directors of ordinary profit-oriented joint stock companies. These companies are sometimes called "non-share corporations" as they do not issue equity to investors. If such an organization has some directors named by the government and some of its assets provided by appropriations, it may be an example of shared governance, if not ownership.

From time to time, though infrequently in recent years, Parliament may by statute establish a corporation. Such "special act" companies normally have all the powers of an ordinary company except for certain specific constraints, which typically relate to corporate objectives – in effect, the allowed fields of endeavour – or to obligations to perform certain functions as a matter of public policy. Official language requirements, limits on borrowing powers and the issuance of securities or the location of offices are common examples of such obligations. When all the shares of such a corporation are owned by the government the company is referred to as a Crown corporation. If any shares are owned by a private party it is a mixed enterprise. If shares are held by a province it is referred to as a joint enterprise.

Mixed-ownership corporations

Stephen Brooks, writing in 1987, remarked that the literature on mixed-ownership corporations was scanty.[2] His brief historical and analytical overview remains the best in the literature almost two decades later. Drawing on French and British as well as Canadian experience, he makes the point that such companies, in the crunch, are often disobedient. Elf and BP both disobeyed their national government shareholders to look after national customers first during the 1973-74 oil embargo, and the Canada Development Corporation refused to invest in the failing Massey-Ferguson company in 1981. All were highly public confrontations. The directors of mixed enterprises are well within their statutory rights to decline to take actions that are not in the best interests of the company, and with the possible exception of France, Western publics will generally not support the government in such an affray.

Boardman and Davis, canvassing a large number of mixed, private, and state-owned enterprises in western Europe, North America and Japan, assessed their performance on a wide range of measures, concluding that "large industrial state-owned enterprises and mixed enterprises perform substantially worse than

[2] Stephen Brooks, "The mixed ownership corporation as an instrument of public policy," *Comparative Politics* 19 (January 1987): 173-91

private corporations." [3] Their quantitative conclusion seems sound; less convincing, since the evidence is fragmented and anecdotal, is why this should be. They nonetheless describe the more compelling theories in an introduction to the empirical analysis.

The Canadian situation

Of the small number of mixed-ownership commercial companies in Canada, many tend to be temporary: they were acknowledged at the outset as way stations on the route to complete privatization. Nonetheless, the period of mixed ownership can be lengthy – long enough to expose the peculiarities and difficulties inherent in the model.

Private investment in public corporations in Canada comes through debt

Table 1: "Other" corporate holdings of the government of Canada, fiscal year-ends 1999-2005

	2005	2004	2003	2002	2001	2000	1999
Mixed enterprises	0	1	1	1	1	1	1
Joint enterprises	3	3	3	3	3	3	3
International organizations	18	18	18	18	18		

the federal 18 percent share in a rich but remote lead-zinc mine, Nanisivik, was earned in a normal commercial manner through the provision of shipping services. The government, through a Crown corporation, CanArctic Shipping, had a monopoly on ice-strengthened freighters. The mine has since played out and the property was sold to a junior mining company, Breakwater Resources.

This leaves four large companies on the 1985 list. PanArctic Oils was created as a mixed enterprise in 1967 to explore for oil in the Arctic Archipelago, an area of great prospectivity but also great expense, where conventional oil companies would not venture alone under the prices prevailing at the time. PanArctic was later rolled under the umbrella of Petro Canada, but has kept its corporate identity and mandate as a subsidiary of that now large corporation. Telesat was also a child of the 1960s, founded as one of a string of federal attempts to conquer Canada's challenging geography,[5] in this case by making data and broadcasting services available across the country by means of geostationary satellites. Founded in partnership with Bell Canada, the principal telephone company in Canada, the federal equity has since been sold to Bell. As regulated utilities, both companies are legally required to operate as "common carriers" that is, their monopoly ownership cannot interfere with access to the signal relay capacity of Telesat. A public regulatory body, the Canadian Radio-television and Telecommunications Commission, polices their business practices in a highly public fashion.

A few years later, in 1971, the Trudeau government created the Canada Development Corporation to invest government money, and later the savings of

Table 2: Canadian Mixed Enterprises, 1985

125457 Canada Limited, later NSHOLDCO Limited; with 125459 Canada Limited, sold to Fishery Products International as part of the restructuring of the Atlantic fishery in 1982-84

125459 Canada Limited

Canada Development Corporation
Chartered 1971 as holding company with investments in Canadian manufacturing and resource companies; initial public offering (IPO) 1975; by 1985 government owned 47 percent of voting shares; later sold 23 of 30.7 million remaining shares to the public by

Petro Canada

The most recent example of straightforward mixed ownership is Petro Canada, founded as a Crown corporation in 1975, in the wake of the Arab oil embargo, as "a window on the industry." This richly endowed company was intended to make sure that there was a Canadian corporation of scale in the rapidly consolidating international oil industry of the day. In February 1990, the government announced its intention to privatize the company, and in 1991, sold about 30 percent of the common stock in an initial public offering (IPO). In 1995, another 50 percent was sold, leaving the federal government with approximately 19 percent.

1976 in Calgary. They were soon joined as vice president of corporate planning by Joel Bell, an ambitious young man from the Prime minister's Office.[6]

Petro Canada had a mandate to grow big, and to do it quickly. At the same time they had a mandate to invest in those national resources which were just beyond the fringe of what the private industry of the time would contemplate. So their first investments were farm-ins – shares of projects owned and operated by other companies – on expensive and risky exploration plays on the Scotia Shelf and on the Grand Banks of Newfoundland, and the acquisition of the less risky Canadian assets of Atlantic Richfield, which was then under financial stress from the development of the Prudhoe Bay field in Alaska. Investment in Syncrude was

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in the form of the purchase of the large Canadian assets of the Belgian Fina corporation, which added greatly to Petro Canada's retail marketing and refining base. In 1982 Petro Canada discovered a large new oilfield, Valhalla, in its home province and in 1983 bought the refining and marketing assets of BP Canada. By now it was by several measures the second biggest integrated oil and gas company in the country and nearing its goal of being "too big to privatize."[9]

With the election of Brian Mulroney's Progressive Conservative government in 1984, the priority was unwinding the Liberals' unfortunate National Energy Policy. Petro Canada, whose acquisition and frontier drilling budgets had been underwritten by the federal government, was unhitched from that source and instructed thenceforth to behave in a purely commercial manner. The next acquisition, Gulf Canada Limited, was financed from ordinary cash flow and borrowings. Not until Mr. Mulroney's second term did the government get around to passing privatization legislation, and in July 1991, the first shares were sold to the public. From then until 2004, Petro Canada was a classic mixed enterprise.

Petro Canada as a Crown corporation

It will be apparent that the company's first 15 years were a period of exceptional expansion, driven by a public policy (and a public purse) that wanted to see a major Canadian presence in an industry which had been overwhelmingly – over 90 percent – in foreign hands, and which in the globally highly politicized markets of the day did not put Canadian consumer interests first. It is fair to say that the board and senior management were initially not as experienced as their competitors. This showed itself in risk- and quality-adjusted prices for farm-ins with those competitors which were somewhat more expensive than they should have been, rather than in the prices paid for major acquisitions. Here, management was prepared to be opportunistic. With deep pockets and an ability to pay cash for the assets of competitors experiencing squeezes of their own, they were able to be skilful buyers, the Husky fiasco aside. Very quickly, the best brains in the investment banking and legal businesses came onside.

Foster relates an incident from the 1979 purchase of Pacific Pete which illustrates the sometimes delicate problems of governance and propriety that can arise even in these relatively simple circumstances.[10] The board of directors, consisting principally of experienced businesspeople who were not unfriendly to the government of the day, also included the Deputy Minister of Finance, Tommy Shoyama. The financial instrument used to make the purchase was so-called

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[9] **A phrase used by the CEO, W. Hopper, to the author that summer. Petro Canada would have been by far the biggest IPO on the Canadian market at the time, had it been sold all at once.**

[10] Foster, *Blue-Eyed Sheiks*, p. 161

in 2002 international operations were greatly expanded through the acquisition of the exploration and production assets of

true partnerships or mixed-ownership enterprises than they are a sophisticated way of acquiring infrastructural services. There is a large literature on the topic; suffice to say that in their fullest flowering, P3s involve a transfer of risk and related financial responsibilities to the private sector providers of necessary infrastructure, in which the (usually) higher cost of private capital is offset by innovation in design and economies in operation. A hospital, for instance, may be co

to a revolution in management and the establishment of a new goal: creating the best possible retirement for its annuitants. The conflict, in other words, between maximizing returns and funding provincial economic development came to an abrupt end when the conflict between goals was resolved in favour of the people to whom the trustees of the fund owed a fiduciary duty.

In many ways the story of the Caisse has been salutary for its peers, none of whom take an active role in the affairs of their investee companies. In general their holdings in individual publicly traded companies are small – a few percent of any one company, perhaps, and highly diversified. The Canada Pension Plan Investment Board has tended simply to 'buy the index' -- i.e., not to exercise any discretion about individual companies but to buy across the board in proportion to market capitalization. There are pressures on these boards to vote their shares in favour of a variety of good causes: good corporate governance practices (though these are now much more closely regulated by law than a decade ago, when that particular pressure began to be felt), or good environmental performance. These pressures are for the most part resisted, although there is some movement in that direction.

The bottom line is that the investee companies are not mixed-ownership corporations of the classic sort. The pension boards may well be Crown agencies, but their objective is maximizing return within a set of investment and risk guidelines for the pension plan beneficiaries, a matter which is thought not to involve an active role in management.

Provincial cases of mixed ownership

Provincial experiments in mixed ownership are few, and there is no central registry of them. As with the federal government, they were more popular in the 1970s than before or since. In Saskatchewan, for example, a Crown-owned corporation has long overseen the affairs of the provincial government's more-or-less commercial corporations, but private investment in these vehicles is minor and mostly at arm's length. British Columbia also experimented with a holding company for Crown corporations but tended to see this as a step on the way to privatization.

Minor sources of mixed ownership

case of a wildfire success, the government may reserve some warrants on company stock. Usually these turn out to have no value; in the rare cases when they do, they are disposed of as soon as practicable.

Technically, the federal

management functions, which are in essence representative of the sectors being regulated or promoted.[14] In these cases, there are no real assets to be diverted, only operational funds, to which the government typically makes a contribution in return for a seat or two on the board. The purpose of such representation is essentially informational, though it may be supposed that the mere presence of such members may keep self-dealing to a decent minimum.

It would appear that the purpose of government investment affects governance and whether or not conflicts arise in the minds of managers and observers. Where shares are acquired simply in order to take advantage of private sector management in a search for superior returns, as is the case with the pension plans, no conflicts arise. Where shares are held temporarily with the purpose of sale, as in Petro Canada during the period of mixed ownership, objectives are also strongly aligned. It is when the government wants to avail itself of private investment in competitive markets in the pursuit of goals which may inhibit profit maximization that instability may be expected.

In Canada, when governments wish to avail themselves of the disciplines of ordinary commercial markets for a policy purpose, they normally do it through wholly-owned Crown corporations. If they wish the enterprise to be carried on by a genuinely private firm or by private managers, government generally arranges it through fairly sophisticated contractual arrangements, or more generally through the creation of private financial advantage through direct or tax expenditures. The private sector avoids mixed enterprises unless there is some advantage – monopoly, monopsony, self-regulation, sectoral or regional promotion, insider information, procurement preference, tax or financial penalty avoidance – of a more than ordinarily commercial sort granted in the process. In this sense, the Canadian example is either of little use to Russia, or a great deal. The example might be helpful if Russians were to decide to unwind the sometimes unhealthy connections between public and private interests in ordinary commercial enterprises.

[14] These are listed in the annual report of the Treasury Board to Parliament, " Crown Corporations and Other Corporate – te Q dOdO d d– s e o – a