

# THE SELECT STANDING COMMITTEE ON CROWN CORPORATIONS IN BRITISH COLUMBIA

Jack J. Kempf, MLA

**The Committee on Crown Corporations was established by a statute of the British Columbia Legislature in 1977. This article describes the innovative approach, possibly unique in the parliamentary system, which this Committee brings to the direction, control and accountability of Crown-owned companies in British Columbia.**

Crown corporations fulfil a special role in British Columbia in administering and providing many essential services to the public. As public policy has developed, government has expanded the number, size and complexity of Crown-owned companies, thereby increasing their impact on residents and the economy. These companies affect all British Columbians, by providing services to government; electric power; natural gas; ferry, rail and transit services; auto and general insurance; and real property and business development.

The pervasiveness of Crown corporations requires that they be fully accountable to government and the public. As instruments of public policy, Crown corporations must respond to the priorities of the executive branch, often being required to undertake uneconomic activities without compensation while maintaining a business-like appearance. To the extent that actions of Crown companies draw on the financial resources of the province, the Legislative Assembly must be informed of and approve the commitment and expenditure of public funds. Finally, disclosure to the Legislature and public through annual reports and reviews by legislative committees enables periodic assessments of Crown corporation performance to be made.

In British Columbia, there was an increasing awareness that, as Crown corporations have grown, the established control mechanisms have become less effective in achieving a satisfactory level of accountability. In speaking of the effectiveness of these mechanisms the Premier stated in the House that: They (Crown corporations) have grown beyond the ability of the government

within the present restrictions and present committee system to make them accountable to this chamber or accountable to the people of the province.<sup>1</sup>

The dissatisfaction with the traditional control mechanisms — the designation of responsible ministers to act as links between the Executive Council, the corporation and the Legislature, and the periodic reviews by legislative committees — led to the introduction of Bill 52, the *Crown Corporation Reporting Act* and its companion motion on the Order Paper. In speaking for the bill the Premier stated: "This committee — this Crown corporations reporting committee — would have much greater powers and opportunities to deal with these Crown corporations. They could deal with them not in a political way or in the political atmosphere that sometimes gets in the way of an earnest and honest effort of all members of this House . . . to try to get to the root of what's happening in our Crown corporations."<sup>2</sup>

In addressing its inaugural meeting, the first chairman of the Committee, Elwood Veitch, outlined what would be expected of Crown corporation management and committee members.

Management of these organizations (Crown corporations) have a special responsibility to the citizens not only through providing a high degree of service but also, in the final analysis, to be accountable to those who are their ultimate employers and in most cases pay the final bills when the operations run up deficits.

. . . this Committee provides a unique opportunity to us as M.L.A.'s . . . to be of increased service to our constituents if our examinations are conducted in a positive and constructive vein and, if held in a non-

*Jack Kempf has been a member of the British Columbia Legislative Assembly since 1975. He became Chairman of the Standing Committee on Crown Corporations in 1979.*

adversary climate, this process should be beneficial to the corporation, to the Crown and, above all, to the public.

## THE LEGISLATION

There are several distinguishing features of the Committee on Crown Corporations which make it unique in the Commonwealth. First, it is to our knowledge the only select standing committee which has its own statutory authority. This statute and its companion Standing Order create and govern the committee as follows: the Committee is a Select Standing Committee of the House, appointed from government and opposition benches at the first sitting of each Parliament and continuing until dissolution. The Committee may not, without leave, be comprised of more than 14 members of the House. The Committee elects its own chairman and secretary from its membership. The Committee may make rules governing its procedures and may sit as a whole or in subcommittees. The costs and expenses of the Committee are guaranteed by statutory appropriation. The provisions of the Act also clearly separate the executive and legislative branches of government by barring any member of the Executive Council from Committee membership.

The Committee is also unique in its ability to employ a permanent staff and to do so without regard to the *Public Service Act*. Since its inception, the Committee has maintained a staff of professionals with diversified experience gained outside of government. The existence of this staff, sensitive to the problems associated with operating business enterprises, has ensured that the Committee members receive competent and non-partisan support and advice and, in addition, that Crown corporations are subjected to a review which considers both their public policy and business interests.

*The Crown Corporation Reporting Act* requires that the Committee on instruction from the House, or on its own initiative and in any case not less often than every three years, "... generally inquire into and examine the management, administration and operation of each (scheduled) corporation." Broad terms of reference are given for these periodic reviews. In exercising its powers the Committee shall, at all times, give primary consideration to (a) the public interest in respect of the corporation, (b) the interest of the Crown as shareholder or principal of the corporation, and (c) the responsibility of the Crown in respect of the corporation.

Beyond this general instruction, the Committee is free to define the limits of its work. Unlike many stand-

ing legislative committees, it is not restricted to reviews of past performance but may undertake a broad range of inquiry including examinations of corporate organization and policy, and of present and future financial and operating plans. The Committee may exercise the same powers as the Legislative Assembly in compelling the attendance of witnesses and presentation of information. The chair has the same powers as the Speaker of the House. Committee members are granted all the powers, privileges and protection of a select standing committee of the House.

The jurisdiction of the Committee extends over four of the largest provincial Crown corporations. The corporations named in the Act include: B.C. Hydro and Power Authority, B.C. Railway, B.C. Ferry Corporation and the Insurance Corporation of B.C.. The Committee has recommended to the Legislature that its schedule be expanded to include B.C. Development Corporation, B.C. Systems Corporation and B.C. Buildings Corporation. Inclusion of these corporations would give the Committee jurisdiction over all major provincial Crown corporations.

## ORGANIZATION OF THE COMMITTEE

The Committee on Crown Corporations is presided over by its chairman and a management subcommittee who guide the activities of the Committee and deal with administrative matters. Recently, four subcommittees were created each with primary responsibility for one of the scheduled Crown corporations. This step was taken to improve the effectiveness of the Committee by allowing individual members to gain more in-depth knowledge of a corporation in which they have a special interest without restricting their general view of the others. It is also seen as a means of facilitating the ongoing monitoring of the corporations without the necessity for meetings of the whole Committee.

The day-to-day activities of the Committee occur primarily at the staff level. Under the guidance of a Director, the professional analysts maintain contact with corporation managements, reviewing their operations, planning processes and financial and management reports. In addition, the staff is available at the request of the Committee or any individual member to appraise any general or specific matter of interest.

The Committee normally meets once a month unless the business of the House prevents it. At these meetings, the members are briefed by staff on the activities of the Crown corporations and discussions are held with

respect to the more specific investigations to be undertaken.

In those cases where a specific investigation is undertaken, the Committee usually directs the staff to prepare the necessary background information in the form of a briefing paper which is discussed along with other points of interest at a closed meeting. The Committee then meets with corporation directors and management and other interested parties at a series of public meetings, though in cases where the Committee determines that confidentiality is required, hearings may be held in private.

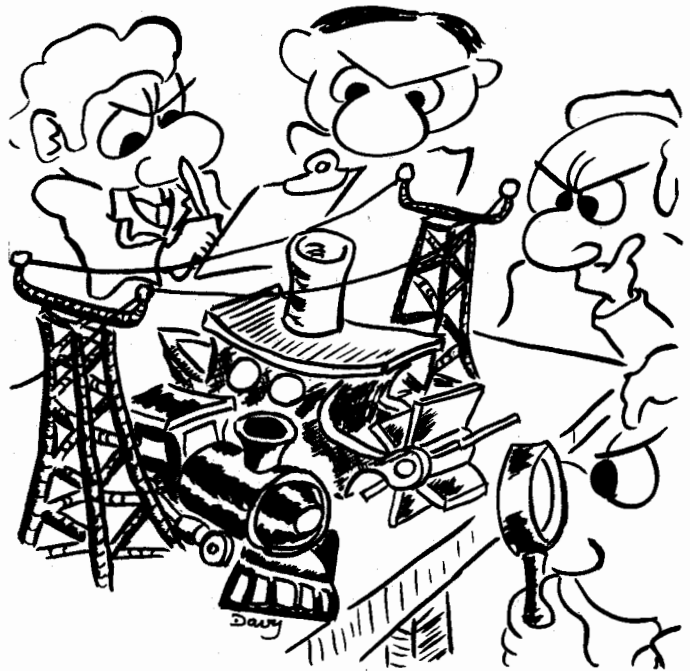
At the conclusion of hearings and staff investigations, the Committee issues a report containing its conclusions and recommendations for presentation to the Legislature. While the recommendations made by the Committee are not binding on the government of the day or on the corporation, the Committee and its staff follow with interest the response to its proposals and the actions taken.

## THE FIRST FOUR YEARS

The first Committee on Crown Corporations chose B.C. Hydro and Power Authority, the largest provincial Crown corporation, as its first subject for review. Examination of several B.C. Hydro activities took up a major part of the Committee's first year. Preliminary inquiries were also made of the B.C. Housing Corporation (since dissolved) and the Insurance Corporation of B.C..

The Committee began by reviewing Hydro's urban transit services which were incurring losses exceeding \$60 million annually and consequently were requiring offsets from Hydro's electricity, natural gas and railway operations. A report was filed with the Legislature in May, 1978, questioning the desirability of leaving the service within Hydro where it was in effect a "forgotten child". Two months later the government created the Urban Transit Authority and Pacific Coach Lines Ltd., two new Crown corporations, to assume responsibility for urban transit services and interurban bus services respectively.

The Committee also investigated alleged contract irregularities during construction of B.C. Hydro dams on the Columbia River. During May and June 1978, four public hearings were held with Hydro management to examine the tendering process, contract award procedures and management and financial controls employed during construction of three Columbia River Treaty



dams. This inquiry led to a comprehensive report outlining the history of the project, documenting associated problem areas and suggesting improvements to both contracting procedures and organization structure at B.C. Hydro.

In September, 1979, the Committee completed a review of the 1980-1989 electrical supply-demand forecasts prepared by B.C. Hydro. The working papers coming from this review dealt primarily with three questions: the accuracy of expected demand growth; the provision of electrical power beyond the forecast horizon; and the implications of prebuilding generating facilities to allow increases in electricity exports to other Canadian provinces or to the United States. The Committee went further on this last topic by suggesting appropriate conditions for sale of surplus electricity.

The B.C. Ferry Corporation, which provides coastal ferry service to over 12 million passengers and 4 million vehicles annually, was chosen by the Committee for review during 1979/80. Several public hearings were held with management and directors, including the corporation chairman, the Minister of Transportation and Highways. The Committee's interests focused on the ability of the corporation to plan for and finance service demands which have been growing at 10 percent per year. Other issues such as the clarity of corporate goals and objectives, external reporting and disclosure practices, and labour relations were also addressed in a report filed with the Legislature in January, 1981.

During 1980, the Committee also began a review of the B.C. Railway which provides passenger and freight rail services to the central and northern interior of British Columbia. This corporation has in recent years required substantial financial assistance from the public treasury to maintain uneconomic services and to service an enormous debt which was accumulated during its developmental stage. During 1981, the Committee will continue its review of B.C. Rail and begin as well a review of the provincial insurance corporation.

## THE COMMITTEE'S ACHIEVEMENTS

Although it has touched on the activities of each corporation, it has taken longer than originally expected for the Committee to complete a thorough review of all scheduled Crown corporations. However, on the basis of the work completed to date, it is possible to make a preliminary assessment of the Committee's effectiveness. There are perhaps three basic achievements which can be identified and which give encouragement for the future of this and subsequent Committees on Crown Corporations.

The first major achievement of the Committee has been its ability to gain credibility with the Crown corporations. All Crown corporations accepted the need for a public forum in which they could seek support for their plans and in which the 'shareholder' could review management performance — a proxy for the private sector Annual Meeting. The Committee was, however, viewed by some as simply another layer of politics and bureaucracy to complicate their businesses. This early skepticism has, for the most part, been proven unwarranted by the sensitivity shown by the Committee and its staff to both the public policy and the proprietary roles which these corporations seek to balance. This is not to say that politics has not entered into the operation of the Committee but instead that the Committee members from both sides of the House have given greater em-

phasis to the management of the taxpayers' investment in Crown companies.

The acceptance of the Committee has led to its second major achievement, the implementation of changes within the Crown corporations in line with many of its suggestions and recommendations. The scheduled Crown corporations have introduced changes in organization structure, procedures and policy, in the priority given to corporate planning activities and in their external reporting and public disclosure policies. These indications of increased awareness by management of performance and its evaluation are encouraging results of the Committee's work.

The third major achievement has been a visible change in the relationship between the government and the Crown corporations. In line with Committee recommendations, the government has expanded the board of B.C. Hydro in size and diversity of experience, thereby improving the direction of the corporation. A new full-time chairman, recruited outside of government, has been appointed to the B.C. Ferry Corporation's board to replace the Minister of Transportation and Highways who now serves as an ordinary director. In addition, the government has begun to fund from the public treasury certain uneconomic services and projects undertaken by Crown corporations at government request. These government actions, representing a formalizing of relations, reflect a marked change from the situation in which Crown corporations were viewed more as government departments than as separate legal entities with their own responsible boards of directors and management teams providing goods and services in the provincial economy.

The changes outlined here may seem modest and in time might have been adopted with or without the catalyst of the Committee on Crown Corporations. However, they do represent real achievements towards the Committee's overall objective of improving the chain of direction, control and accountability of Crown Corporations in British Columbia.

## NOTES

1. *Hansard*, August 25, 1977, p. 4945
2. *Ibid*