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## GOVERNMENT-OWNED ENTERPRISES IN CANADA

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### SUMMARY

Until now, assessments of the scope of enterprises in Canada that are owned by government have placed Canada roughly in the middle of OECD member countries in terms of how much direct control governments have over businesses in our economy. But that's because all of those assessments have relied almost strictly on counting federal Crown corporations. For the first time, this study takes into account businesses owned by lower levels of governments. And once they are accounted for, it becomes clear that the size of Canada's state-owned enterprise (SOE) sector is dramatically bigger than previously thought. In fact, the provincial Crown sector alone is significantly larger than the entire federal sector, whether we measure by assets, employees or contribution to national GDP.

Add the assets of provincial Crown corporations to the federal ones and the combined sector turns out to be nearly two and a half times larger than the federal sector alone. Measured by contribution to GDP, the provincial sector and federal sector together account for nearly five times as much as the federal sector on its own.

But even this seriously understates the true scope of government-owned enterprise in Canada, since it does not account for what are certainly hundreds more municipally owned corporations. Getting a handle on the actual size of the undoubtedly substantial municipal-SOE sector, however, has proven to be difficult, due to the dispersion of records and the differences in how government-affiliated businesses are structured and defined from city to city (and even within the same city). But one thing is certain: Canadian governments own a sizeably larger share of the national economy than past studies have suggested.

The share of the economy that is controlled by government is something Canadians need to have a much clearer idea about: In the past, Canadian governments have privatized many of the most visible state-owned businesses, from Air Canada and Petro-Canada at the federal level, to Manitoba Telephone Systems and Nova Scotia Power Corp. at the provincial level. With a better understanding of the size, and structure, of the government-owned enterprise sector, Canadians may wonder if there is still much more room for privatization. It is possible that may not be the case. But until Canadians have clear information about the government's ownership stake in the economy, informed decisions about the further privatization of Crown corporations are not possible.

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<sup>†</sup> The authors wish to acknowledge the helpful comments of the anonymous referees.

## 1. INTRODUCTION

The objective of this paper is to compile an inventory of Crown corporations or, more generally, government-owned enterprises, at the federal and provincial level in Canada.

Most previous studies of the size of the Crown sector, in Canada and elsewhere, focus on the federal government. There is no other study that we are aware of that looks at the provincial Crown sector in the level of detail achieved here. As will be illustrated, a key insight from this analysis is that Canadian provincial governments own a significant number of corporations in a variety of sectors and, in fact, the provincial Crown corporation presence exceeds the federal presence along several dimensions. Previous studies based on a subset of federal Crown corporations are thus misleading and may be considered an underrepresentation of the scope of government-owned enterprises in Canada.

This is primarily an exercise in data gathering and presentation. While we offer some metrics that may be thought of as meaningful inputs into a discussion of the scope for privatization, the merits of privatization need to be considered on a case-by-case basis using a host of other metrics and incorporating many issues that are beyond the scope of this paper; we undertake no such analysis here.<sup>1</sup>

## 2. DEFINING STATE-OWNED ENTERPRISES

The objective of our inventory is to document the extent of government involvement in the market through state-owned enterprises. It turns out that this is no small task. The biggest problem in compiling a comprehensive list of such entities is definitional, specifically the variety of designations used to identify and describe government enterprises. Besides “Crown corporations” and “state-owned enterprises,” other labels we have encountered include: government-owned corporation, state-owned company, state-owned entity, state enterprise, publicly owned corporation, government business enterprise, and many others. This variety of designations, combined with the lack of a uniform definition, is one of the main challenges that we encountered during this data-collection exercise.

Statistics Canada, through CANSIM, publishes a series of statistics on government business enterprises (GBE) in Canada at the federal, provincial and local level, which we review below. One of the criteria for an entity to qualify as a GBE in the CANSIM database is that at least 50 per cent of its revenue comes from “market activities” in a given year. This substantially narrows the list of GBEs. One difficulty with this is that the 50-per-cent cut-off is arbitrary and the definition of “market activities” is subjective. For example, there may well be sizable parts of government enterprises that might be considered as possible candidates for privatization even though the enterprise as a whole does not meet the 50-per-cent threshold. As such, we have chosen to develop a broader and more comprehensive list.

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<sup>1</sup> For a discussion see: Anthony E. Boardman and Aidan R. Vining, “A Review and Assessment of Privatization in Canada,” *University of Calgary, The School of Public Policy Research Papers* 5, 4 (2012).

Obtaining data on federal Crown corporations is relatively straightforward. The primary source is the *Annual Report to Parliament on Crown Corporations and Other Corporate Interests*. This provides a list of all of the federal Crown corporations as well as aggregate data on a subset of Crown corporations. With this list in hand, it is relatively easy to access the annual reports of the listed corporations and acquire the relevant financial data.

Provinces pose more of a problem. There are several difficulties. One is that very few provinces have a document similar to the federal government's *Annual Report to Parliament* that provides a comprehensive list of provincially owned enterprises. In some provinces this is not a problem because other documents serve a similar purpose. For example, in Saskatchewan, the Crown Investments Corporation is the holding company of the province's commercial Crown corporations, and obtaining a list of provincial Crown corporations and their financial data is a relatively straightforward matter.<sup>2</sup> In the other provinces this is not the case, and there is no single repository or list of Crown corporations. The primary approach in this case is to use provincial public accounts to identify Crown entities and then access the relevant annual reports.

Moreover, at the provincial level the distinction between entities identified as Crown corporations versus other government entities is not at all clear. This makes it difficult to follow a consistent definition of a Crown corporation across the provinces. Also, in some cases, it is clear from the documents that some government entities that are technically not Crown corporations do effectively act as such — they are *de facto* Crown corporations.

For example, in Alberta's Financial Administration Act, a distinction is made between Crown-controlled organizations and departments — where Crown-controlled organizations include “an unincorporated board, commission, council or other body that is not a department or part of a department” — as well as corporations where the Crown owns a majority of the issued voting shares, and corporations that are “responsible for the administration of public money or assets owned by the Crown” and where the Crown names some of the directors.

On the other hand, the Public Appointments Secretariat of Ontario prefers the designation “agency”: “Many terms are used to describe different kinds of classified agencies and non-classified entities — boards, commissions, councils, authorities and foundations. All of these bodies are referred to as agencies on this site.”<sup>3</sup> According to the definition, “a classified agency is a provincial government organization:

- which is established by the government, but is not part of a ministry;
- which is accountable to the government;
- to which the government appoints the majority of the appointees; and
- to which the government has assigned or delegated authority and responsibility, or which otherwise has statutory authority and responsibility to perform a public function or service.”

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<sup>2</sup> However, the Crown Investment Corporation of Saskatchewan holds only nine of the provincial Crown corporations. In addition, there are 10 Treasury Board Crown Corporations, plus the Saskatchewan Workers' Compensation Board, which defines itself as a government business enterprise.

<sup>3</sup> Government of Ontario, Public Appointments Secretariat, “General Information,” accessed March 30, 2012, <http://www.pas.gov.on.ca/scripts/en/generalInfo.asp>.

The secretariat distinguishes between advisory agencies, regulatory agencies, adjudicative agencies, operational service agencies, operational enterprise agencies, Crown foundations, trust agencies, and non-classified entities. Operational enterprise agencies, which “sell goods or services to the public in a commercial manner (including, but not necessarily, in competition with the private sector)” are closest to the profile of Crown corporations that we have adopted. Therefore there are government-owned entities that include the designation “corporation” in their name but define themselves as an “agency” (operational enterprise agency), such as the Deposit Insurance Corporation of Ontario, Ontario Electricity Financial Corporation and Ontario Lottery and Gaming Corporation. Others, such as the Liquor Control Board of Ontario, but also the Manitoba Liquor Control Commission and the Newfoundland and Labrador Municipal Financing Corporation, define themselves both as “Crown agency” or “Crown corporation,” and “government enterprise” at various times, with the terms seemingly used interchangeably.

Yet another example of the definitional difficulties can be seen with entities such as the Ontario Lottery and Gaming Corporation, PEI Aquaculture and Fisheries Research Initiative Inc., Hydro One Inc., Ontario Power Generation, BC Ferries, etc. Even though these entities are not defined as Crown corporations directly, they are wholly owned by the provincial government and act as de facto Crown corporations.

Our inventory thus includes all government-owned enterprises that we were able to identify at the federal and provincial level and a few such entities at the municipal level, that are involved in market activities, very broadly defined. They may or may not identify themselves as Crown corporations or government business enterprises explicitly, and some of them may also have regulatory attributes, aside from their involvement in commercial activities (such as the provincial liquor control commissions). For simplicity’s sake, we use the designation “Crown corporation” for all these entities, but wherever possible we have included their actual designation(s) in Appendix A.

As indicated, our objective is to be as comprehensive and as broad as possible, and if we have erred, it is likely on the side of being overly inclusive.

### **3. PREVIOUS STUDIES OF THE SIZE OF THE GOVERNMENT BUSINESS ENTERPRISE SECTOR**

A recent OECD study, “The Size and Composition of the SOE Sector in OECD Countries,” documents the size of the national state-owned enterprise (SOE) sector in 27 of the 34 OECD countries in terms of number, employment and economic value of enterprises, as well as by main sectors and types of incorporation. The study reports that even after decades of privatization, the SOE sector in most countries is significant and displays a strong sectoral concentration, with the largest SOEs located in the so-called “network” sectors (mostly transportation, power generation and other energy), as well as in the financial sector.

The OECD study places Canada in the “middle of the pack” in terms of the size of the SOE sector for the countries examined, with 33 SOEs, 105,296 employees and a US\$21.6 billion market value. By way of comparison, the Czech Republic has 124 SOEs, with 166,600 employees and a US\$43.9 billion market value, while Australia has 17 SOEs that employ 48,845 people and have a combined market value of US\$17.6 billion.

However, the OECD study includes only enterprises owned by the federal government, and the figures are based on aggregate government business enterprise (GBE) statistics reported by Statistics Canada's Public Sector Statistics Division.

Statistics Canada collects and publishes data on the government sector as well as government business enterprises (GBE). According to the "Financial Management System (FMS) 2009 Catalogue no. 68F0023 X" page 14:

"3.03 Government business enterprises are part of the public sector domain because they are controlled by governments. However, they operate in the market place, often in competition with privately owned organizations. Since they are profit-oriented entities, they must be included in the sectors that reflect their primary economic activity."

In order to determine whether a government-controlled entity qualifies as a GBE or not, Statistics Canada follows a classification process using three criteria:

"3.04 A classification process is necessary in order to determine whether or not an entity belongs in the public sector universe. This process involves analysing and documenting the legal and operating structures, financial performance and activities of the entity in question. There are three criteria used to assess an entity for potential inclusion in the public sector universe:

- Is the entity an institutional unit?
- Is the entity controlled by a government?
- Is the entity a non-market or market producer of goods and services?"

Finally, the characteristics used by Statistics Canada to determine whether an entity is a GBE are as follows:

"Most market producers are profit-oriented organizations. They are institutional units that provide goods and/or services in the open market at prices that are economically significant. The majority of these organizations are financially self-sufficient and generally do not rely on public funds to support their operations. Since they usually compete with other providers of similar goods and services, the public has free choice in their market selection. All institutional units that are government controlled market producers are classified as public non-financial or financial corporations in either the non-financial corporations sector or the financial corporations sector. The following indicators are used in this determination process:

- The entity has the financial and operational authority to carry on a business.
- The entity competes in the marketplace.
- The public has free choice to acquire or reject the good or service.
- The entity charges prices that are economically significant.
- The entity gets its primary income from market activity.
- The entity can borrow autonomously.
- The entity remits profits and/or dividends to a government.
- The entity's employees do not negotiate collective agreements with a government."

GBEs are therefore profit-oriented entities that compete in the marketplace alongside private agents. Where a government-owned entity relies on market revenues as well as government subsidies, the rule of thumb used by Statistics Canada to decide whether this entity should be considered a GBE is if more than 50 per cent of its revenue derives from market activities.

To collect financial data on GBEs, Statistics Canada follows a similar approach to the one we have followed here, using the annual financial reports published by each GBE, as well as Public Accounts publications:

“Government business enterprise data

4.06 Revenue, expenditures, assets and liabilities data on federal, provincial and territorial business enterprises required for FMS statistics are obtained from the financial reports of these enterprises. Additional information is obtained from the PA, from reports of the departments through which the enterprises report to their legislature and through direct communication with the enterprises.

4.07 While data on local government enterprise finance are not published at present, financial reports of many of these enterprises are being received with those of their parent municipalities. In addition, selected and usually highly aggregated financial data are collected by other divisions of StatCan such as the Transportation Division (public transit systems) and the Manufacturing, Construction and Energy Division (Hydro-electric and gas distribution)”

We have compiled a summary of the financial information published by CANSIM for GBEs at the federal, provincial/territorial and local/municipal level. Only aggregate data are available, so we are missing important information about each individual GBE, and also about the distribution of GBEs across sectors. Moreover, the 50-per-cent cutoff and the narrow definition of market activities significantly narrow the scope of the data. Nonetheless, the data provide a useful starting point for our analysis.

**TABLE 1. FEDERAL GOVERNMENT BUSINESS ENTERPRISES, ALL INDUSTRIES- 2010 (\$MILLIONS)**

<b>Total assets</b>	<b>Total liabilities</b>	<b>Equity</b>	<b>Total revenue</b>	<b>Total expenses</b>	<b>Gains or losses, corporate taxes and other items</b>	<b>Comprehensive income</b>
299,342.8	271,712.3	27,630.5	30,509.2	22,397.5	(822.0)	7,646.0

*Source: CANSIM Table 3850030 – Balance sheet and income statement of federal government business enterprises, by North American Industry Classification System (NAICS), end of fiscal year closest to December 31, annually.*



**TABLE 2. PROVINCIAL AND TERRITORIAL GOVERNMENT BUSINESS ENTERPRISES, ALL INDUSTRIES- 2010 (\$MILLIONS)**

	<b>Total assets</b>	<b>Total liabilities</b>	<b>Equity</b>	<b>Total revenue</b>	<b>Total expenses</b>	<b>Gains/ losses, corporate taxes and other items</b>	<b>Comprehensive income</b>
<b>Canada</b>	<b>287,385.8</b>	<b>242,025.5</b>	<b>45,360.3</b>	<b>85,448.0</b>	<b>67,192.7</b>	<b>467.0</b>	<b>18,422.1</b>
Newfoundland and Labrador	3,079.0	1,743.1	1,335.8	1,144.1	889.1	(1.0)	259.3
Prince Edward Island	122.2	106.7	15.4	149.4	119.7	(1.2)	28.5
Nova Scotia	1,896.5	1,740.4	156.1	1,105.4	800.6	68.8	373.6
New Brunswick	10,400.5	10,147.5	253.0	2,663.1	2,341.9	(15.1)	178.2
Quebec	101,104.2	80,377.2	20,727.0	20,922.6	16,624.8	225.3	4,158.1
Ontario	73,355.0	68,284.4	5,070.6	27,126.6	21,465.1	150.5	5,767.0
Manitoba	17,495.7	14,164.2	3,331.4	4,561.1	3,531.7	(1.5)	1,171.0
Saskatchewan	12,288.8	8,480.8	3,808.0	6,705.5	5,656.1	(29.0)	1,040.0
Alberta	28,009.5	25,798.5	2,211.0	5,963.6	3,614.0	34.3	2,339.7
British Columbia	38,654.4	30,418.2	8,236.2	14,777.3	11,864.8	36.9	3,060.8
Yukon	391.9	324.4	67.6	73.9	59.0	-	14.9
Northwest Territories	397.4	294.9	102.5	154.6	120.5	-	36.2
Nunavut	190.8	145.2	45.6	100.8	105.4	(0.8)	(5.3)

Source: CANSIM Table 3850031 – Balance sheet and income statement of provincial and territorial government business enterprises, by North American Industry Classification System (NAICS), end of fiscal year closest to December 31, annually.

**TABLE 3. LOCAL GOVERNMENT BUSINESS ENTERPRISES, ALL INDUSTRIES- 2009 (\$MILLIONS)**

	<b>Total income</b>	<b>Total Expenses</b>	<b>Net income (loss) before provision for income tax</b>	<b>Provision for income tax</b>	<b>Net income (loss) after provision for income tax</b>
<b>Canada</b>	<b>21,429.1</b>	<b>20,450.3</b>	<b>978.8</b>	<b>202.0</b>	<b>776.8</b>
Newfoundland and Labrador	14.1	14.1	-	-	-
Prince Edward Island	21.7	21.8	(0.0)	-	(0.0)
Nova Scotia	90.9	90.0	0.9	-	0.9
New Brunswick	149.6	143.5	6.2	-	6.2
Quebec	1,977.0	1,882.0	95.0	-	95.0
Ontario	11,106.7	10,706.2	400.5	101.2	299.3
Manitoba	139.6	122.4	17.2	-	17.2
Saskatchewan	189.2	157.9	31.3	-	31.3
Alberta	6,607.3	6,102.3	504.9	100.8	404.1
British Columbia	1,130.8	1,207.9	(77.1)	-	(77.1)
Yukon	2.2	2.2	0.0	-	0.0

Source: CANSIM Table 3850015 – Income and expenses of provincial, territorial and local government business enterprises, by industry, end of the fiscal year closest to December 31, annually.

As the data illustrate, federal and provincial/territorial GBEs are about equal in magnitude in terms of gross assets: \$299.3 billion for federal versus \$287.4 for provincial. However, in terms of net assets or equity, provincial GBEs are, in aggregate, much larger than federal GBEs: \$45.4 billion versus \$27.6 billion. Data on the assets, liabilities and equity of local/municipal GBEs are not available on CANSIM.

In terms of financial results, with \$85.4 billion in revenue, provincial GBEs dominate federal GBEs, with only \$30.5 billion, as well as the local GBEs with \$21.4 billion in revenue. Regarding comprehensive income, provincial GBEs have a total combined \$18.4 billion in net income, with the federal GBEs at \$7.6 billion and local enterprises much lower at \$776.8 million.

In terms of provincial magnitudes, the largest GBE sector as measured by gross assets is found in Quebec, followed by Ontario, British Columbia and Alberta. For comprehensive income, the ranking is Ontario, Quebec, British Columbia and Alberta. At the local level, however, Alberta dominates the universe of GBEs, with \$404.1 million in net income, more than half the total of \$776.8 million for all of Canada. The municipally owned power companies of ENMAX<sup>4</sup> and EPCOR<sup>5</sup> generate more than 50 per cent of this income.<sup>6</sup> Ontario comes in a distant second at the local level, with only \$299.3 million in net income generated by municipal GBEs.

As indicated previously, Statistics Canada's designation of a government business enterprise is quite narrow. Our database extends the analysis by:

- Extending the definition of state-owned enterprises/Crown corporations beyond what Statistics Canada defines as a GBE;
- Including federal, provincial, and some municipal Crown corporations, and comparisons between the relative size of each of these levels of government;
- Providing financial data for individual SOEs alongside provincial and sectoral aggregates.

#### **4. FEDERAL CROWN CORPORATIONS**

The business of the government of Canada is conducted through a wide variety of institutional and organizational forms. At the federal level, these institutional forms, and the associated roles and responsibilities, are for the most part listed and governed by the Financial Administration Act (FAA) and its accompanying schedules. In analyzing public-owned enterprises and Crown corporations, it is useful to begin by listing the various types of "public entities" and organizational forms at the federal level in Canada, and briefly discussing their status and accountability.

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<sup>4</sup> ENMAX Corporation is a wholly owned subsidiary of the City of Calgary

<sup>5</sup> EPCOR Utilities Inc. has the City of Edmonton as sole shareholder

<sup>6</sup> For the financial year ending Dec. 31, 2010, ENMAX and EPCOR report net incomes of \$178 million and \$105 million respectively, and comprehensive income of \$162.5 million and \$98 million respectively.



## **Organizational Forms at the Federal Level**

### **DEPARTMENTS**

Ministerial departments are the main vehicles through which government programs are delivered. Departments are established by legislation and their roles and responsibilities are listed in Schedule One of the FAA. Departments typically have broad policy mandates under the control of the designated minister, are entirely accountable to Parliament and, as such, have no “independent legal personality.” They are financed almost exclusively by parliamentary appropriations. Examples include the Department of Finance, Industry Canada, Foreign Affairs and International Trade Canada, Human Resources and Skills Development Canada, etc.

### **SPECIAL OPERATING AGENCIES**

Special Operating Agencies (SOAs) are operational units within departments that have some independence and separate accountability. They are typically formed without legislation and function within a framework agreed to by the responsible minister and the Treasury Board. SOAs are accountable to the government via the responsible department, typically have a very clear operational mandate, and deliver a readily identifiable service. They are considered part of the host department and not a separate legal entity. An example of an SOA is Passport Canada, which operates within Foreign Affairs and International Trade Canada.

### **STATUTORY AND OTHER AGENCIES**

Statutory and Other Agencies, like SOAs, operate as a part of departmental ministry, typically within a narrowly defined mandate. A Statutory Agency differs from a SOA, however, in that it will have a legislative origin (typically one is formed by statute or by an order-in-council), and can operate with some autonomy and at some “distance” from government and the department to which it is responsible. The degree of this autonomy varies, depending upon the need for the agency to be seen to be free from ministerial influence. As such, some Statutory and Other Agencies are financed by separate parliamentary appropriations. An example of a Statutory and Other Agency is Statistics Canada, which reports to Parliament through Industry Canada.

### **AGENTS OF PARLIAMENT**

Agents of Parliament are a special group of independent officers whose primary responsibility is to scrutinize the activities of the government and provide parliamentary oversight. As such, they report directly to Parliament and not to an individual minister. Importantly, the degree of influence exercised by the executive on Agents of Parliament is minimal. An example of an Agent of Parliament is the auditor general.

### **DEPARTMENTAL CORPORATIONS**

Departmental Corporations are created by acts of Parliament and are listed under Schedule Two of the FAA. While they report to Parliament through a ministry, they typically operate with a greater degree of autonomy than do core line departments. Departmental Corporations typically undertake specific service, administrative, advisory, supervisory, regulatory or research functions. They are financed largely through parliamentary appropriations, though in some

cases they also collect user fees. They are typically governed by some sort of management board or governing council. An example of a Departmental Corporation is the National Research Council, which reports to Parliament through Industry Canada.

A special type of Departmental Corporation is a *Service Agency*. Service Agencies are established through legislation and are distinct in that they perform a highly operational function or service for which there is usually no private-sector competition. Service Agencies are financed through parliamentary appropriations and user fees. An example of a Service Agency is the Canada Revenue Agency.

### **CROWN CORPORATIONS**

The focus of this paper is, of course, on Crown corporations. Crown corporations operate largely on a private-sector model, and indeed they may have a mixture of commercial and public-policy objectives. Parent Crown corporations are directly owned by the government of Canada and are established through legislation, letters patent, or articles of incorporation under the Canada Business Corporations Act. Most Crown corporations are listed and described in Section Three of the FAA, however some have their own legislation (e.g., the Bank of Canada). Crown corporations are generally designated as being under the purview of a particular ministerial portfolio.

Crown corporations may receive parliamentary appropriations and may also generate their own revenue by way of their private-sector operations. Some Crown corporations return income to the government by way of dividends.

Crown corporations may, in turn, own subsidiary corporations, in whole or in part. Subsidiary corporations typically report to their Crown parent, and not directly to Parliament. There are some exceptions to this, whereby wholly owned subsidiaries are deemed to be parent Crowns and report directly to Parliament.

Crown corporations are designated as either an *agent* of the Crown, a *non-agent* of the Crown, or a partial agent of the Crown. The agency status of a Crown corporation can be very important, and is discussed next.

### **AGENT VS. NON-AGENT CROWN CORPORATIONS**

The Treasury Board of Canada Secretariat indicates that “a Crown corporation that has agent status enjoys the constitutional immunities, privileges and prerogatives that are enjoyed by the Crown and can bind the Crown by its acts.”<sup>7</sup>

Agent status on the part of a Crown corporation means that not only does the corporation enjoy the immunities, privileges and prerogatives of the Crown, but that the Crown is fully liable for the actions and decisions of the corporation while the corporation is operating within its mandate. This includes financial activities. As such, the assets, liabilities and financial obligations of the corporation are the assets, liabilities and financial obligations of the government.

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<sup>7</sup> From Treasury Board of Canada Secretariat, Agent Status and Crown Corporations, at <http://www.tbs-sct.gc.ca/gov-gouv/agent-mandataire/agent-mandataire-eng.asp>

Non-agent Crown corporations, on the other hand, enjoy no such protection, nor is the government legally responsible for the specific actions of the corporation, unless the corporation acts under the explicit direction of the Crown. Of course the government may bear some sort of “moral obligation” for the activities of a non-agent corporation, but this remains at the discretion of the government.

A Crown corporation has partial agency status if it has agency status for some purposes and non-agency status for others. The Bank of Canada, for example, is designated as an agent for fiscal purposes only. This means, for example, that if the bank is involved in a private-sector contract (e.g., the construction of a building), the contract would not bind the Crown. On the other hand, if the bank, say, transacts in foreign exchange markets, it would be acting as an agent of the government and the Crown would be legally bound by the bank’s actions. Similarly, the Canadian Mortgage and Housing Corporation (CMHC) is an agent of the Crown except for its activities involved in the establishment of branches and the employment of agents. This means that agents employed by CMHC are not agents of the Crown.

#### **THE IMPORTANCE OF AGENCY STATUS**

Perhaps one of the most important potential benefits of Crown corporation agency status is the technical immunity from taxation. The legal implications of agency status with regard to taxation follows not only from common law and the statutory rules relating to Crown agency, but also from section 125 of the Constitution Act, 1867. The Constitution states that each level of government is immune from taxation by the other, and this immunity extends to Crown corporations designated as agents of those governments.

As such, a significant “benefit” of agency status for a Crown corporation is that, in principle, it doesn’t have to pay federal, provincial or municipal taxes. However, in practice, this immunity is not as advantageous as it may appear. For example, for federal Crown corporations the immunity from provincial and municipal taxes and fees is neutralized to some extent by the Federal-Provincial Fiscal Arrangements Act and the Payments in Lieu of Taxes Act. Under these acts, Crown corporations with agency status voluntarily pay the equivalent of provincial and municipal taxes and fees (with the important exception of provincial corporate income taxes) that would normally be paid by non-agents of the Crown.

With respect to income tax, the government can voluntarily decide to make a Crown corporation with agency status pay corporate income taxes. At the federal level this is done by the governor-in-council upon the recommendation of the minister of finance. A federal agent Crown corporation that is made subject to corporate income tax pays the applicable federal corporate income tax and, in place of provincial income tax, pays an additional 10 per cent federal corporate income tax. Note that the payment in lieu of provincial income taxes is made at a 10 per cent rate, and not at the actual provincial tax rate(s).

As suggested above, Crown corporations with non-agency status are fully subject to all federal, provincial and municipal taxes and fees (including corporate income tax), much like any private-sector corporation. Removing agency status is thus the most straightforward way of removing the tax immunity of Crown corporations. This approach was used by the province of British Columbia, for example, to eliminate the tax-exempt status of the BC Ferry Corporation in 2003.

The (full or partial) immunity from taxation may be thought to confer a competitive advantage to the extent that Crown corporations compete on a commercial basis with private-sector

companies. Moreover, the tax exemption creates an incentive for one level of government to take over private corporations in order to appropriate the tax revenues that would have accrued to the other level of government.

## Federal Crown Corporations: The Data

The *Annual Report to Parliament – Crown Corporations and Other Corporate Interests of Canada 2010* lists 48 federal Crown corporations. One of these, the Corporation for the Mitigation of Mackenzie Gas Project Impacts, has been non-operational since May 1, 2008,<sup>8</sup> and as such, has been excluded from our database. Three other Crown corporations — the Bank of Canada (BC), the Canada Pension Plan Investment Board (CPPIB), and the Public Sector Pension Investment Board (PSPIB) — clearly serve unique purposes. Therefore for the remainder of this study, the analysis of federal Crown corporations excludes BC, CPPIB and PSPIB. However, for the sake of comparison, Tables 4A and 4B below include side-by-side the aggregate financial and economic indicators for both groups: the 44 corporations of interest to us, as well as the comprehensive group of 47 federal Crown corporations.<sup>9, 10</sup> It is obvious that the three unique financial Crown corporations mentioned above dominate the federal Crown corporations sector in terms of assets and revenue. A complete listing of the individual federal Crown corporations and the underlying data is available as Appendix A on The School of Public Policy web site at <http://www.policyschool.ucalgary.ca/?q=content/research-data>.

**TABLE 4A. FEDERAL CROWN CORPORATIONS – SUMMARY (IN \$MILLIONS, UNLESS OTHERWISE STATED)**

	Number of units	Assets	Liabilities	Equity/ Deficit	Revenue from Operations	Expenses from Operations	Net Income from Operations
<b>Total *</b>	44	386,176.3	353,591.5	32,079.7	28,512.8	30,251.3	-1,738.5
<b>Total**</b>	47	636,434.8	429,820.0	206,109.7	53,879.0	30,970.2	22,908.8

\* Excluding BC, CPPIB and PSPIB

\*\* Including BC, CPPIB and PSPIB

**TABLE 4B. FEDERAL CROWN CORPORATIONS – SUMMARY (CONT.)**

	Public funding	Income Taxes	Net Income After Tax	Employment (units)	Dividends	GDP contribution	GDP contribution (%)	Assets per capita (\$)
<b>Total *</b>	7,062.4	778.0	4,568.0	89,810.0	126.9	11,751	0.7%	11,316
<b>Total**</b>	7,062.4	778.0	29,215.4	90,376.0	126.9	36,804	2.3%	18,649

\* Excluding BC, CPPIB and PSPIB

\*\* Including BC, CPPIB and PSPIB

<sup>8</sup> From Parliament of Canada, “Heads of Crown Corporations,” accessed April 20, 2012, <http://www.parl.gc.ca/parlinfo/compilations/FederalGovernment/CrownCorporation.aspx>.

<sup>9</sup> Also, it should be noted that, strictly speaking, it may not be appropriate to aggregate some of the financial information due to differences in accounting treatments. We ignore these complications here for no justifiable reason other than that we think that the figures give a relatively accurate picture of the federal Crown sector.

<sup>10</sup> Income Taxes, Employment, and Dividends data are taken from *Annual Report to Parliament – Crown Corporations and Other Corporate Interests of Canada 2010*. The remaining data are collected from the 2009–2010 or 2010–2011 annual report of each corporation, with the exception of the First Nations Statistical Institute (FNSI) where the data are collected from the FNSI’s third-quarter financial report for 2011.

During the fiscal year ending in 2010, the 44 federal Crown corporations held \$386.2 billion in assets, with total liabilities of \$353.6 billion and equity of \$32.1 billion.<sup>11</sup> Aggregate revenue from operations was \$28.5 billion, and expenses from operation were \$30.3 billion, yielding a net loss of \$1.7 billion in aggregate before parliamentary appropriations and other government funding. Parliamentary appropriations and government funding for federal Crown corporations amounted to \$7.1 billion. In aggregate, the federal Crown corporations returned \$126.9 million in dividends to the federal government in 2010, and employed 89,810 individuals.

The vast bulk of the assets of federal Crown corporations are held by corporations involved in the financial sector. The Canada Mortgage and Housing Corporation holds almost 76 per cent of all Crown corporation assets, followed by Export Development Canada (8.3 per cent), Farm Credit Canada (5.2 per cent) and the Business Development Bank (4.6 per cent). In total, these four corporations thus account for 94 per cent of federal Crown Corporation assets.

In 2010, 16 of the 44 federal Crown corporations generated positive net income before government funding. Again, the corporations operating in the financial sector are very important here, with Export Development Canada earning by far the most of any Crown corporation, at \$1.531 billion. Other high-income earners include the Canada Development Investment Corporation (\$816 million), Canada Post (\$357 million), and Farm Credit Canada (\$282 million). Of the Crown corporations recording net losses, the Canadian Broadcasting Corporation (CBC) leads the way with a net loss of \$1.223 billion, followed by Atomic Energy of Canada Limited (AECL, at \$780 million), the Canada Mortgage and Housing Corporation (\$733 million) and the Canadian Air Transportation Security Authority (\$574 million).<sup>12</sup> Not surprisingly, these four corporations also lead the way in receiving the most government funding: the Canadian Mortgage and Housing Corporation received \$3.155 billion in funding, followed by the CBC at \$1.143 billion, Atomic Energy at \$700 million, and the Canadian Air Transportation Security Authority at \$580 million. Thus, these four corporations account for 79 per cent of the total \$7.062 billion federal government funding for Crown corporations.

In terms of employment, by far the biggest Crown-corporation employer is Canada Post, with 60,126 employees, representing 67 per cent of total federal Crown-corporation employment. It is followed by the CBC (7,171), Atomic Energy (4,957), Via Rail (3,053), the Canada Mortgage and Housing Corporation (1,999), the Business Development Bank (1,861), the Farm Credit Corporation (1,642), and Export Development Canada (1,111). These eight corporations thus account for 90 per cent of total federal Crown corporation employment.

In terms of size (assets), while there are 44 federal Crown corporations, most of the “action” involves 10 corporations — or nine, if the soon-to-be-privatized AECL is omitted. Of these corporations, most operate in the financial sector. Exceptions to this include the CBC, Canada Post, Via Rail, and the aforementioned AECL.

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<sup>11</sup> Some corporations report net assets or equity that do not coincide with the difference between their assets and liabilities; as a result, the aggregate figure for net assets/equity is not identical to the difference between assets and liabilities.

<sup>12</sup> In 2009, the federal government announced that it intended to privatize AECL's commercial-reactor business (the Candu reactor division). In June 2011, it was announced that SNC-Lavalin purchased the business for \$15 million.

## 5. PROVINCIAL GOVERNMENT-OWNED ENTERPRISES

There are 181 government-owned enterprises included in our provincial database,<sup>13</sup> ranging from 25 in Quebec, to only 10 in Manitoba and New Brunswick.

As indicated previously, identifying provincial Crown corporations poses some challenges. An example is the categorization of provincial workers' compensation boards/commissions (WCB). These are insurance institutions providing mutual accident insurance to workers and employers, whereby injured workers are compensated for lost employment income and are provided health services, while employers are shielded from litigation alleging negligence.

Each province and territory has a workers' compensation board or commission (WCB). Some of them identify themselves as Crown corporations (New Brunswick), others define themselves as independent from the government in some context, but upon closer inspection appear to be a statutory agency or corporation (British Columbia, Ontario). Similarly, the WCB of Saskatchewan identifies itself as an "independent body" that is "financially independent of government and special-interest groups."<sup>14</sup> However, its 2010 annual report specifies that: "WCB is a Government Business Enterprise (GBE) and as such is exempt from income tax."<sup>15</sup> The WCB of Prince Edward Island defines itself as an "independent, non-profit organization," but it is also listed in the "Public Accounts of the Province of Prince Edward Island Volume II" under "Agencies, Boards and Crown Corporations." The only provincial WCB that appears to be entirely independent from the provincial government is the one in Alberta.

For comparison purposes, WCBs, with the exception of Alberta's, have been included in the provincial tables with their financial details. The WCB in Alberta has not been included in the provincial aggregate numbers, since it is explicitly identified as not being a government institution: "The Workers' Compensation Board – Alberta is an independent organization that manages workers' compensation insurance based on legislation. WCB–Alberta is not a provincial government department or Crown corporation."<sup>16</sup>

The financial information for the majority of provincial Crown corporations was extracted from their most recent audited financial statements, available online either independently or as part of their annual reports. The only exceptions were some of the Crown corporations of Prince Edward Island, which do not publish their financial statements on their website; these were retrieved from the "Public Accounts of the Province of Prince Edward Island Volume II."

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<sup>13</sup> Excluding the Crown Investments Corporation of Saskatchewan, which is an umbrella corporation for nine Crown corporations that we have listed separately, as well as the Workers' Compensation Board in Alberta, which is not a Crown corporation. Also, for two recently created provincial Crown corporations we have not been able to collect any financial data (the Research and Development Corporation of Newfoundland and Labrador, and the Economic and Social Inclusion Corporation in New Brunswick, established in 2009 and 2010, respectively).

<sup>14</sup> Saskatchewan Workers' Compensation Board, "Legislation," accessed March 30, 2012, [http://www.wcbask.com/WCBPortalWeb/appmanager/WCBPortalWeb/WCBPortalWeb?\\_nfpb=true&\\_pageLabel=book\\_about\\_wcb](http://www.wcbask.com/WCBPortalWeb/appmanager/WCBPortalWeb/WCBPortalWeb?_nfpb=true&_pageLabel=book_about_wcb).

<sup>15</sup> Saskatchewan Workers' Compensation Board, Annual Report 2011, page 50.

<sup>16</sup> Workers' Compensation Board – Alberta, "Who we are and what we do," accessed April 10, 2012, [http://www.wcb.ab.ca/public/about\\_us.asp](http://www.wcb.ab.ca/public/about_us.asp).



We found it surprisingly difficult to collect the number of employees for provincial Crown corporations. In some cases, employment numbers are available from the corporations' websites or their annual reports, but in most cases, this information is not provided. Employment numbers are provided where we could find them, but should be considered incomplete.

Along with raw financial information, we measure the relative magnitude of the provincial Crown corporation sector in two ways. First, we calculate the contribution of the Crown corporations to provincial GDP. Ideally this would involve a determination of the value-added of each corporation, determined as the value of their output minus the value of their inputs. This proved to be a difficult task given the nature of output that some of these corporations provide. Our approach was instead to approximate the value added by each corporation by their "profit" (net income), if positive, plus wages and professional expenses. We also measure the relative size of the provincial Crown sectors by calculating assets per capita.

Some caveats and clarifications are in order for the interpretation of the data, particularly with respect to interprovincial comparisons. The first is alluded to above: there is some degree of arbitrariness in designating various agencies and institutions within provincial governments as government-owned enterprises, or Crown corporations. As discussed, we have opted for a very inclusive approach. The second concerns the various ways that government activities can be organized. In some cases, the type of organizational form is dictated by the nature of the activity. For example, regulatory and policy analysis should naturally be done at the departmental level, while activities where governments compete directly with the private sector should naturally be done via a Crown corporation. In other cases, however, it is not as straightforward, and different governments may undertake similar activities by way of different organizational forms. In these cases, the history of the province ("it has always been done this way"), legal and political constraints unique to the province, etc. will dictate whether a particular service or activity is conducted through a government-owned enterprise or by way of a department or agency that is not included in our data set. This means that the size of the Crown sector should not be interpreted as a measure of the degree of government intervention or participation in the economy — as indicated, some provinces may choose to provide similar services through different organizational forms. Rather, it is a measure of the extent to which the province chooses to organize its activities in a particular way. This is particularly important in making interprovincial comparisons. Our broad interpretation of a government-owned entity blunts, but does not completely eliminate, this issue. This is important to keep this in mind when considering the provincial data that follow.

Tables 5A and 5B include provincial GDP and population information alongside financial indicators for the 181 provincial Crown corporations aggregated by province. Table 6 reports, for some of these indicators, each province's share in the total for all provincial Crown corporations. Data on the individual corporations that make up the aggregates, including the specific designation(s) that these entities use to identify themselves, are available on The School of Public Policy web site at <http://www.policyschool.ucalgary.ca/?q=content/research-data>.

**TABLE 5A. PROVINCIAL CROWN CORPORATIONS, ALL INDUSTRIES (IN \$MILLIONS, UNLESS OTHERWISE STATED)**

Prov	GDP* (2010)	Population* (2010; units)	Assets	Liabilities	Net Assets	Revenue	Expenses	Net Income
NL	28,192	511,281	4,593	3,181	1,412	1,199	1,198	1
PE	5,010	143,395	931	858	73	243	276	(33)
NS	36,352	944,810	5,049	5,524	(475)	1,799	1,612	187
NB	29,448	752,838	14,737	14,311	426	2,976	2,902	74
QC	319,348	7,905,679	295,490	120,454	175,036	29,522	21,021	8,501
ON	612,494	13,227,791	92,314	100,989	(8,675)	31,525	27,029	4,496
MB	54,257	1,234,535	21,422	17,671	3,752	4,920	3,959	961
SK	63,557	1,044,028	12,937	7,292	3,998	6,131	5,761	370
AB	263,537	3,720,928	41,923	38,573	3,350	27,971	25,481	2,490
BC	203,147	4,529,674	65,112	52,112	13,000	17,019	15,500	1,519
<b>Total</b>	<b>1,615,342</b>	<b>34,014,959</b>	<b>554,508</b>	<b>360,966</b>	<b>191,895</b>	<b>123,306</b>	<b>104,739</b>	<b>18,567</b>

**TABLE 5B. PROVINCIAL CROWN CORPORATIONS, ALL INDUSTRIES (CONT.)**

Prov	Public Funding	Comprehensive Income	Employment** (units)	GDP contribution	GDP contribution (%)	Assets per capita (\$)
NL	224	225	3,589	581	2.1%	8,983
PE	86	53	-	203	4.1%	6,490
NS	165	353	436	431	1.2%	5,344
NB	342	416	-	843	2.9%	19,576
QC	2,898	11,399	41,386	16,709	5.2%	37,377
ON	665	5,162	39,670	11,712	1.9%	6,979
MB	183	1,145	-	1,787	3.3%	17,352
SK	409	778	12,882	2,551	4.0%	12,391
AB	224	2,713	6,645	3,752	1.4%	11,267
BC	1,193	2,736	-	5,088	2.5%	14,375
<b>Total</b>	<b>6,388</b>	<b>24,980</b>	<b>104,608</b>	<b>43,658</b>	<b>2.7%</b>	<b>16,302</b>

\* From CANSIM.

\*\* Full-time equivalent.

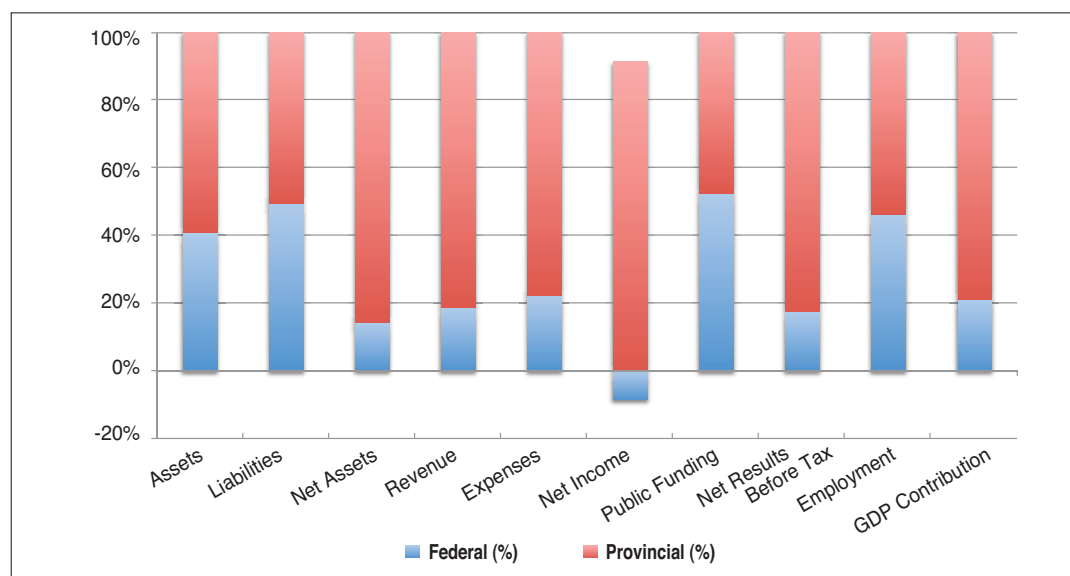
Provincial Crown corporations in Canada hold \$554.5 billion in assets, 43.6 per cent more than federal enterprises, while their liabilities are \$361.0 billion, resulting in aggregate net assets of \$191.9 billion. This compares with the more modest aggregate net-asset position of the federal government of about \$32 billion. Provincial corporations also generate \$123.3 billion in revenues, which is more than four times higher than aggregate revenue for the federal Crown corporations. The 181 provincial Crown corporations also generate a positive net income before public funding of \$18.6 billion, which is a substantial improvement compared to the negative federal net income, at -\$1.7 billion. The total amount of public funding that provincial Crown corporations receive is \$6.4 billion, slightly less than the federal amount of \$7.1 billion. On the whole, therefore, it is evident that provincial government enterprises are more financially viable than their federal counterparts. As will be discussed below, this is in large part due to the sectors that they operate in.

Even though we only have a partial employment figure for the provincial Crown-corporation sector, it still exceeds federal employment, with more than 104,000 people employed at the provincial level versus fewer than 90,000 at federal level.

Not surprisingly, provincial Crown corporations account for a substantially larger share of Canadian GDP than federal enterprises: more than \$43 billion (2.7 per cent of Canadian GDP), according to our estimations, for the provincial sector, versus \$11.8 billion (0.7 per cent of GDP) for the federal sector.

Figure 1 illustrates the relative size of the federal and provincial state-owned enterprise sector with regard to the main balance-sheet, financial and economic indicators.

**FIGURE 1. BALANCE SHEET AND FINANCIAL RESULTS: FEDERAL VS. PROVINCIAL CROWN CORPORATIONS**



In terms of inter-provincial comparisons, a potentially interesting issue concerns the contribution of provincial Crown corporations to net provincial debt accumulated from all government operations. As shown in Table 5A, for most of the provinces, the Crown sector actually generates positive aggregate net assets. Thus, for most provinces, the Crown sector alleviates the net debt accumulated due to other government activities. The notable exception is Ontario, where the Crown sector generates negative net assets in excess of \$8.6 billion. Thus, for Ontario the province's debt situation — which many consider to be problematic — is aggravated by the Crown sector. Another notable case is Quebec, which has by far the largest positive net asset position of over \$175 billion. In this case, the Crown sector makes a significant contribution to the reduction in the province's net debt. Despite this contribution, net provincial debt in Quebec is the second-highest in Canada.<sup>17</sup>

<sup>17</sup> According the most recent Federal Fiscal Reference Tables, net debt by province in 2010-11 was (\$millions): BC 32,162; AB -18,398; SK 3,676; MB 12,667; ON 214,511; QC 159,289; NB 9,616; PE 1,696; NL 8,129.

Table 6 illustrates each province's share, in total, for the main economic and financial indicators reported in Table 5. Quebec, with 23 per cent of the Canadian population and 20 per cent of Canadian GDP, leads the way with the largest Crown corporate sector along almost all dimensions. Combined gross assets in Quebec are \$295.5 billion (53.3 per cent of the total provincial gross assets), more than three times larger than in Ontario, which takes second place with \$92.3 billion (16.6 per cent of the total). British Columbia and Alberta follow with gross assets of \$65.1 and \$41.9 billion, respectively. These four provinces together hold 89.2 per cent of all the assets owned by provincial Crown corporations. Crown corporation assets per capita amount to more than \$37,000 in Quebec, followed by New Brunswick with \$19,600, Manitoba with \$17,300 and British Columbia with \$14,400.

**TABLE 6. PROVINCIAL CROWN CORPORATIONS, PERCENTAGE OF TOTAL, ALL INDUSTRIES**

Prov	GDP*	Population*	Assets	Liabilities	Revenue	Expenses	Net Income	Public Funding	Empl.
NL	1.7%	1.5%	0.8%	0.9%	1.0%	1.1%	0.0%	3.5%	3.4%
PE	0.3%	0.4%	0.2%	0.2%	0.2%	0.3%	-0.2%	1.3%	0.0%
NS	2.3%	2.8%	0.9%	1.5%	1.5%	1.5%	1.0%	2.6%	0.4%
NB	1.8%	2.2%	2.7%	4.0%	2.4%	2.8%	0.4%	5.3%	0.0%
QC	19.8%	23.2%	53.3%	33.4%	23.9%	20.1%	45.8%	45.4%	39.6%
ON	37.9%	38.9%	16.6%	28.0%	25.6%	25.8%	24.2%	10.4%	37.9%
MB	3.4%	3.6%	3.9%	4.9%	4.0%	3.8%	5.2%	2.9%	0.0%
SK	3.9%	3.1%	2.3%	2.0%	5.0%	5.5%	2.0%	6.4%	12.3%
AB	16.3%	10.9%	7.6%	10.7%	22.7%	24.3%	13.4%	3.5%	6.4%
BC	12.6%	13.3%	11.7%	14.4%	13.8%	14.8%	8.2%	18.7%	0.0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\* Refers to the percentage in total provincial GDP and population, excluding territories.

In terms of revenue,<sup>18</sup> however, Ontario's state-owned enterprises sector exceeds Quebec's, with \$31.5 billion versus \$29.5 billion (25.6 per cent and 23.9 per cent of the total, respectively), followed very closely by Alberta with \$27.9 billion (22.7 per cent of the total), and British Columbia with \$17.0 billion (13.8 per cent).

Two interesting cases are the provinces of Alberta and Saskatchewan. Alberta is traditionally perceived as a province with perhaps less-than-average government involvement in the business sector. However, with roughly 11 per cent of Canada's population, and generating 16 per cent of Canadian GDP, Alberta still has a sizable Crown corporation sector in terms of revenue (22.7 per cent of total revenue by all provincial Crown corporations) and expenses (24.3 per cent of total),<sup>19</sup> although not necessarily in terms of assets (7.6 per cent of gross assets of all provincial Crown corporations). On the other hand, Saskatchewan is traditionally perceived as a province with more-than-average government presence in the marketplace. Saskatchewan has slightly more than three per cent of Canada's population and generates roughly four per cent of Canada's GDP. Yet, its Crown-corporation sector only holds 2.3 per cent of the gross assets of all provincial Crown corporations and generates five per cent of total provincial Crown-corporation revenue. It also benefits from 6.4 per cent of total public funding for all provincial Crown corporations, and generates more than 12 per cent of employment.

<sup>18</sup> We report revenue and expenses from operations as well as financial activities.

<sup>19</sup> This does not include the municipal Crown power corporations of ENMAX and EPCOR.

Compared to the aggregate numbers for GBEs reported by CANSIM and summarized in Table 2, where total assets for all Canadian GBEs at the provincial/territorial level equal \$287.4 billion, total gross assets for the provincial Crown corporations identified in our database are almost twice as large, at \$554.5 billion.<sup>20</sup> It is also worth noting that only 118 of the 181 provincial Crown corporations pass the criterion used by Statistics Canada for a government business enterprise — that 50 per cent or more of their revenue comes from market activities for the fiscal year we have analyzed. The combined gross assets for this group are \$533.3 billion.

Despite our list of Crown corporations being more inclusive than the GBEs considered by Statistics Canada, the aggregate comprehensive income for all provincial Crown corporations in Table 5B is not much larger than for the GBEs aggregated in Table 2 above: \$18.4 billion in CANSIM data versus \$25.0 billion in our database. CANSIM only considers as GBEs what might be thought of as economically viable state-owned enterprises, while we include all state-owned corporations, regardless of their financial position. As such, even though the additional corporations in our list account for a significant increase in total assets, they generally do not generate much in the way of income.

## 6. SECTORAL DISTRIBUTION

Table 7 presents the distribution of the 181 provincial Crown corporations across nine sectors of activity: culture (CULT);<sup>21</sup> economic development (ED);<sup>22</sup> finance (F);<sup>23</sup> gaming and liquor (GL); power, electricity, and utilities (PEU); real estate (RE);<sup>24</sup> research and innovation (RI); transportation (T); and others (O).

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<sup>20</sup> In addition, Table 2 includes territories alongside provinces, while Table 5A only reflects provincial data.

<sup>21</sup> All cultural institutions, such as museums, media corporations, heritage foundations, etc.

<sup>22</sup> We include here all Crown corporations that promote directly the economic activity within a province or Canada, such as regional-development corporations, tourism-promotion corporations, etc.

<sup>23</sup> Includes banks, insurance companies, WCBs and pension corporations, but also agriculture and municipal financing, immigrant investment funds, etc.

<sup>24</sup> Housing corporations, capital commissions, etc.

**TABLE 7. FEDERAL AND PROVINCIAL CROWN CORPORATIONS BY SECTOR (IN \$MILLIONS, UNLESS OTHERWISE STATED)**

		Units	Assets	Liabilities	Revenue	Expenses	Public Funding	Compr. Income	Empl. (pers.)	GDP contrib.
CULT	Fed	10	2,971	2,628	647	2,414	1,685	(82)	8,970	1,687
	Prov	17	1,658	1,583	199	548	351	3	2,187	196
ED	Fed	4	49,664	38,297	2,641	1,236	119	1,524	3,186	2,183
	Prov	8	3,094	2,467	23	342	333	15	-	18
F	Fed	4	315,386	300,759	12,820	13,372	3,155	1,949	3,737	894
	Prov	53	349,747	210,152	31,751	25,522	1,731	7,960	17,148	12,251
GL	Fed	0	-	-	-	-	-	-	-	-
	Prov	18	8,130	4,901	51,977	40,584	-	11,393	27,029	14,294
O	Fed	13	7,461	1,603	3,752	3,473	613	879	2,946	1,581
	Prov	25	2,636	1,561	1,663	2,287	819	195	7,204	1,247
PEU	Fed	2	7,151	8,694	7,906	8,330	700	204	65,083	4,829
	Prov	14	160,776	117,302	34,162	29,309	5	4,858	46,171	13,483
RE	Fed	4	1,372	707	250	337	125	26	1,028	126
	Prov	22	10,642	9,069	1,540	2,895	1,389	34	2,738	595
RI	Fed	2	94	76	40	213	177	4	491	62
	Prov	12	1,213	1,073	115	360	258	12	-	86
T	Fed	5	2,077	828	457	877	489	65	4,369	390
	Prov	12	16,611	12,859	1,875	2,893	1,503	510	2,131	1,489
<b>Total</b>		<b>225</b>	<b>940,684</b>	<b>714,557</b>	<b>151,819</b>	<b>134,990</b>	<b>13,451</b>	<b>29,548</b>	<b>194,418</b>	<b>55,409</b>

The financial sector is by far the largest in terms of balance-sheet items, with gross assets of \$665.1 billion (70.7 per cent of the total), liabilities of \$510.9 billion (71.5 per cent), and therefore net assets of \$154.2 billion (68.8 per cent of the total), and also has the largest number of corporations at 57. However, the 18 provincial gaming and liquor corporations/commissions dominate the financial results with revenues of \$52.0 billion (34.2 per cent of the total), expenses of \$40.6 billion (30.1 per cent of the total), and net income of \$11.4 billion (67.7 per cent of the total). The power/electricity/utilities sector has the largest number of employees with more than 111,000 full-time employees (57.2 per cent of total),<sup>25</sup> and also the largest GDP contribution at \$18.3 billion (33 per cent of the total).

Perhaps surprisingly, despite being the only province where liquor sales are not a state monopoly, Alberta has the second-highest net income from the gaming and liquor sector (\$2.1 billion) due to the lucrative gaming component. As expected, Ontario has the highest net income in this sector (\$3.2 billion), with a population almost four times as large as Alberta's.

Gaming and liquor is the only sector that does not benefit from public funding. At the other end of the spectrum, the three largest recipients of public funding are the financial sector (\$4.9 billion), culture (\$2.0 billion, of which CBC receives more than half), and transportation (\$2.0 billion), amounting to 66.2 per cent of total public funding, followed closely by the real-estate sector and the 'other' sector, with close to \$1.5 billion in public funding each.

The following charts show in more detail the relative size of these sectors across the various balance-sheet and financial indicators discussed in this paper.

<sup>25</sup> However, as explained previously, our employment numbers are far from being complete.



FIGURE 2. BALANCE-SHEET AND FINANCIAL RESULTS BY SECTOR

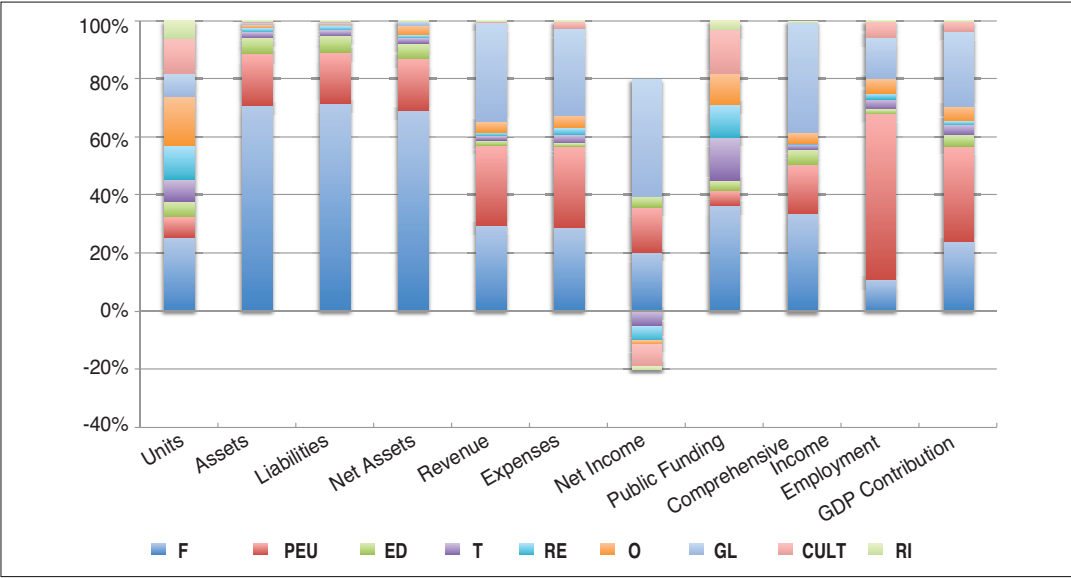


FIGURE 3. BALANCE SHEET – LARGE SECTORS (\$MILLIONS)

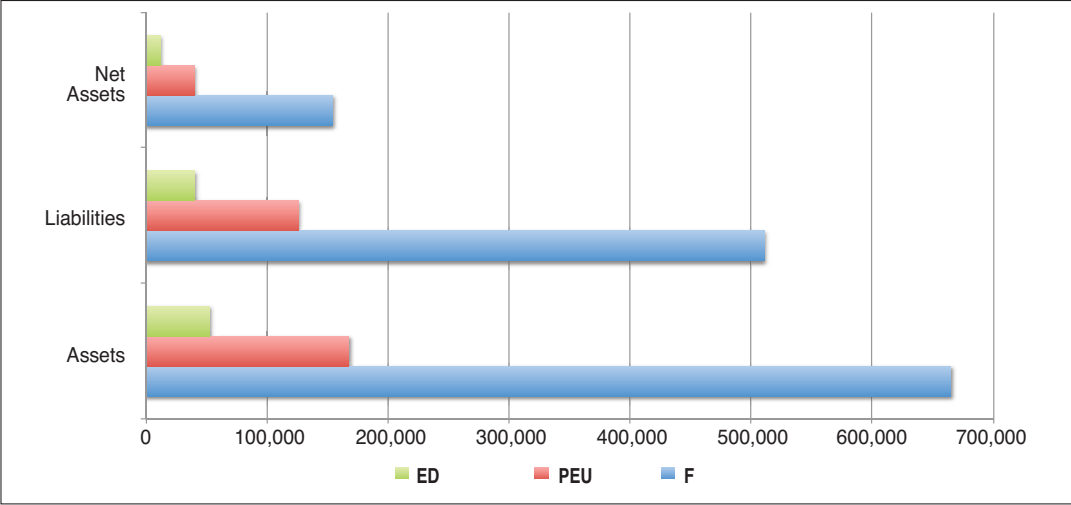
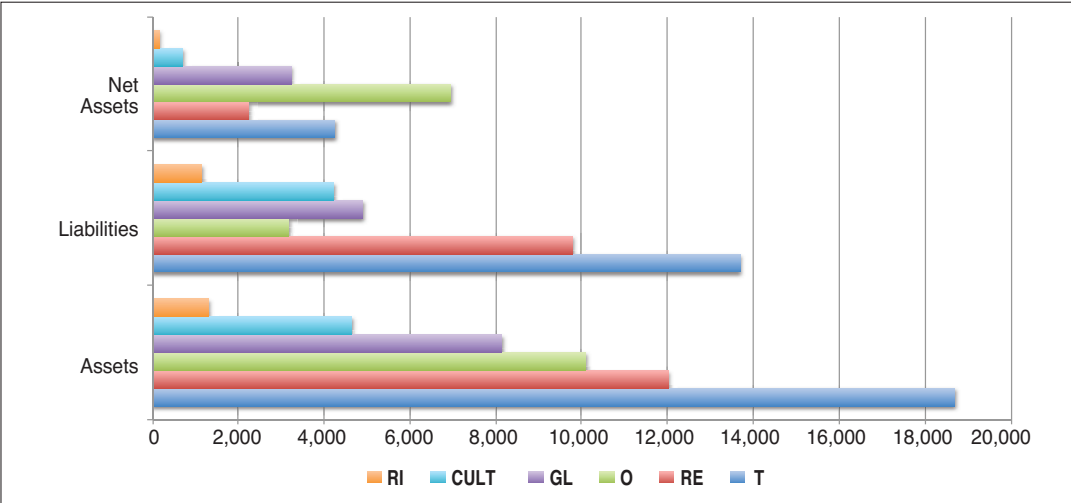
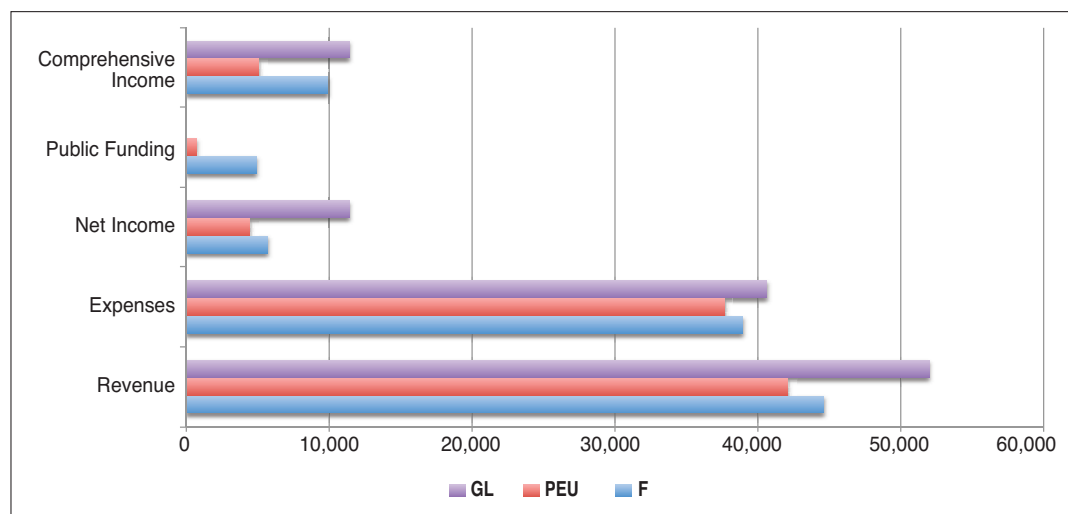


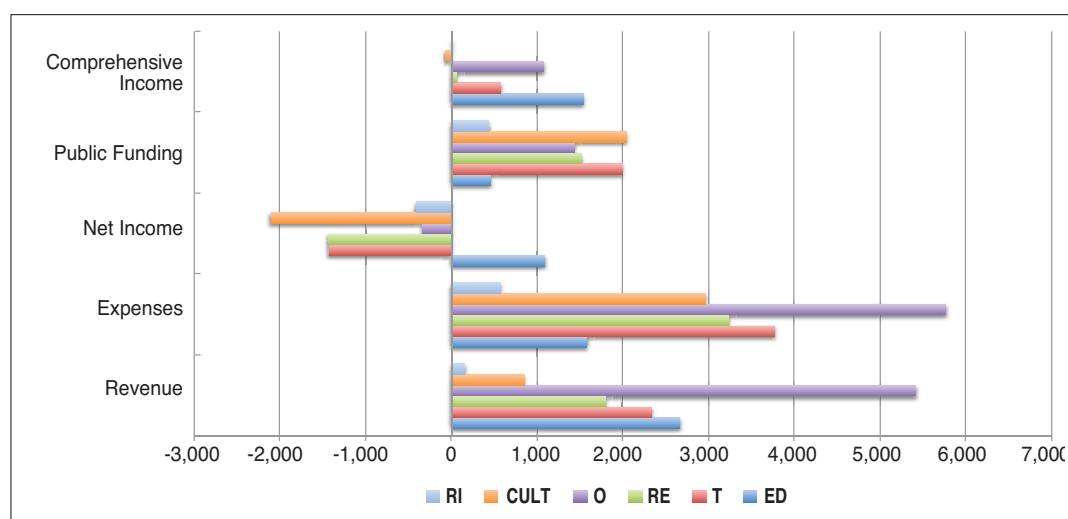
FIGURE 4. BALANCE SHEET – SMALL SECTORS (\$MILLIONS)



**FIGURE 5. FINANCIAL RESULTS – LARGE SECTORS (\$MILLIONS)**



**FIGURE 6. FINANCIAL RESULTS – SMALL SECTORS (\$MILLIONS)**



## 7. ECONOMIC PERFORMANCE

Many Crown corporations at both the provincial and federal level have been privatized since the beginning of the '80s, and in particular between the mid-'80s and mid-'90s.<sup>26</sup> Boardman and Vining<sup>27</sup> review the privatization process in Canada and its welfare effects, and make some general recommendations for future privatizations. They note that while most of the “low-hanging fruit” at the federal level has been picked, there is still considerable potential for privatization at the provincial level.

<sup>26</sup> According to Boardman and Vining (2012), the 10 largest privatized Crown corporations in terms of proceeds have been: Petro-Canada (1991, \$5.69 billion in proceeds); Canadian National Railway (1995, \$2.08 billion); Alberta Government Telephones (1990, \$1.77 billion); Cameco (1991, \$1.53 billion for the federal and provincial share); Potash Corporation of Saskatchewan (1989, \$1.24 billion); Manitoba Telephone Systems (1997, \$860 million); Nova Scotia Power Corp. (1992, \$816 million); Air Canada (1988, \$708 million); Teleglobe Canada (1987, \$612 million); Syncrude Canada (1993, \$502 million).

<sup>27</sup> Anthony E. Boardman and Aidan R. Vining, “A Review and Assessment of Privatization in Canada,” (2012).

In the first instance, the most likely contenders for privatization in terms of their economic viability would appear to be Crown corporations with positive net income and net assets; in particular, those that operate in competitive environments. At the provincial level, these are generally gaming and liquor corporations, financial enterprises and power/utility companies. Table 8 presents the largest provincial Crown corporations in terms of net income that might be considered, using this metric, as potential candidates for privatization.

**TABLE 8. TOP 15 PROVINCIAL CROWN CORPORATIONS BY NET INCOME**

Corporation	Assets	Liabilities	Net Assets	Revenue	Expenses	Net Income
Caisse de dépôt et placement du Québec	183,197.0	31,455.0	151,742.0	6,432.0	291.0	6,141.0
Hydro-Québec	65,898.0	47,332.0	18,566.0	12,338.0	9,823.0	2,515.0
Alberta Gaming and Liquor Commission	584.3	584.3	-	24,947.4	22,826.8	2,120.6
Ontario Lottery and Gaming Corporation	3,381.9	831.5	2,550.4	6,347.6	4,628.9	1,718.7
Liquor Control Board of Ontario	894.1	514.3	379.8	4,344.1	2,908.5	1,435.6
Ontario Electricity Financial Corporation	15,087.0	29,897.0	(14,810.0)	4,577.0	3,205.0	1,372.0
Loto-Québec (including the Société des casinos du Québec)	1,216.6	1,082.1	134.5	3,674.9	2,336.9	1,337.9
British Columbia Lottery Corporation	325.4	325.4	-	2,679.9	1,575.3	1,104.6
Société des alcools du Québec	641.0	596.2	44.8	2,716.3	1,801.6	914.7
British Columbia Liquor Distribution Branch	166.1	166.1	-	2,831.7	1,941.3	890.4
Hydro One Inc. (ON)	17,322.0	11,341.0	5,981.0	5,124.0	4,477.0	647.0
British Columbia Hydro and Power Authority (BC Hydro)	19,479.0	16,599.0	2,880.0	4,016.0	3,427.0	589.0
Ontario Power Generation	29,577.0	21,492.0	8,085.0	5,375.0	4,786.0	589.0
Saskatchewan Liquor and Gaming Authority	162.9	168.0	(5.1)	1,004.6	562.1	442.5
Manitoba Lotteries Corporation	203.4	198.4	5.0	767.6	396.6	371.0

Five of these corporations are from Ontario, four are from Quebec, three from British Columbia and one each from Alberta<sup>28</sup>, Manitoba and Saskatchewan. By far the largest Crown corporation in terms of assets, net assets and net income is Caisse de dépôt et placement du Québec, with a net income of more than \$6 billion in 2010, followed at considerable distance by Hydro-Québec, with a net income of \$2.5 billion. The third-largest Crown corporation in terms of net income is the Alberta Gaming and Liquor Commission, with a substantial net income of more than \$2.1 billion in 2010.

The top 15 federal Crown corporations in terms of net income are listed in Table 9.

<sup>28</sup> Again, this does not include ENMAX and EPCOR.

**TABLE 9. TOP 15 FEDERAL CROWN CORPORATIONS BY NET INCOME**

Corporation	Assets	Liabilities	Net Assets	Revenue	Expenses	Net Income
Export Development Canada	31,872.0	23,771.0	8,101.0	2,020.0	489.0	1,531.0
Canada Development Investment Corporation	5,584.9	105.7	5,479.2	923.1	107.3	815.8
Canada Post Corporation	6,029.0	4,213.0	1,787.0	7,312.0	6,955.0	357.0
Farm Credit Canada	20,203.1	17,867.6	2,335.6	829.5	547.6	281.9
Royal Canadian Mint	339.4	100.7	238.7	2,209.1	2,162.6	46.5
Canada Lands Company Limited	538.2	242.8	295.4	183.2	143.7	39.5
Ridley Terminals Inc.	60.6	7.0	53.6	61.6	30.4	31.2
Defence Construction (1951) Limited	36.4	23.2	13.2	89.7	83.4	6.3
Business Development Bank of Canada	17,679.9	14,036.9	3,643.0	572.7	566.7	6.1
Laurentian Pilotage Authority	22.7	10.5	12.3	69.2	64.1	5.2
Pacific Pilotage Authority	27.0	10.5	16.5	59.2	56.0	3.2
Blue Water Bridge Authority	194.4	107.6	86.8	21.3	18.8	2.5
Canadian Race Relations Foundation	23.7	0.1	23.6	3.3	0.9	2.5
Atlantic Pilotage Authority	14.3	7.1	7.2	21.6	19.2	2.4
Great Lakes Pilotage Authority	4.7	8.1	(3.4)	20.1	18.0	2.0

At the other end of the spectrum, there are a considerable number of Crown corporations that are not viable from this perspective and depend on public funding for their survival. Table 10 presents the bottom 15 Crown corporations in terms of net income at both the federal and provincial level.

Even though these corporations are not self-sustaining today, it is of course possible that private ownership may result in increased efficiency and productivity. Moreover, parts of government enterprises that do not, on aggregate, generate positive net income, could be considered for privatization; an example of this is the privatization of AECL's commercial division.

**TABLE 10. BOTTOM 15 CROWN CORPORATIONS BY NET INCOME**

Corporation	Assets	Liabilities	Net Assets	Revenue	Expenses	Net Income	Public Funding
Canadian Broadcasting Corporation	1,580.0	1,717.8	138.1	567.7	1,790.3	(1,222.6)	1,142.7
Atomic Energy of Canada Limited	1,122.0	4,480.6	(3,358.6)	594.4	1,374.7	(780.3)	700.4
La Financière agricole du Québec	844.3	1,431.5	(587.2)	20.9	798.3	(777.4)	776.8
Canada Mortgage and Housing Corporation	293,218.0	281,783.0	11,435.0	11,761.0	12,494.0	(733.0)	3,155.0
Société d'habitation du Québec	557.4	557.4	-	2.4	730.7	(728.3)	728.3
Community Living British Columbia	37.2	33.5	3.7	12.2	695.3	(683.1)	683.4
Workplace Safety and Insurance Board (ON)	16,638.0	28,993.0	(12,355.0)	4,877.0	5,552.0	(675.0)	-
Canadian Air Transport Security Authority	568.1	543.7	24.4	3.2	576.9	(573.7)	580.4
BC Transportation Financing Authority	9,979.4	8,538.2	1,441.1	385.8	821.0	(435.2)	142.6
Saskatchewan Crop Insurance Corporation	654.6	304.2	350.4	150.3	533.8	(383.5)	246.0
Société de transport de Montréal	3,971.6	1,918.0	2,053.6	526.5	845.3	(318.8)	921.1
VIA Rail Canada Inc.	1,313.8	304.1	257.8	277.9	570.0	(292.1)	318.6
Metrolinx	4,282.8	3,457.4	825.4	309.0	561.5	(252.6)	240.2
Regional Development Corporation (NB)	63.0	41.9	21.2	-	222.8	(222.8)	224.4
Canada Council for the Arts	295.59	34.12	261.47	11.08	194.23	-183.14	183.12

Obviously, not all of these corporations can, or should, be privatized. For a true assessment of the opportunity for privatization, each case should be considered individually.

One issue that can be an important determinant in the decision to privatize is the distribution of corporate taxes paid by a privatized entity between the federal and provincial governments. For example, in the case of a provincial Crown corporation all of the profits are received by the provincial government. If the entity is privatized, any subsequent corporate taxes will be split between the federal and provincial governments. This can be an impediment to privatization, even if potential efficiencies are substantial.

## 8. MUNICIPAL CROWN CORPORATIONS

Our original intention was to collect data for Crown corporations at the municipal level as well. This proved to be a very difficult task and one that has not come to fruition. There are thousands of municipalities and districts across the country and it would be a monumental exercise to analyze the annual report of each municipality in order to identify the municipal Crown corporations.

An alternative approach would be to focus on the annual reports of Canada's largest cities with a view to identifying the largest municipal Crown corporations. However this approach also proved to be problematic for two reasons: (1) the confusing terminology used to identify potential Crown corporations; and (2) the overlapping jurisdictions of many localities. To illustrate these issues, we present later in this section two case studies, for the municipalities of Calgary and Vancouver.

A third approach would be to start with specific sectors where one would expect services to be delivered, at least in part, by public-owned entities: water and sewage, waste disposal, public transit, electricity and gas distribution, affordable housing, etc. Statistics Canada collects data for these companies to produce its own municipal GBE statistics.<sup>29</sup> However, a compilation of the specific corporations in each of these sectors is not readily available. Moreover, some of the entities in these areas are not necessarily organized as corporations. For example, Calgary Transit is organized as a business unit of the City of Calgary.<sup>30</sup>

A fourth approach is to check the provincial municipal-affairs departments as well as the annual reports of the provincial-municipal finance corporations for information about municipal-government business enterprises. The information we found in each case was, at best, incomplete. Typically, municipal Crown corporations only show up in such documents to the extent that they have contracted loans from the municipal-finance corporation in that particular fiscal year.

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<sup>29</sup> Statistics Canada, "Finances of the Government Business Enterprises," available at <http://www23.statcan.gc.ca:81/imdb/p2SV.pl?Function=getSurvey&SDDS=1730&lang=en&db=imdb&adm=8&dis=2>

<sup>30</sup> Calgary Transit, "About Calgary Transit," accessed April 28, 2012, <http://www.calgarytransit.com/html/organisation.html>.

So how many municipal Crown corporations are there in Canada? Certainly hundreds. In the case of British Columbia, for example, the Local Government Infrastructure and Finance division of the Ministry of Community, Sport and Cultural Development publishes a list of municipal corporations “that have received Inspector approval and have been registered with the Registrar of Companies.”<sup>31</sup> There are 72 such corporations listed in 2010, which operate in the following areas: forestry enterprise (26); economic development (14); land development (9); local government service (6); housing (3); municipal utility (2); other (12).

Some of these corporations are owned by municipalities of the Greater Vancouver Regional District (Metro Vancouver)<sup>32</sup> and can be found in the annual reports of those municipalities.<sup>33</sup> But in addition to the annual report of each individual municipality, Metro Vancouver publishes its own financial reports. The “Consolidated Financial Statements of Greater Vancouver Regional District” for 2010 lists four additional entities: the Greater Vancouver Regional District (GVRD), the Greater Vancouver Sewerage and Drainage District (GVS&DD), the Greater Vancouver Water District (GVWD), and the Metro Vancouver Housing Corporation (MVHC). Although these districts provide services to the member municipalities, they do not fit the profile of “Crown corporations” as, unlike the arrangement for corporations, page 11 explains that the member municipalities are “jointly and severally liable” for the debts incurred by the districts. However, MVHC is a wholly owned subsidiary of GVRD and is “incorporated under the Business Corporations Act (British Columbia) for the purpose of supplying affordable rental accommodation” and it can, therefore, be considered a Crown corporation.

Interestingly, none of the 72 municipal corporations mentioned above belongs to the City of Vancouver proper. Instead, page 14 of the City of Vancouver’s 2010 annual report lists six other “City controlled corporations”: Hastings Institute Inc., Harbour Park Development Inc., the Parking Corporation of Vancouver, the Vancouver Civic Development Corporation, the City of Vancouver Public Housing Corporation and the Pacific National Exhibition. An additional four organizations are listed as managing assets owned by the City of Vancouver: the Vancouver Art Gallery Society, the Vancouver Museum, the H.R. MacMillan Space Centre, and the Vancouver Maritime Museum.

So, in addition to the 72 municipal corporations listed by B.C.’s Ministry of Community, Sport and Cultural Development, there are many other Crown corporations or other types of government entities providing services in some of the municipalities in B.C.

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<sup>31</sup> British Columbia Ministry of Community, Sport and Cultural Development, Local Government Infrastructure and Finance, “Local Government Corporations,” accessed March 10, 2012, [http://www.cscd.gov.bc.ca/lgd/infra/local\\_government\\_corporations.htm](http://www.cscd.gov.bc.ca/lgd/infra/local_government_corporations.htm).

<sup>32</sup> Coquitlam Optical Network Corporation, Pitt Meadows Economic Development Corporation, Richmond Oval, Surrey City Development Corporation, etc.

<sup>33</sup> For example, Lonsdale Energy Corp. is included in “The City of North Vancouver 2010 Annual Municipal Report” on page 33.



We have found a similar situation for the City of Calgary. The City of Calgary's 2009 annual report mentions two government business enterprises: ENMAX and the Calgary Telus Convention Centre. The 2010 annual report lists only ENMAX as a government business enterprise, while the Calgary Telus Convention Centre is included in a list of six "related authorities," alongside the Calgary Parking Authority, the Calgary Public Library Board, Calhome Properties Ltd. (operating as the Calgary Housing Company), the Calgary Municipal Land Corporation, and the Attainable Homes Calgary Corporation.<sup>34</sup> While it comes as no surprise that ENMAX is a profitable enterprise (it had a net income of \$178 million in 2010), Attainable Homes Calgary Corporation, the Calgary Parking Authority and the Calgary Municipal Land Corporation also achieved positive net incomes from operations in 2010 of \$1.2 million, \$27.7 million and \$3.4 million respectively.

In addition to the government business enterprises and related authorities listed above, the City of Calgary also has 29 business units,<sup>35</sup> the largest of them being Calgary Transit, along with Assessment, Infrastructure and Information Services, The City of Calgary Water Services Department, etc.

## 9. CONCLUSION

There is very little research documenting the size of the government-owned enterprise sector in Canada. The few studies that exist focus on federal Crown corporations, for which data are relatively easily accessible.

In addition to the 47 federal Crown corporations, we developed a database of 181 provincial Crown corporations and compared their financial results to their federal counterparts. We find that while the provincial sector is only 43.6 per cent larger than the federal sector in terms of gross assets, it earns more than four times the revenue of the federal Crown corporations, generates substantially more in terms of net income, and hires more people. We also estimate that the provincial Crown-corporation sector contributed more than \$43 billion to Canadian GDP in 2010, about 2.7 per cent of GDP, versus the federal contribution of roughly \$11.8 billion, or 0.7 per cent of GDP.

Our aggregate economic and financial indicators for federal and provincial Crown corporations exceed those published by Statistics Canada for government business enterprises because, unlike Statistics Canada, which focuses only on entities that have been deemed to be more or less "self-sufficient," we include all corporations that we were able to identify as owned by the federal and provincial governments.

Due to the sheer number of municipalities in Canada and the variety of terms used to denote Crown corporations within the same province and even within the same municipality, we have yet to develop a systematic way of identifying municipal Crown corporations. Based on a preliminary investigation, as well as data published by Statistics Canada, we suspect that there are hundreds of municipal Crown corporations in Canada. We hope to be able to compile data at the municipal level at some point in the future.

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<sup>34</sup> Also designated as "an independent non-profit corporation" on page 37 of the report.

<sup>35</sup> According to The City of Calgary, "About the Assessment Business Unit," accessed April 28, 2012, <http://www.calgary.ca/PDA/Assessment/Pages/About-Assessment.aspx>.

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