

Public Enterprise

Crown corporations

- Public enterprises...
 - Same structure as private firm
 - Owned and operated by the government
 - More independent than a department
- Different importance around the world.
 - Canada more important than US but Japan
 - Canada less important than in Europe

Canadian Major (Non-financial) Public Enterprises

Corporation	Assets (2003 \$billion)	Ownership
Hydro Quebec	57.7	Gov Quebec
Ontario Power	19.5	Gov Ontario
BC Hydro	11.8	Gov BC
Hydro One	11.3	Gov Ontario
The Manitoba-Hydro-Elec board	9.9	Gov Manitoba
Canadian Wheat board	7.7	Gov Canada
Canada Post	4.6	Gov Canada
New Brunswick Power	3.7	Gov New Brunswick
Saskatchewan Power	3.6	Gov Saskatchewan
CBC	1.6	Gov Canada
Saskatchewan Telecom	1.2	Gov Saskatchewan
Atomic Energy of Canada	0.9	Gov Canada
Via Rail Canada	0.9	Gov Canada

Canadian Major Financial Public Enterprises

Corporation	Assets (2003 \$billion)	Ownership
Caisse de depot	118.8	Gov Quebec
Bank of Canada	44.1	Gov Canada
Canada mortgage & housing	25.0	Gov Canada
Export development	21.1	Gov Canada
Alberta Treasury Branches	13.2	Gov Alberta
Business development of Canada	7.8	Gov Canada
Insurance Corp or BC	6.8	Gov BC

Normative reasons for Crown Corporations (1)

- Natural monopoly
 - Alternative to price and entry regulated firm
- Imperfect competition?
 - Petro-Canada
- Credit constraints?
 - Difficulty to finance large (profitable) projects
 - Electric power industry

Normative reasons for Crown Corporations (2)

- Public good provision
- Subsidize positive externalities
- Cultural objectives:
 - CBC and Canadian Film Development corporation
- Others:
 - LCBO
 - Lottery

Electric power industry

- From unregulated to regulated to nationalized companies
- Natural monopoly and credit constraints rationale
- Regional development
- In Ontario...
 - Privatization of retail
 - Market opened to competition

Petro-Canada

- Created in 1975 because...
 - “Window on the industry” rationale?
 - Large profits as a result of the OPEC
 - Political reasons
- Growth by acquisition of small firms
- Poor performance at taxpayers’ expense
- Gradual privatization from 1992 to 2004

Canada Post

- From department to Crown corporation (1981)
- Trying to solve...
 - Large deficits
 - Poor service levels
 - Poor labor-management relations
- Successfully!
- Natural monopoly rationale
- Cross subsidization

Via Rail

- Take over passenger services from CN Rail and CP Rail
- Created because of...
 - Concern about high subsidies to CP Rail and CN Rail
- Still needs high (non-uniform) subsidies
- Negative externalities rationale?
 - Congestion
 - Pollution

Regulation, Crown Corporation or department?

- Market failure gives scope for government intervention, but which type?
- Agency problems!
- Public enterprise versus department:
 - More political independence
 - Longer term incentives
 - More flexible labor force
- Private versus public enterprise
 - More discipline
 - Less pursue of public policy objective

Public goods

- Definition:
 - Non-rival: even though one person consumes the good, others may consume it also
 - Non-exclusive: it is impossible (or very costly) to exclude anyone from consuming the good
- Examples
- Provided by the government
- Market failure!