RESTRUCTURING AND PRIVATIZATION OF PUBLIC ENTERPRISES IN CANADA:
LEGAL AND FINANCIAL ASPECTS

ABSTRACT

The theme of the paper is restructuring and privatization of public enterprises in Canada, where the enterprise operates as a business offering public goods or services. Legal and financial aspects of public enterprises distinguish those enterprises from other businesses and government activities. The author analyzes and compares various experiences with different forms of public enterprises. The study explains goals, essence, definition and differences between similar enterprises and other government activities and private enterprises. The paper provides a stimulating debate about the ways to reform public enterprises in different countries.

Key words: restructuring, privatization, public enterprises, Canada, countries in transition

Public enterprises play a very important role in the market economy of many countries and their satisfactory performance is essential to peoples and states. Their generally monopolistic existence generates many benefits through financial sources and profitable business arrangements.

1 Dr. Borislav Grahovac, an independent analyst, Vancouver, Canada.
Public enterprises appear in various guises such as state enterprises, government corporations, companies, agencies, committees and economic units, all managed or controlled by local, regional or national governments. Their names vary according to the their purpose, ownership matrices, government ideology, goals, management and control and the whole spectrum of characteristics of the various states involved. And they perform a wide range of business activities—commercial, financial, technological, industrial and agricultural—depending on the political systems and ownership structures in particular states.

The legal and financial dimensions of public enterprises distinguish these enterprises from other business and government activities noted in this paper. These dimensions are discussed in the contexts of ownership, establishment and liquidation, and the performance of public enterprises.

It is now imperative to use good business practices to review the reform process for public enterprises in various economies so that the traps and bad side-effects of rash and chaotic privatization can be avoided while reproducing and adapting successful restructuring and privatization experiences in transitional and highly developed market economies. The successes in Hungary, Poland and so on are important, of course, but we also have to learn from more mature market economies, so that Canadian experience is very interesting.

TYPES OF PUBLIC ENTERPRISES IN CANADA

Public enterprises made their appearance in the Canada today with the first elements of government before Confederation. One of the reasons for establishing the government was the need for collective management of vast land and sparse population. Organizing and improving commutations and agriculture was a long term process that required government backing to set up systems of canals, operating ports and harbors in river basins and oceans. Public enterprise or public economy was a reason for and consequence of the appearance of the first known Canadian government, Confederation, in 1867.

After establishing Confederation, the first federal public enterprise was created, Crown Corporation, the Canadian National Railway Company. Crown corporations are initiated and solely owned by government. Some Crown corporations are exceptions such as the Bank of Canada, Canada’s central bank, which was created as a private company in 1934, and was
subsequently nationalized in 1938. Canada’s leading oil and gas company, Petro-Canada, was established as a national symbol, and a Crown Corporation, in 1975 and the Canadian government bought up several producers and distributors until 1990. The historical significance of Crown corporations was in fields of transportations and communications because of Canadian geographic and demographic conditions.

After Second World War, governments created several Crown Corporations, which provide loans and financial services (such as the Canadian Mortgage and Housing Corporation, the Farm Credit Corporation, and the Business Development Bank). These entities supported nationally significant projects financially; they have usually lower interest rates than the most other private financial sector firms.

The Post Office Department transformed into Canadian Post Crown Corporation in 1981 after numerous problematic business years. Between 1985 and 2005, federal government established 26 new Crown corporations; some of them were in the field of natural resources. After the September 11, 2001 terrorist attacks in New York, The Canadian Air Transport Security Authority (CATSA) became Crown Corporation. Canadian society and governments changed priorities over past decades and that reflected on policy of public economy. W. T. Stanbury\(^2\) wrote, “The (Canadian) nation has aptly been described as a “public enterprise country” in contradiction to the U.S., the quintessential private enterprise country”.

Canadian economic policy is pragmatically liberal, so that its special interest is focused on three economic segments—industrial development, transportation and communications infrastructure—along with such high-risk and huge projects as the use of complex technologies, where the country’s public enterprises are active.\(^3\) As well, this developed country pays attention to the social and cultural sphere and in this area we have public enterprises for broadcasting and film—the Canadian Broadcasting Corporation, National Film Board, etc. Hodgett\(^4\) has defined the Canadian


perception of public enterprise beautifully as a concept of administrative organization including one or more organizational units under direct government management and control.

Public enterprises in Canada can take the form of Crown corporations that are not exclusive state activities—Canadian National Railways, with private as well as government participation, being an example. There are also, for example, Petro-Canada joint enterprises in which a second level of government participates and international organizations put together with foreign participation.\(^5\) The legal framework for this classification can be found in the 1984 Financial Administration Act.

The Canadian specificity is that highly profitable public enterprises like Canada Post, Air Canada and Petro-Canada are significantly privatized. And the country’s ongoing restructuring and privatization process aims to reshape the public sector for greater effectiveness and efficiency.

ESTABLISHING THE FORMS OF PUBLIC ENTERPRISES – MANAGING PUBLIC ENTERPRISES IN CANADA

Public enterprises are companies in the real meaning of this term that operate in the areas of industry, trade or finance but belong to the Crown as the only shareholder. Canadian public enterprises are typically organized as Crown corporations, though exceptionally the private sector is involved, as in the case of Canadian National Railways, Petro-Canada and National Sea Products. Public enterprises are organized as joint enterprises when different levels of government participate in the ownership structure. International (mixed) public enterprises are created on the basis of agreements involving two or more national governments and in these cases Canada has reserved the right to appoint a government agency or some other entity to represent the Canadian share of ownership.\(^6\) The 1979 Report of the Royal Commission on Financial Management and Accountability\(^7\) proposed criteria for identifying Crown Corporations. They were established by a constitutive act, letters patent or on the basis of the Canadian Business

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Incorporation Act\(^8\) or a provincial law. They are legally constituted to deal in the marketplace and private sector under commercial law but are state-owned. Boards of directors head public enterprises in the same way as in private enterprises. But in the public companies, the competent Minister can issue certain instructions.\(^9\) Their various forms are set out in Schedules II and III of the Financial Administration Act, 1984.\(^10\) Due to weaknesses noted in a majority of Crown corporations in the areas of management control and efficiency, mentioned in reports by the Privy Council (1977) and the Lambert Commission (1979), the Financial Administration Act, 1984, contains a reclassification of all public corporate activities under federal laws.

Diagram 1: Types of public organizations in Canada according to the federal Financial Administration Act, 1984\(^11\)

<table>
<thead>
<tr>
<th>Schedule I</th>
<th>Schedule II</th>
<th>Schedule III (a)</th>
<th>Schedule III (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Departments (Public)</td>
<td>Departmental Corp.</td>
<td>Consolidated Corp.</td>
<td>Enterprise Corp.</td>
</tr>
<tr>
<td>Firm (Private)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Diagram 2: Examples\(^12\)

Agriculture & Agrifood
National Research Council
Royal Canadian Mint
Petro Canada
Imperial Oil

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\(^12\) Ibid.
Table 1. a. Number of Parent Crown Corporations, Their Wholly Owned Subsidiaries, and Other Subsidiaries, Associates and Legal Partnerships

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent Crown Corporations</td>
<td>43</td>
<td>43</td>
<td>43</td>
</tr>
<tr>
<td>Wholly Owned Subsidiaries (100%)</td>
<td>25</td>
<td>36</td>
<td>53</td>
</tr>
<tr>
<td>Other Subsidiaries Associates and Legal Partnerships</td>
<td>36</td>
<td>54</td>
<td>48</td>
</tr>
</tbody>
</table>

Table 1. b. Number of Other Corporate Interests

<table>
<thead>
<tr>
<th>Year</th>
<th>03/2004</th>
<th>03/2005</th>
<th>03/2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mixed enterprises</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Joint enterprises</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>International organizations</td>
<td>18</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Shared-governance corporations</td>
<td>141</td>
<td>144</td>
<td>141</td>
</tr>
<tr>
<td>Corporations under the terms of the Bankruptcy and Insolvency Act</td>
<td>35</td>
<td>40</td>
<td>44</td>
</tr>
</tbody>
</table>


Table 2. Mixed and Joint Enterprises, Federal Government Interest percentage to December 31, 2002

<table>
<thead>
<tr>
<th>Corporation</th>
<th>Federal Government interest %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower Churchill Development Corporation Limited</td>
<td>49</td>
</tr>
<tr>
<td>Petro -Canada Limited</td>
<td>18.84</td>
</tr>
<tr>
<td>Canada Economic Development</td>
<td>40</td>
</tr>
<tr>
<td>North Portage Development Co.&amp; The Forks Renewal Co.</td>
<td>33.3</td>
</tr>
</tbody>
</table>

Under the FAA Federal Crown Corporations are those enterprises in which federal government has 100 percent ownership interest. Federal government has 100 percent ownership interest in other corporations, called Department corporations, because of their nature and purpose. However, where federal government has investments less than 100 percent, these are called mixed and joint enterprises. Also, federal government has less than 100 percent ownership interest in international organizations, shared – governance corporations and corporations under the term of the Bankruptcy and Insolvent Act.

Prominent Crown Corporations in Canada are Canadian Broadcast Corporation, Telefilm Canada and the Canadian Radio-Television and Telecommunication Corporation, Canadian Air Transport Security Authority and Export Development Canada.

According to Table 1 and 2 one mixed enterprise was deleted from the Annual Report. The federal government sold its remained 18.84 percents ownership position in Petro-Canada in 2004.

The FAA of 1984 stipulates that public enterprises deal in the competitive market and not depend regularly on government budgets, but these criteria are not imperatives. The leading roles in Crown corporations are played by the president with some deputies or senior executives. Members of their boards generally rotate. The president usually has a defined mandate and enjoys a high degree of independence. The usual term of office is seven to ten years for presidents and some board members. This term is important for continuity of management in order to reduce the influence of elected officials who have to go back to the people every four or five years since Cabinet ministers are involved in recommending and appointing directors for public enterprises.

Company officers or directors have the prime responsibility for managing Canada’s Crown corporations. However the core political responsibility rests with the Minister who has the oversight of these enterprises and the Cabinet is responsible to the public. There are major risks for Prime Ministers and Cabinets attempting to change policy for public enterprises: they need a suitable climate lest their new political measures be still-born.

Diagram 3 shows the management of Crown corporations in the context of Canada’s parliamentary system. The Privy Council Office acts as the secretariat to Cabinet and attends to management policy. The Department
of Finance is responsible for economic (commercial) management. The Treasury Board’s Cabinet Committee and Secretariat are responsible for general government management. These practical differences in jurisdiction do not cause confusion in day to day government operations.\textsuperscript{13}

\textit{Diagram 3: Management of Crown Corporations\textsuperscript{14}}

Based on the 1984 FAA every public enterprise or Crown corporation should prepare an annual business plan defining its purpose or goals and detailed operational and capital budgets. The business plan is then checked by officials in the appropriate branch of the Treasury Board Secretariat and approved by the Minister. A summary of this plan is taken to Parliament for discussion and approval. In 1987 a legal framework was introduced for conducting special reviews of Crown corporations. It regulates contractual relations among public enterprises, government (Cabinet) and Parliament. Later regulations (1991) made it mandatory for them to submit one more


annual financial report or “central accountability document” to the competent
government agency.

The efficiency and effectiveness of public enterprises should be viewed in the context of the legislative responsibilities given to the public sector plus macroeconomic policy, the political environment and the entire sector of public enterprises or the public economy in Canada. This huge country has enabled public enterprises to take advantage of immense natural resources and government benefits like sound credit and privileged market status, in return for which they are expected to maximize profits and self-sufficiency. Because the ownership pattern is vague in this type of enterprise, however, there is a lack of clarity in their control and decision making that is not seen in private enterprises dealing in public sector types of products and services.

Canada is organized as a federation of provinces and territories, and different provinces have different models of control of public enterprises. For example a Crown corporation in Alberta is an autonomous “self-contained” model; the province of Manitoba uses a “vertical information system” model, Saskatchewan a “lateral relations” model. These models all have some kind of government intervention or participation in essential business decision making. Alberta’s model is considered to allow the most autonomy while Saskatchewan’s model promotes strong intervention by government institutions. In Alberta the Progressive Conservative Party has been in power for a long time, while in Saskatchewan the leading party is the New Democratic Party with its social democratic ideology.15

The public sector is defined with such further legislative and regulatory parameters as control management systems and accounting rules about registration of assets that are intended to enhance efficiency and effectiveness. The government’s fiscal difficulties have been reflected in bad public sector management generally, but in spite of all this the last decade can be defined as a period of growing autonomy in this highly important sector. There is a keen awareness of the need to restructure and privatize public enterprises as a very good way of creating an efficient public economy in Canada.

MAIN PUBLIC ENTERPRISES IN ENERGY AND COMMUNICATIONS IN CANADA

Canadian National Railways, which links the huge distances of the biggest country in the Americas, is a good representative of the Crown corporation form of public enterprise. In Canada as elsewhere, public enterprises tend to be sizeable and thus major and some cases alarming budget liabilities: some, like Canadian National Railways, compete openly with private carriers in the same marketplace. The Canadian government tracks this corporation’s business results and attempts to map out the optimal approach to the public transportation of passengers and merchandise. The Canadian Department of Transport looks at restructurings that will provide gains in efficiency and attract privatizing investors.

The Canadian National Railways Act\textsuperscript{16} lent statutory shape to this Canadian railway as a public enterprise and itemized the rights and responsibilities of its board of directors, management and railway operations. The board of directors consists of a chair and 11 directors, one of them the CEO and the only board member from the executive ranks. The chair and CEO are full-time employees while the other directors are part-time, appointed by the shareholders to oversee effective and efficient business operations and usually experienced business people, lawyers and politicians. Since Canada is a federation and its railways run through various provinces, these directors also end up being provincial representatives as well. The board uses the committee system to oversee particular activities: finance, social security, environmental protection, compensation, investment, real property management and the executive power. For example the finance committee supervises financial reports, accounting, expenditures and internal audits, and the social security and environmental protection committee supervises the legal aspects of corporate policy in these fields. Executives and managers are supervised by the compensation committee in terms of successful business activities.

Canada’s Crown corporations are obliged to operate transparently and submit specific documents like business plans, capital and operating budgets and quarterly and annual financial statements to their shareholders and the federal departments responsible for specific activities. The board of directors has to approve each of these activities or documents prior to

submission to the departments and shareholders. The basic job of the board of directors is to establish corporate strategic directions that should reflect the priorities of the owners and approve business plans advanced by management. Another inevitable board role is to protect corporate property and make such major business decisions as capital investments.

A major aspect of the activities of boards of directors in Crown corporations is personnel policy or structure. This becomes part of the very complex process by which the country’s Cabinet or Governor in Council elects about 600 directors of Crown corporations. It is important that the people put forward for these positions have the right mix of experience, education and skills to justify their involvement and be provided with all the necessary information and training for this highly responsible role. Board members of Crown corporations have limitations that do not apply to their private sector counterparts since they often have to reconcile business imperatives and political pressures that are in direct conflict with corporate interests.17

The Canadian Broadcasting Corporation (CBC), the country’s public radio and television network, is a public enterprise representing the cultural identities of a multiethnic society. The CBC is one of the 10 biggest Crown corporations and a major federal budget item, getting about $1 billion in 1991-1992 and $1.1 billion in 1992-1993 at a time when all subsidies to federal Crown corporations totaled $4.7 billion. In 1995 the government slashed CBC spending by $250 million and this rationalization process continued for the next number of years with broad impacts on radio and television programming.18

The Canadian Broadcasting Corporation was established by the 1936 Broadcasting Act and the operations of this corporation were governed by amendments in 1958, 1968 and 1991. The 1991 amendment defined the CBC’s business as being “to provide radio and television services in both official languages incorporating a wide range of programming that informs, enlightens and entertains. The programming is to be predominantly and distinctively Canadian and contribute to shared national consciousness and identity”.19

17 Canadian President of the Treasury Board, Annual Report to Parliament 1994, Crown Corporations and Other Corporate Interests in Canada, Minister of Supply and Services, Ottawa, Canada, 1995, pp. 4-5.
19 Ibid., p. 21.
The CBC operates under licenses from and standards set by the Canadian Radio-Television and Telecommunications Commission (CRTC). This public enterprise is caught in a riptide between a flood of program requests and narrow legislation that has a direct impact on its business results. The CBC is mandated to provide programming in two official languages, English and French and for different groups in Canadian society under permanent pressure to cut back its subsidies while improving the quality and quality of its programming. Canada’s multilingual society also needs programming in a range of other languages. In the private sector, broadcasters make programs and add blocks of commercial advertising to pay for them: when they need to save money they cut back on programming and close local stations. When the CBC does this it attracts a hail of criticism. Rare skills are required to perform the virtually impossible feat of enriching program quality and quantity while maximizing profits. It is a situation that arouses a variety of opinions in Canada, who want good radio and television programming but lower taxes at the same time.

Canada’s leading oil and gas company, Petro-Canada, was established with patriotic brouhaha in 1975 as a response to the world oil crisis and opposition to US domination of the domestic oil industry. The Liberal minority government under Pierre Elliott Trudeau promoted a national oil company to Parliament as a way of opening the door to prosperity for Canadian industry and Canadian citizens. The Petro-Canada Act or Bill C-8 was passed by Parliament on July 30, 1975 and the new Crown Corporation opened its doors for business five months later on January 1, 1976.

This company has been very important for Canada because oil and gas are essential products that determine development in all senses and thus galvanize the permanent attention of government, which oversaw Petro-Canada’s evolution from state ownership to a public company with significant private shareholdings. The company’s transformation fell into four stages. The first, from 1973 to 1978, saw the implementation of the Petro-Canada Act and the launch of a Canadian national energy enterprise. The second stage ran from 1978 to 1984 as Petro-Canada became the country’s biggest oil and gas concern amid a swirl of differing ideological

20 Ibid., p. 21.
views about how it should be organized, owned and operated. The opposition socialist New Democratic Party outdid the governing Liberals in strongly supporting the status of Crown corporations as state-owned public enterprises, while the Progressive Conservative Party fiercely argued the folly of public ownership of competitive companies. The third period, 1984-1990, saw the end of Petro-Canada’s buy-outs of private oil and gas companies and the appearance of major cracks in the Crown asset’s market competition against private companies in spite of its favored status. The fourth stage has seen the restructuring and privatization of this huge company with its national colors and symbols.

Early in the process, the Canadian government bought up several private oil producers and distributors—Richfield Canada in 1976, Pacific Petroleum in 1978, Petrofina Canada in 1981, BP Canada in 1983, Gulf Canada in 1985, Norcen Energy Refinery in 1986 and Inter-City Gas Corporation in 1990—to put state-owned Petro-Canada in the lead at a total cost of over $4.7 billion. To this must be added the substantial losses reported by this massive enterprise in the same period. Clearly, Canadian patriotism was a very expensive luxury for Canadian taxpayers for almost two decades, and their patriotic economic policy did not justify their hopes for the public energy sector. Moreover the process showed the absurdity of nationalizing private companies that provided satisfactory goods and services to customers.22

Renaissance Energy Ltd., a private Calgary oil company established in 1982 with no national fanfare, is a good example of effectiveness and efficiency at the same time when Petro-Canada was sustaining enormous losses in spite of huge subsidies from the Canadian government. The Calgary entrepreneurs behind Renaissance has good business reputations among private investors and their shares were almost equal in value to those of national symbol Petro-Canada by the early 1990s.

Petro-Canada is one of many Canadian Crown corporations that set this country aside from the US, which handles its public sector altogether differently. These Canadian entities in some respects resemble the public enterprises in France and the UK and other Western countries that racked up enormous debts before the healing process of deregulation, restructuring and privatization reached their public economies. The business outlook for Petro-

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Canada in 2006 was the best thus far: the past two years had seen the privatization of all of this company, which is still attractive to private investors interested in making a profit.

Canada is a good example of why public enterprises should not be state-owned companies and why politicians or their puppets should not get taxpayer money for the management of public enterprises. However Canada is also a good example of a state which understood that public enterprises in air transportation, energy and other general and necessary goods and services can run efficiently and reap profits with private investors and managers. Thus, the PPP or “private-public-partnership” principle has yielded good results in the operation of public energy and communications enterprises in Canada.

COMPARATIVE ANALYSIS

Public enterprises in both the industrial countries and the developing countries, including the former socialist states, have therefore shown significant similarities: management inertia, monopoly status and massive government subsidies to cover business losses that mount inexorably to overcome all the money thrown at them. Very similar behavior of employees and management in public enterprises is a common denominator in developed capitalist and state or self-managing socialist countries. Employees and managers of public enterprises in industrially developed countries do not suffer from the feelings of uncertainty and insecurity that are the rule for employees and managers of private enterprises in these other states. They are even better paid for the same work than in the private sector, so that employment in public enterprises is considered the most stable kind of work, with little stress and lots of benefits ending in reliable pension plans. Of course all of these factors exert a negative influence on work and business discipline and the results—the quality and quantity of products and services these public enterprises provide to citizens.

One statesman who recognized the fatal flaw in the concept of state ownership was US President Eisenhower, who in 1950 characterized it as “creeping socialism on the American way”: he called for the privatization of state-owned enterprises and argued that private owners would be better businessmen.

There is also the persistent illusion or myth that public enterprises can sell products and services cheaper than the private sector. This true only if we
discount their massive subsidies. Their real prices would have to include all real costs including the costs of their inefficiencies. If their selling prices undercut private enterprise this is because the customer if paying twice, once at tax time and the other at the counter or the pump.

The reform of the public economic sector involves essential changes that deeply involve all structures from production to finance to management. Not only are ownership structures changed, but change reaches right into the underlying system on which the public economic sector rests. In fact privatization means new management philosophies, whole new financial systems, new technologies and knowledge to reflect the technological revolution in communications or all kinds and, of course, new forms of management to meet current demands. By the end of the first decade of the third millennium public enterprises are expected to exhibit some mixed but mainly private ownership to further the public interest of all citizens.

Canadian privatization “model” took lessons from the British experience, but Canadians created a model which is reflection “of the country’s unique circumstances – in Canada’s case, how our history and geography have interacted to develop a particular mix of government holdings, special concerns about foreign ownership and distinct emotional associations of government ownership with national symbols and national pride”.

“The sale of Crown corporations to private investors may be done in several ways: shifting from 100 percent government ownership to 100 percent private ownership, either by sale or by “bricking”, i.e. free distribution of shares; or shifting from 100 percent government ownership to mixed enterprise in which the government keeps a minority interest or even retains legal control.”

There are actually several privatization techniques used for privatizing Canadian public enterprises: direct sale, public offer, joint venture and divestiture or liquidation of part or all of the enterprise.


Meanwhile, the new owner-investors will have an important role in the management of their enterprises, one appropriate to active owners whose influence reflects the change of mode. The new owners will bring a new force to business activities through their use of consultants monitoring segments of management on their behalf that range from employment policy to the introduction of new technologies, innovations and services. These consultants will naturally go beyond these tracking activities to suggest necessary and useful improvements that will be profitable for the owners while ensuring the development of the companies and serving the public interest in this crucial economic sector.

Citizens appear in a dual role as taxpayers and consumers of the products and services of these public enterprises. As consumers they are interested in good supplies of quality goods and services at affordable prices but as taxpayers they will support reform and privatization that reduce their taxes and give them more purchasing power for the quality goods and services.

Investors and new owners are interested in the reproduction of capital in as short a time as possible and as active owners they will try to create new business and management policies to reap profits as the basic goal of their investment in these public enterprises. This is quite natural, but governments have to find a way to secure the public interest in the management policies of privatized public enterprises.

The current state of affairs in the industrial world is that large numbers of citizens are investors and owners in some part of their public sectors through various forms of holdings in pension or mutual funds or company shares. Public sector ownership is thereby dispersed over a huge number of owners grouped under investment consultants and agencies that handle their “property” in public enterprises. This folk capitalistic illusion helps to amass the resources to develop the public sector and entrepreneurial skills among ordinary people.

People in the former socialist states do not now have the savings or opportunities to invest in the privatization of public enterprises, but as development unfolds they will certainly make higher incomes and bring to invest in the public sector as ordinary people have already done in the industrial countries. Bank of Canada figures show that investments by ordinary Canadians in mutual funds have already equaled their deposits in bank accounts.
The post-privatization situation in the former socialist states has dashed the hopes of millions of people who believed that the process would bring not only prosperity but a groundswell of “folk capitalism.” They now face the painful truth that they have once more been fleeced and herded to the existential limit. Large numbers of them became poor in the privatization process while the government organizations conducting the deliberately opaque process grew extremely rich in what can be described as the second barefaced robbery of the twentieth century—the first having occurred when the same structures robbed the real owners in the Marxist revolutionary wave as the Communists came to power. The most blatant example of this contemporary robbery occurred in the process of privatizing state-owned enterprises in Russia. The impoverishment caused by this process has resulted in rising mortality rates and an unprecedented lowering of life expectancy as a small super-rich contingent has left the majority of the population on the edge of survival.

CONCLUSION

Canada is a good example of why public enterprises should not be state-owned companies and why politicians or their puppets should not get

\[\text{Source: Bank of Canada and Investment Funds Institute of Canada}\]
taxpayer money for the management of public enterprises. However Canada is also a good example of a state which understood that public enterprises in air transportation, energy and other general and necessary goods and services can run efficiently and reap profits with private investors and managers. Thus, the PPP or “private-public-partnership” principle has yielded good results in the operation of public energy and communications enterprises in Canada.

The reform of the public economic sector involves essential changes that deeply involve all structures from production to finance to management. Not only are ownership structures changed, but change reaches right into the underlying system on which the public economic sector rests. In fact privatization means new management philosophies, whole new financial systems, new technologies and knowledge to reflect the technological revolution in communications or all kinds and, of course, new forms of management to meet current demands. By the end of the first decade of the third millennium public enterprises are expected to exhibit some mixed but mainly private ownership to further the public interest of all citizens.

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Restructuring and privatization are necessary processes in economic reform that would provide efficiency and effective public economy in developed and developing countries including transitional economies.

It is now imperative to use good business practices to review the reform process for public enterprises in various economies so that the traps and bad side-effects of rash and chaotic privatization can be avoided while reproducing and adapting successful restructuring and privatization experiences in transitional and market economies. The successes in Poland, Hungary and so on are important, of course, but we also have to learn from
more mature market economies, so that Canadian experience is very interesting. Public economic reform is a very complex process that should be created in terms specific to each economy and single public enterprise.

LITERATURE


Original in English

**APSTRAKT**

Tema članka je prestrukturiranje i privatizacija javnih preduzeća u Kanadi koja se kao poslovne jedinice bave javnim dobrima ili pružaju javne usluge. Delatnost ovih preduzeća se razlikuju od drugih poslovnih i vladih aktivnosti u pravnim i finansijskim aspektima. Autor analizira i poredi razna iskustva kod različitih formi javnih preduzeća. U studiji se objašnjavaju ciljevi, suština, definicija i razlike između sličnih preduzeća i vladih aktivnosti i privatnih preduzeća. Članak predstavlja podsticaj za raspravu o načinima reformisanja javnih preduzeća u različitim zemljama.

*Dr. Borislav GRAHOVAC*

**RESTRUKTUIRANJE I PRIVATIZACIJA JAVNIH PREDUZEĆA U KANADI - PRAVNO-FINANSIJSKI ASPEKTI**

**REZIME**


Reforma javnog sektora ekonomije podrazumeva suštinske promene koje po dubini zahvataju sve strukture od proizvodnih, finansijskih do upravljačkih. U novim svojinskim odnosima ne menja se samo vlasnička struktura, nego dolazi do kompletne zamene celokupnog sistema na kojem je počivao i funkcionisao javni sektor ekonomije. U stvari privatizacija znači novu filozofiju poslovanja, novi celoviti finansijski sistem,
nove tehnologije i znanja u skladu sa novom tehnološkom revolucijom u svakovrsnoj komunikaciji i naravno novi način upravljanja u skladu sa aktuelnim zahtevom vremena. Očekivati je da će na kraju prve decenije trećeg milenijuma javna preduzeća biti u mešovitom vlasništvu sa dominantnom privatnom svojinskom, ali će se i nadalje ostvarivati javni interes svih građana u poslovanju javnih preduzeća.


Post-privatizacijski efekat u bivšim socijalističkim državama nije rezultirao ostvarenjem nada miliona građana koji su verovali da će proces privatizacije doneti ne samo blagostanje nego i “narodni kapitalizam”, već je to bilo teško suočenje sa bolnom istinom da su ponovo prevareni i dovedeni na granicu egzistencije. Ogroman broj građana je osiromašio u procesu privatizacije dok se neverovatno obogatila struktura vlasti koja je sprovela privatizaciju u jednom netransparentnom procesu. Ogroman broj građana je osiromašio ispod praga egzistencije što je rezultiralo sa raslojavanjem društva na mali broj izuzetno bogatih, a na drugoj strani ogromnoj populaciji na ivici glogog preživljavanja.

Imperativno se nameće potreba da se odgovorno prati poslovanje i proučavaju procesi reforme javnih preduzeća u različitim ekonomijama kako bi se izbegle zamke i loše propratne pojave brzoplete i haotične privatizacije, a implementirala dobra iskustva uspešnih tehnika restruktuiranja i privatizacija javnog sektora ekonomije zemalja u tranziciji i razvijenih tržišnih privređa. Iskustvo uspešne tranzicije poljske i mađarske ekonomije je značajno, ali je potrebno učiti se na iskustvima tržišnih ekonomija, a iskustvo Kanade je veoma interesantno. Reforma javnih preduzeća je neophodan i veoma kompleksan proces i na osnovu detaljno proučene specifičnosti svake privrede i svakog javnog preduzeća treba birati tehniku i planirati vremensku etapu primene restruktuiranja i privatizacije.