Credit & Investment Corporation	16	Nov. 26, 1957	-	Industries				
10.	Capital Development Authority	3	June 27, 1960	GPE, June 27, 1960	-				
11.	Oil & Gas Development Corporation	3	Sept. 20, 1961	GPE, Sept. 20, 1961	Fuel, Power and Natural Resources				
12.	Atomic Energy Commission	4	Dec. 11, 1959 reconstituted May 27, 1965	GP, Dec. 18, 1959 & GPE, May 29, 1965	Fuel, Power and Natural Resources				
13.	National Shipping Corporation	9	Sept. 15, 1963	GPE, Sept. 18, 1963	Defence				
14.	Investment Corporation of Pakistan	13	Feb 22, 1966	-	Finance				
15.	Trading Corporation of Pakistan	6	July 28, 1967	-	Commerce				
16.	Pakistan Television Corporation	8	May 29, 1967	-	Information				
16A.	Jute Trading Cooperation Ltd.	7	June 14, 1967	-	Commerce				

Government of East Pakistan

17.	Dacca Improvement Trust	9	August 9, 1956	DG, Aug. 9, 1956	Works
13.	East Pakistan Jute Marketing Corporation	3	June, 1957	DGE, May 7, 1957	Commerce & Industries
19.	E.P. Small & Cottage Industries Corporation	4	May 31, 1957	DGE, May 21, 1957	Commerce & Industries
20.	E.P. Inland Water Transport Authority	3	Nov. 1958	DGE, Ordinance LXXXV of 1958	Railways, Waterways and Road Transport
21.	E.P. Water and Power Development Authority	3	Jan. 1, 1959	DGE, Jan. 1, 1959	Works
22.	Chittagong Development Authority	7	Sept., 1959	DGE, July 27, 1959	Works
23.	E.P. Forest Industries Development Corporation	4	Oct., 1959	DGE, Oct. 3, 1959	Commerce & Industries
24.	E.P. Road Transport Corporation	5	Dec. 1961	DGE, Feb. 4, 1961	Railways, Waterways and Road Transport
25.	Film Development Corporation	5	May 21, 1957	DGE, May 21, 1957	Commerce & Industries
26.	Muhlna Development Authority	12	Jan. 21, 1961	DGE, Jan. 21, 1961	Works
27.	E.P. Agricultural Development Corporation	5	Oct. 16, 1961	DGE, Oct. 16, 1961	Agriculture

28.	E.P. Industrial Development Corporation	4	July 1, 1962 (originally created April, 1950)	GP, April 7, 1950, pt.V., and GPE, June 4, 1962	Commerce and Industries
29.	E.P. Shipping Corporation	5	Mar. 7, 1964	GEPE, Mar. 7, 1964	Railways, Waterways and Road Transport
30.	E.P. Fisheries Development Corporation	6	Mar. 25, 1964	GEPE, Mar. 26, 1964	Agriculture
			<u>Government of West Pakistan</u>		
31.	West Pakistan Road Transport Corporation	7	Oct. 12, 1957, re-constituted May, 1963	Motor Vehicle Act, 1957 amended by West Pakistan Ordinance No. XI of 1963	Railways and Communications
32.	Karachi Development Authority	5	Dec. 13, 1957	President's Order V, 1957	Works and Rehabilitation
33.	Karachi Road Transport Corporation	6	May 18, 1958	GEPE, April 24, 1958	Railways and Communications
34.	M.P. Water and Power Development Authority	3	April 24, 1958	GEPE, April 24, 1958	Fuel, Power and Natural Resources
35.	M.P. Agricultural Development Corporation	5	Sept. 21, 1961	GEPE, Sept. 20, 1961	Agriculture
36.	M.P. Small Industries Corporation	5	May 5, 1962, re-troactive to April 30, 1960	GEPE, April 16, 1960 & GEPE, May 8, 1960	Industries
37.	M.P. Industrial Development Corporation	3	July 1, 1962 (originally created April 1950 V, and GPE, June 4, 1962	GP, April 7, 1950, pt	Industries

Appendix A

BROAD FINANCIAL POSITION OF VARIOUS CORPORATIONS, BANKS AND OTHER INSTITUTIONS IN WHICH THE CENTRAL GOVERNMENT HAVE MADE INVESTMENT

(In thousand rupees)

S. No.	Institutions	Capital		Government Investment		Other Financial Summary		
		Authorised	Issued and Paid-up	Actual payment up to 31st December 1960	Total Government loans obtained up to 31st December 1969	Net Profit in 1968-69	Dividend on Investment	Price of per unit of share quoted on the stock exchange on 30th March 1970
1	2	3	4	5	6	7	8	9
1.	National Bank of Pakistan	3,00,00	3,00,00	75,00	—	1,55,21	Rs. 10 per share	143.00 (50.00)
2.	Industrial Development Bank of Pakistan	5,00,00	5,00,00	—	11,30,00	1,72,12	8%	115.00 (100.00)
3.	Agricultural Development Bank of Pakistan	20,00,00	16,00,00	13,00,00	33,61,00	69,00	—	—
4.	Pakistan Industrial Credit and Investment Corporation	15,00,00	10,10,00	—	8,00,00 (March 1969)	2,60,00	10%	18.00 (10.00)
5.	Pakistan Insurance Corporation	1,00,00	50,00	—	82,00	93,00	10%	182.50 (100.00)
6.	House Building Finance Corporation	5,00,00	5,00,00	—	3,00,00 (March 1969)	—	—	—
7.	Pakistan Refugees Rehabilitation Corporation	3,00,00	1,60,00	—	39,00	—	—	—
8.	Investment Corporation of Pakistan	20,00,00	5,00,00	—	10,00,00	62,65	5%	—
9.	National Investment (Unit) Trust	12,00	12,00	—	1,00	1,00,00	Rs. 1.05 per Unit	14.30 (10.00)
10.	Pakistan International Airlines Corporation	12,00,00	11,25,00	—	10,19,00	2,30,00	10%	14.25 (10.00)
11.	National Shipping Corporation	25,00,00	5,00,00	—	—	3,17,00	20%	42.75 (10.00)

8. Investment Corporation of Pakistan	—	20,00,00	5,00,00	—	10,00,00	62.65	5%	—
9. National Investment (Unit) Trust	—	12,00	12,00	—	1,00	1,00,00	Rs. 1.05 per Unit	14.30 (10.00)
10. Pakistan International Airlines Corporation	—	12,00,00	11,25,00	—	10,19,00	2,30,00	10%	14.25 (10.00)
11. National Shipping Corporation	—	25,00,00	5,00,00	—	—	3,17,00	20%	42.75 (10.00)

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1	2	3	4	5	6	7	8	9
								(In thousand rupees)
12. Pakistan Security Printing Corporation	..	75,01 ¹	75,00	—	45,00	3,10,00 (March 1970)	—	—
13. Karachi Electricity Supply Corporation	..	10,00,00	5,95,00	- 1,89,00	2,51,00	—	10%	325.00 (100.00)
14. Pakistan Electric Agencies	..	5,00	2,00	—	47	1,33,00	—	—
15. Telephone Industries of Pakistan	..	8,06,00	6,33,00	—	—	5,00	—	—
16. Pakistan Television Corporation	..	5,00,00	2,94,00	—	3,95,00	—	—	—
17. Trading Corporation of Pakistan	..	5,09,00	25,00	2,19,00	50,00	76,00	—	—
18. Jute Trading Corporation	..	5,00,00	80,00	—	53,00	8,00	—	—
19. Oil and Gas Development Corporation	..	—	—	—	25,00,00	—	—	—
20. Printing Corporation of Pakistan	..	3,00,00	—	—	—	—	—	—
21. Pakistan Steel Mills Corporation	..	50,00,00	20,00	—	—	—	—	—
22. Pakistan Oilfield	..	1,00,00	20,00	—	3,60	—	—	—
23. Pakistan Petroleum	..	20,00,00	15,00,00	—	3,44,00	—	111%	—
24. Pak Stanvac Petroleum Project	..	5,50,00	5,50,00	3,85,00	—	—	—	—
25. Petroleum Development of Pakistan	..	6,25,00	—	—	4,92,00	—	—	—

Source: Government of Pakistan, Ministry of Finance,
Government Sponsored Corporations, 1969-70.

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