



BACKGROUND

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A New Crown Review

An Idea Whose Time Has Come

Sheldon Schwartz

Background

“...accusations that the Saskatchewan Party had a hidden agenda to privatize Saskatchewan’s commercial Crown corporations became a major issue...

Saskatchewan’s first commercial Crown corporations were established for pragmatic public policy purposes. According to Crown Investments Corporation (CIC), the holding company for Saskatchewan’s commercial Crown corporations, “Private sector companies either did not offer services, offered them only to major centres, or charged rural customers significantly higher rates than urban customers. Saskatchewan’s first commercial Crown corporations were established because essential services such as telephone, power, and hail insurance for crops were not available from private companies, or not available to all residents on a fair and equitable basis”.¹ The commercial Crowns also provide head office jobs in Saskatchewan that otherwise might not exist.

As recently as the 2003 provincial election, accusations that the Saskatchewan Party had a hidden agenda to privatize Saskatchewan’s commercial Crown corporations became a major issue that helped to re-elect the incumbent NDP government. In 2004, the Saskatchewan legislature, with support from all political parties, passed *The Crown Corporations Public Ownership Act*.² This legislation specifies nearly all of Saskatchewan’s commercial Crown corporations, and creates a daunting barrier to their potential sale.³ Investment Services Corporation (ISC), a commercial Crown corporation that provides registry services, was not specified in the 2004 legislation.

The times they are a-changin’

It seems that the political climate in Saskatchewan has been changing. In November 2012, the provincial government introduced legislation authorizing the sale of voting shares in ISC and announced that it is contemplating a 60 per cent partial privatization through a stock offering.⁴ In a 2012 year-end CBC interview, Premier Brad Wall indicated that he would like to provide Saskatchewan voters with a clear policy on the privatization of the province’s commercial Crowns before the next election. Premier Wall said that, “It can’t be about ideology... It has to be what’s pragmatic”, adding that he would welcome a “rational” public discussion about Saskatchewan’s Crown corporations”.⁵

“...***“It can’t be about ideology... It has to be what’s pragmatic”...***”

Both the reasons for the establishment and their commercial nature suggest the parameters of a non-ideological, pragmatic approach to evaluating the commercial Crowns.

- Saskatchewan’s commercial Crown corporation sector represents a large investment of public money, with consolidated assets of about \$12.8-billion at September 30, 2012.⁶ Just as with any other commercial investment, it is pragmatic and prudent to periodically review how these assets have performed, and to assess their situation and outlook.
- Since the Crowns were established for public policy purposes, it is pragmatic and prudent to periodically review whether or not these commercial investments have fulfilled their public policy mandate and to assess the continuing public policy purpose of government ownership.
- Since the Crowns are held in trust for the benefit of the people of Saskatchewan, it is pragmatic and prudent to involve the public in an open, objective and transparent review process.

A new Crown review

A Crown Review would foster informed public debate, and would help the government and opposition parties to develop clear policies on the commercial Crowns.

In 2008 I developed a framework for conducting a non-ideological, pragmatic Crown Review based on the above parameters.⁷ It called on the provincial government to establish an independent public review of Saskatchewan's commercial Crown corporations based upon rigorous, objective and transparent analysis with open public input and debate. Both the process and the results would be public.

Such a Review should be able to provide answers to the following questions:⁸

1. For each commercial Crown corporation, what is the current market value of the taxpayers' equity?
2. Has each of the commercial Crown corporations maintained or enhanced its equity value relative to its private sector counterparts? If not, why not?
3. What activities does each of the commercial Crown corporations conduct for public policy purposes that a private sector counterpart would not do without subsidization? What would be the amount of the required annual subsidy to a private sector counterpart?
4. Which of the commercial Crown corporations have achieved their mandates? For those that have, what is the public policy purpose of continued government ownership? For those that haven't, why haven't they?

A Crown Review would foster informed public debate, and would help the government and opposition parties to develop clear policies on the commercial Crowns. A Crown Review would provide a pragmatic alternative to ideology in assessing the benefits, costs, risks, and continuing public policy purpose of government ownership of the various commercial Crowns, and in deciding which, if any, should continue under government ownership and which, if any, should be privatized.

It thus makes good sense and the provincial government would show good faith to not proceed with any partial privatization of ISC until after the completion of a Crown Review and the release of a clear policy.

An idea whose time has come

It has been more than 15 years since the last Crown Review. When I proposed the framework for a new kind of Crown Review five years ago, the government indicated that conducting such a review was not a priority.⁹ Premier Wall's 2012 year-end interview suggests a possible change in the government's receptiveness to the idea.

Endnotes

1. Crown Investments Corporation, "History of Crowns". Retrieved from http://www.cicorp.sk.ca/about_us/commercial_crown_sector/history_of_crowns.
2. *The Crown Corporations Public Ownership Act*, Chapter C-50.102 of The Statutes of Saskatchewan, 2004, <http://www.qp.gov.sk.ca/documents/English/Statutes/Statutes/C50-102.pdf>.
3. For purposes of *The Crown Corporations Public Ownership Act* ("Act") "Crown corporation" means:
 - "(i) Crown Investments Corporation of Saskatchewan;
 - (ii) the Liquor and Gaming Authority;
 - (iii) Saskatchewan Gaming Corporation;
 - (iv) Saskatchewan Government Insurance;
 - (v) Saskatchewan Power Corporation;
 - (vi) Saskatchewan Telecommunications;
 - (vii) Saskatchewan Telecommunications Holding Corporation;
 - (viii) Saskatchewan Transportation Company;
 - (ix) Saskatchewan Water Corporation;
 - (x) SaskEnergy Incorporated;
 - (xi) SGC Holdings Inc.;
 - (xii) TransGas Limited; and,
 - (xiii) any corporation that is wholly owned by the Crown and that is added to this definition in the regulations; and includes any other corporation that is a continuation of a corporation mentioned in subclauses (i) to (xiii) resulting from any amalgamation or reorganization and any successor to a corporation mentioned in subclauses (i) to (xiii)."

Source: *The Crown Corporations Public Ownership Act*, Chapter C-50.102 of The Statutes of Saskatchewan, 2004 at Section 2(b). <http://www.qp.gov.sk.ca/documents/English/Statutes/Statutes/C50-102.pdf>. Section 3 of the *Act* prohibits the privatization of any Crown corporation unless there is specific authorizing legislation. Section 4 requires that before such legislation can be passed, the terms of the proposed privatization are subject to legislative scrutiny and detailed expert analysis, after which a written public report must be tabled. In addition, such authorizing legislation cannot come into effect until after the next provincial election.
4. Murray Mandryk, "ISC Privatization Case Not Compelling", *Leader Post*, November 20, 2012. <http://www.leaderpost.com/business/MANDRYK+privatization+case+compelling/7573570/story.html>.
5. "It can't be about ideology. That's the point. It has to be about what's pragmatic. You know, I think it's simply pragmatic, and the people of the province, I think they're probably ahead of government when we finally said if we need new stores because some neighbourhood is growing rapidly, should it be a private store? Can it be a private store? I think that's not ideology that's just, for some it would be common sense but it's a question of pragmatism, and just function, policy function. Same is true for ISC. And so maybe somewhere down the road the people of the province are going to want to have that very debate, to have a rational discussion about all these different entities in government and, I think we would welcome that. Whatever Crown policy we offer in a subsequent campaign has to be definitive. It's either the status quo or some other variation, but it's got to be very specific so that, you know, we finish our own sentences and no one fills in blanks. I think that was a challenge with that particular policy position and by the way I was the Crowns critic at the time. I helped, more than helped I was pretty central to the development of the policy, really not realizing maybe out of naiveté that it ... just didn't give the leader a definitive answer. It was, "I have no plans". Well, but what does that mean necessarily to the person who thinks that that could change then in a couple years?"

Source: Premier Brad Wall - Interview with Stefani Langenegger. Excerpted in "The Leg Chat", CBC Radio, January 4, 2013 (transcription by author). Retrieved from <http://www.cbc.ca/morningedition/political-panel/2013/01/04/leg-chat-2/>.

6. Crown Investments Corporation, "Quarter 3 Financial Report For the period ended September 30, 2012," p. 8, <http://www.cicorp.sk.ca/assets/Documents/quarterly/Q%203%20-%202012%20Public%20Quarterly%20Report.pdf>, p. 8.
7. Sheldon Schwartz, "Saskatchewan's Crown Corporations, Time For A New Crown Review", Saskatchewan Institute of Public Policy, *Policy Dialogue*, Winter 2008 pp. 10-11. http://www.uregina.ca/sipp/documents/pdf/Winter2008_PD_online.pdf.
8. Ibid, p. 11.
9. Murray Mandryk, "Crown Review Beneficial For Public", *The Star Phoenix* - May 24, 2008. <http://www.canada.com/story.html?id=1063a4e2-104d-4fd9-b430-2d0a745472b6>.

About the author



Sheldon Schwartz was born in Regina, and worked for the Province of Saskatchewan during a career spanning 25 years, including as Assistant Deputy Minister of Finance, responsible for Saskatchewan's treasury and debt management functions and as the Chief Financial Officer and Vice President of Finance and Administration for Crown Investments Corporation, the Province's holding company for its commercial Crown corporations. He has a Masters degree in Economics from Carleton University, and holds the Chartered Financial Analyst (CFA) designation. A semi-retired consultant living in Victoria, British Columbia, Sheldon continues his lifelong interest in public policy in Saskatchewan. His article, "Saskatchewan's Crown Corporations—Time for a New Crown Review", appeared in The Saskatchewan Institute of Public Policy's Winter 2008 *Policy Dialogue*.



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Further Reading

June 2009

**More Government
Constraints on Saskatchewan's
Commercial Crowns
= Less Value Over Time
By Sheldon Schwartz**

<http://www.fcpp.org/publication.php/2798>

May 2010

**Saskatchewan's Commercial
Crown Corporation Dividend Policy:
Change Isn't Always Progress
By Sheldon Schwartz**

http://www.fcpp.org/files/1/10-06-02-Sask_Crown_FINAL.pdf