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**CANADIAN TRANSPORTATION
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Northern Transportation Company Limited: By Accident or Design: A Government Owned Public Policy Instrument

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ABSTRACT

Like many other governments, the Government of Canada is beginning to pursue a policy of selling off government-owned companies which provide commercial type services, such as transportation services, to the general public. Its first sale of a Crown corporation, that of Northern Transportation Company Limited, was concluded in June of this year.

NTCL's tug and barge service is the principle means of moving freight in the Mackenzie River Valley region and along Canadian Western Arctic coast.

While it is widely accepted that the only reason for the government ownership is to have a company serve as an instrument of government policy, the Canadian experience has not always ascribed to this shibboleth. NTCL was acquired by happenstance and its public policy were ill defined and more a function of management-government understandings. In fact public policy functions came much more clearly to the fore during the sales process than they ever did during the company's life as a Crown corporation.

I. INTRODUCTION

There is a major debate as to whether government ownership of companies offering commercial services is desirable. Britain is in the forefront of those "privatizing" government-owned companies but similar initiatives are being explored in other countries, including Canada.

The first Canadian effort began in late 1983 when the Minister of Transport announced that government ownership of the Northern Transportation Company Limited (NTCL) was no longer required to fulfill public policy requirements and that a private sector buyer would be sought.

NTCL's marine services have been and continue to be the primary means of moving freight in the Mackenzie Valley region and along the Arctic coast of the Northwest Territories. It thus played a major role in supporting federal northern development and energy policies. The announced privatization of NTCL provides an incentive to focus on questions of the efficacy of government ownership of transportation companies and on the meaning of those grand words "instruments of government policy".

While the specifics of NTCL's history and operations are unique, in a general sense, they are also

typical of Canadian government actions in respect of Crown Corporations. These actions which suggest that appropriate words for defining government policy on Crown Corporations are flexibility, pragmatism and adhocery.

II. BACKGROUND

A. History of Crown Corporations in Canada.

It has been noted that there were Crown Corporations in Canada even before there was a Canada. Although Canadian Confederation did not place until 1867, public corporations were established as early as 1841 to administer harbour facilities and construct a system of canals in Canada.

Canadian legislation classified Crown Corporations into two types:

- (a) corporations which provide goods or services to the public i.e. commercial corporations
- (b) corporations which provide goods or services to the government.

Companies in this latter group were formed for a variety of reasons such as the need for a legal entity, or, on a more pragmatic basis, to enable the government to pay salaries beyond those in government salary schedules. The formation of the National Research Council in 1917 was primarily for the latter reason.

It is the first type, the commercial Crown Corporation which is the primary concern of this paper.

The first major venture of this type is generally considered to be the formation of Canadian National Railways in the period 1919 to 1923, although as has been pointed out¹, the creation of this government-owned railway entity was more of a logical step than a radical departure from past government policies and institutions.

The federal government had been deeply involved in promotion and financing of railroads prior to 1919. Although the three major railroads which were brought together to form Canadian National Railways "were nominally in private hands, the common stock held by the private sector represented a minimal cash investment and financial responsibility rested largely with the federal government and certain provincial governments. Given the unhealthy financial state of the three major railroads and several minor ones, the federal government was forced

to take action to protect its own investment, as well as Canadian credit rating in foreign money markets.²

In contrast to the reactive situation resulting in creation of CN, two major Crown Corporations were created in the 1930's as a result of proactive federal activities. The Canadian Broadcast Corporation was created in 1932 to "provide a vehicle by which all Canadians could have access to radio broadcasting and thereby promote national unity and a national identity".³

Air Canada, or Trans-Canada Airlines as it was then known, was established in 1937 for roughly the same reasons but relating to the carriage of air mail as well as passengers. In both cases the private sector was first offered the business opportunity but was unwilling to make the investment.

Although the creation of CN can be classified as a response, rather than an initiative, the corporation subsequently did assume a larger role as an instrument of public policy. The principle "modus operandi" used is a clause in CN's legislative mandate which permits the federal government to "entrust" management and operation (but not ownership) of undertakings and properties to CN. Use of this clause, for example facilitated federal funding of the CN-operated Great Slave Lake Railway line from Alberta into the Northwest Territories. It is the reason that CN operates small public telephone systems in northwest Canada and in rural Newfoundland.

Because the government saw the public sector corporation as an ideal means of providing goods and services in support of the war effort, World War II saw the establishment of 33 Crown Corporations. Many were wound up after the war but a number continued. Prior to World War II there were 15 Crown Corporations of which more than 1/2 were providing commercial services to the public. There were over 30 Crown Corporations when the country reverted to a peace time economy.

As discussed later, it was during the war that Northern Transportation Company came under government ownership as a result of its parent, Eldorado Mining and Refining Limited, a major producer of radioactive ores, being expropriated by the federal government.

Following the war years, the number of Crown Corporations continued to grow and there are currently 70 of which 20 may be classed as commercial corporations. While many of the more recent additions were simply established to avoid normal governmental budgetary or personnel constraints, some, such as Petro Canada in 1975 for example, were established with a reasonably clear public purpose.

Although the Auditor General of Canada in his report for 1976 indicated a concern about the number, size and power of Crown Corporations, and the federal government did look at mechanisms for their better control and accountability, it was not until 1983 that a genuine desire on the part of the government to take action developed. This culminated in 1984 with the passage of amendments to the sections of the 1951 Financial Administration Act concerning Crown Corporations. These extensive amendments placed much more stringent controls on the creation of Crown Corporations, clarified the shareholders power of direction, and greatly expanded the requirement for the Corporations to report on their activities. The legislation also served to confirm that the "raison d'être" of Crown Corpora-

tions was to serve as instruments of government policy.

Canadian legislative action occurred at the same time as a widespread international disenchantment with Crown Corporations. A number of factors caused NTCL to be the first Canadian Crown corporation to be caught up in this fad.

B. History of Northern Transportation Company Limited

The history of NTCL is intimately associated with the Athabasca Mackenzie waterway and its role as a transportation route to the arctic.

From Fort McMurray on the Athabasca River, freight moved north to Fort Fitzgerald on the Slave River. At Fort Fitzgerald freight was unloaded and hauled, first by horse and wagon and later by truck, around 10 miles of rapids to the Mackenzie system.

While the steamer "Grahame" was operating from Fort McMurray in 1884, marine transport, at that time, was mostly by large, wide, canoe-shaped vessels known as York boats. Later wood burning paddle wheelers were used.

For-hire marine transport began in 1921, following the discovery of oil at Norman Wells, and the intensification of mineral exploration on Great Bear Lake. In that year the Mackenzie River Transport (MRT) was formed as a subsidiary of the Hudson's Bay Company. NTCL began serving the region in 1931 with one wooden vessel and two barges as a private company under the name Northern Waterways Limited.

In 1934, NTCL was acquired by the forerunners of the Eldorado Gold Mines Limited (apparently the mining industry was not satisfied with the service available) but continued to provide for-hire service to trading posts, missions and government posts along the river.

While the general level of economic activity in the Mackenzie Valley declined in the period 1934-1944, two major projects resulted in a high demand (relative to fleet capacities) for river transport. The Canal project, designed to provide petroleum products to U.S. military bases in Alaska from the reservoirs at Normal Wells, Northwest Territories, created a substantial transportation demand in the early war years and led to the initiation of dredging by the federal government. Later, traffic rose sharply as pitchblende production at the Eldorado mine was increased in response to increased U.S. research on an atomic bomb. Also, as noted previously, a major event was the Federal Expropriation in 1944 of the Eldorado mine and as a consequence, Eldorado's subsidiary, NTCL.

Although the reasons are not clear, by the end of the war NTCL's traffic was substantially greater than that of MRT and in 1947 NTCL acquired MRT's common carrier operations. However, MRT continue to provide private carriage to Hudson's Bay trading posts.⁴

The demise of MRT as a common carrier was accompanied by the concomitant birth in 1945 of another common carrier, Yellowknife Transportation Limited (YTL). Just as NTCL had begun as a subsidiary of a mining company and MRT a subsidiary of Hudson's Bay Company, Yellowknife Transportation began as Imperial Oil Limited's preferred car-

rier, and grew out of the wartime expansion of Norman Wells. It is estimated that 70% of the traffic carried by Yellowknife Transportation was petroleum products.⁵

Reversion to a peace-time economy brought a second major change—increased federal control of the Mackenzie waterway. In 1945 an attempt by the marine operators to raise rates substantially brought an outcry from the mining industry and the residents of the region. The Federal Government, in response to this pressure, directed the Board of Transport Commissioners (whose functions have since been assigned to the Canadian Transport Commission), to undertake economic regulation of the waterway and to review the rate increases. The Board found the new rates to be justified, and its subsequent “standard tariff” published in 1951 set ceilings substantially above the rates then in effect.⁶ However, the carriers continued to charge lower rates and only during the recent period of inflation are the ceilings being reached.

A third major change that began after the war years was the penetration of other surface modes into northern Canada.

Until the late 1940's the Athabasca-Mackenzie waterway was the sole surface freight route into the north for provision of supplies and support of mining activity. This began to change in 1948 with the completion of the Mackenzie Highway from Grimshaw, Alberta, to Hay River, Northwest Territories. It culminated in 1962 with the effective separation of the two waterway systems following construction of the Great Slave Lake Railway and the establishment of a marine terminal at Hay River. The new terminal obviated the need to circumvent the long rapids on the Slave River and the Athabasca became essentially an independent marine operation with no further through traffic to the Mackenzie system. NTCL continued to operate in both systems.

From a traffic standpoint, the 1945-68 period was marked by steadily increasing development of the economy of the Mackenzie Valley and an accompanying and fairly steady increase in river traffic. Except for a surge in traffic during the period 1955-60 resulting from DEW Line construction, the rate of growth of NTCL was nearly constant at a rate of about 7,000 tons per year, and increased from 27,000 tons in 1946 to 207,000 tons in 1968. During this period NTCL was able to streamline operations, cut costs and rates, and earn an enviable reputation for service. In 1957 the company acquired the remainder of Hudson's Bay's river operation and in 1968 assets of Yellowknife Transportation.

A new era in the nature of Mackenzie freight operation began in 1968 with confirmation of the discovery of a giant oil field at Prudhoe Bay in Alaska. This rapidly accelerated growing exploration interest in the Mackenzie Valley and as a result:

- 1) Demand for marine transport increased from 166,000 tons in 1967 to 256,000 tons in 1969 and to 410,000 tons in 1972.
- 2) NTCL became increasingly expansion minded and acquired new equipment thereby increasing its capacity from 255,000 tons annually in 1968 to 560,000 tons annually in 1973.
- 3) New companies began river operations with the small existing companies acquiring new partners and new equipment. Ultimately 20%

of the freight carrying capacity of the system rested with companies other than NTCL.

Unfortunately oil industry success failed to materialize and by 1973 marine freight traffic began dropping as quickly as it had risen. By 1976:

- traffic was back down to 1969 levels.
- NTCL found itself with an unmanageable debt load and had to be bailed out by the federal government, with loans and advances totalling \$24.9 million being converted to common shares.
- the new entrants retrenched or disappeared except for the largest which was sold at a “fire sale price” and resulted in Arctic Transportation Limited becoming an ongoing competitor to NTCL. ATL currently carries about 20% of the marine freight on the Mackenzie.

The final blow to dreams of glory based on oil industry traffic came in 1977 when the federal government rejected a proposal for construction of a 48 inch diameter pipeline to carry gas from Prudhoe Bay Alaska along the Arctic Coast and up the Mackenzie Valley to southern markets. With the end of the boom, stability was re-established in the Mackenzie system; traffic began to grow slowly; and the refinanced NTCL returned to profitability.

Besides its marine freighting operations on the Mackenzie and Athabasca systems, NTCL has diversified to a limited degree:

- In 1973 it acquired Grimshaw Trucking and Distributing Ltd., a major general merchandise trucking firm serving Alberta and the Northwest Territories.
- In 1975 it began serving six Northwest Territories (Keewatin region) communities along Hudson Bay on a guaranteed profit basis for the federal government.
- In 1981 the company converted two of its Arctic coast ships into seismograph/geotechnical service vessels with an eye to oil industry charter business developing in the Beaufort Sea.

However stability never lasts and NTCL and the Mackenzie marine freight system entered a new era in 1983.

C. Privatization—Early Considerations

The seeds of NTCL privatization first began to sprout in 1983 when the company again became subject to negative factors. For one, the company withdrew from serving the Athabasca region when its major customer there, the Eldorado uranium mine closed down, resulting in traffic decreasing from an average of 60,000 tons annually to 13,000 tons in 1983.⁷ For another the company's dominant position in the Mackenzie was being eroded as oil industry operations began to look to new routes such as the Dempster Highway, through the Yukon and the Alaskan coastal route. In 1983 the company's profits from operations dropped to \$3.3 million, the first decrease after a steady rise resulted in net income of over \$6 million in each of the previous two years.

Management's view was that the company had to diversify if it were to survive. However its efforts

were unsuccessful. An ill timed 1982 attempt to provide service from the west coast port of Vancouver to the Mackenzie delta failed to come to fruition as the recession took effect. Attempts to expand trucking operations were unsuccessful as the federal government felt such expansion into a business area already well served by the private sector had no public policy merit. In frustration, the Board of Directors recommended to the Minister of Transport that privatization be considered since it seemed to be the only avenue by which the company could remain commercially viable.

III. NTCL PRIVATIZATION

A. NTCL's Public Policy Functions

As previously noted, NTCL became a Crown Corporation by happenstance when its parent, Eldorado Nuclear, was expropriated as part of a wartime requirement for uranium. Nevertheless the company was soon perceived to have a public policy function as the government "vehicle" for ensuring adequate freight service to the Athabasca-Mackenzie region and the Arctic coast. There were three elements to the company's role as a public policy instrument:

1. military needs,
2. community resupply,
3. resource development.

Nineteen forty-five saw the end of the "hot" war against the Axis powers. It might also be said to mark the beginning of the "cold" war against the Soviet bloc. As far as northern Canada was concerned, the major manifestation of the cold war was the construction of the Distant Early Warning (DEW) line during the period 1955-1960. The DEW line was a string of radar stations extending across northern Canada and Alaska designed to provide early evidence of a Russian air attack from the north. NTCL carried most of the construction cargoes for the line and to this day resupplies it annually.

Under the Canada/U.S. treaty in respect of the DEW line, the U.S. agreed to the Canadian proposal that sites in the Western Arctic would be resupplied via the Mackenzie River barge system rather than from the West Coast and around Alaska. The reason for the proposal was the hope that a more efficient and effective transportation system would result if the DEW line stations and the nearby communities were resupplied jointly.

Once the proposal was accepted by the U.S. government, the U.S. military embraced it wholeheartedly. This was in large part because, with NTCL being considered part of the Government of Canada, the contracting procedure of the U.S. military was much simplified. For example, public tendering was not required. The U.S. military not only contracted directly with NTCL but has also provided the company with vessels, a dry dock, and other facilities.

This contrasts with the resupply of DEW line sites in the eastern Arctic. Although DEW line and community resupply is integrated, the U.S. military operates through the Canadian Commercial Corporation, a federal agency established to facilitate

government to government contracts. The CCC, through Transport Canada's Sealift Coordinator, ensures that public tenders are called and that quality control is monitored thus the U.S. military is much further removed than in the western Arctic, from the actual resupply.

While one may note that the U.S. military perceives NTCL to be a federal instrument in respect of military transport, no directive appears to have been issued to NTCL in this respect. Given the opportunity provided by the U.S./Canada treaty NTCL simply stepped into the role.

A similar situation exists with respect to the carriage of freight for people resident in the numerous small communities in the Mackenzie Valley and Western Arctic region. Although there is no record of any directive issued to NTCL by the federal government in respect of community resupply objectives, nor, any provisions imposed on the company by the Canadian Transport Commission, there is a general perception that NTCL does indeed have special obligations with respect to freight services to communities. Moreover, although the company has often indicated that it holds the resupply of communities as a corporate responsibility, and no time has it articulated this definitively and formally.

The unstated understanding between the federal government and the company in respect of community resupply has evolved over the last 30 years. That an understanding exists, however, was clearly evidenced when in 1978 the federal government agreed, in response to an economic development petition from the province of Manitoba, that communities in western Hudson Bay (Keewatin) region would be resupplied from Churchill, Manitoba. Previously they had been resupplied as part of the Eastern Arctic Sealift out of Montreal. Cargoes to the communities are about 25,000 tons annually.

The company pointed out its ability to undertake the resupply operation and, in response, the federal government provided an equipment purchase loan and pledged to route government resupply cargoes via the new NTCL operation. Under the agreement the federal government established rates but indemnified the company against any losses and guaranteed it an annual profit of \$250,000.

One interesting perspective on NTCL's community resupply responsibilities is provided by the recent drop in traffic on the Athabasca system. With the closing of the Eldorado uranium mine in 1982 traffic dropped from about 50,000 tons annually to 13,000 tons in 1983, and 10,000 tons is forecast for 1985. In the wake of the mine closure NTCL determined it could not operate in the Athabasca region profitably and sought from the Minister of Transport either a subsidy or permission to cease providing service to the remaining small communities in the region.⁸ NTCL has discontinued service and small local operators are fulfilling the community resupply function.

A third public policy function may be considered NTCL's provision of freight transport for the oil exploration industry. While CN had been providing services to mining and oil and gas prospects in the past, the oil exploration boom of the early 1970's generated a huge new demand for transportation services. NTCL considered that it lacked the capacity to meet forecast demand and proposed two large capital expenditure programs, one in 1970 and an-

other in 1972, totalling \$26 million. The company's capital programs were approved by the federal government and the federal government provided the debt capital.⁹ As events subsequently proved, the amount of new debt was beyond the level that a company could prudently incur, and when the forecast traffic failed to materialize, a \$24 million bailout by the federal government, in the form of a debt to equity conversion, was required.

From the company's point-of-view, the expansions were high-stakes gambles which it considered worth taking, but what was in it for the government? There was no general government policy of seeking to increase the size of Crown corporations nor is there anything to suggest that NTCL was the governments "chosen instrument" for provision of northern industrial freight transport. Rather, the answer seems to be in federal northern development policies and the perception that the oil and gas industry was to be the economic messiah which would lead the Mackenzie Valley out of the wilderness of underdevelopment.

In essence the government feared that inadequate freight carrying capacity would turn off the accelerating pace of oil industry activity and looked to NTCL as being the means of avoiding this in spite of the financial risks. As noted previously, the traffic failed to materialize; NTCL was saddled with a debt load it could not manage and ultimately required a government bailout.

In summary, it can be aid that the federal government acquired NTCL by happenstance and never did formally ascribe public policy functions to the company. Nevertheless the government used the company to further specific objectives, notably that of providing a comprehensible and dependable transportation service both to northern communities and in support of economic development. It was perhaps the government's view that a formal directive, with respect to community resupply was unnecessary since the company had a self-imposed philosophy of carrying out this function as a public duty and was able to do so without recourse to the public treasury. Moreover the rapid pace of social and economic development in northern Canada in the last 25 years made a policy of adhocery with respect to NTCL and Mackenzie Valley transportation much more effective than rigid direction.

B. The Privatization Announcement

In March 1984, the Minister of Transport announced that NTCL would be sold. The grounds cited in the announcement were that there were no public policy objectives which required continued government ownership.

In July 1984, a formal request for offers was published. This announcement states that "in considering offers, the Government of Canada will give greatest emphasis to commercial considerations, primarily price, and financial and operational capability. It will also evaluate on the basis of security of community resupply and native and northern participation".

The basic problem with NTCL's Crown Corporation status was that the company seemed to be losing ground as a viable commercial entity. However pub-

lic policy did not permit the company to diversify into new areas of endeavour which were opening up in the region, thereby limiting its ability to operate on a commercial basis. The corollary to commercial viability is subsidization.

A specific example of the conflict between public policy and NTCL diversification is trucking. The completion of the Dempster Highway through the Yukon provides a connection between the southern Canada highway system and Inuvik, at the mouth of the Mackenzie River, one of NTCL's major traffic destinations. An expansion of NTCL's trucking activities. (It already owns Grimshaw Trucking which feeds its river operation), would seem to be reasonable from a business point-of-view. However such expansion at a time when the federal government was attempting to limit the pervasiveness of Crown corporations would have been unreasonable and the response to such expansion from a beleaguered Canadian trucking industry would have been harshly critical.

The privatization announcements, however do point up the conflicts and difficulties of government objectives viz-a-viz privatization. Perhaps the clearest conflict is between the governments privatization objectives and its perceived responsibility for northern resupply. The Minister's March announcement would seem to indicate a government conclusion that the regional transportation system had reached a level of maturity that permitted normal competitive and regulatory forces to ensure the availability of a satisfactory level of service. On the other hand the caveat with respect to resupply, taken at face value, suggests maybe the government wasn't so sure. It can also be taken that regional interests were uneasy about having their main transportation system exposed to the full pressure of private sector ownership, and the required commitment to community resupply was a preferred security blanket.

The northern and native participation criteria is much more easily rationalized. Simply put, the government wished to use the sale of NTCL to further regional and native economic development policies, and was willing to take a possibly lower price to do so.

C. The Privatization Process

The privatization process had three distinct stages. With my penchant for the flowery phrase I have dubbed these:

The Beginning
The Middle
The End

The beginning was straight forward enough with the Minister's announcement in March 1984, that NTCL was to be privatized. This was followed, in May 1984, by the letting of a contract to a financial advice company specializing in sales and acquisitions, First Boston Ltd. of Toronto, Ontario, for a valuation of NTCL and subsequently for advice and assistance in negotiating the sale of the company. Finally, in July 1984, there was an invitation for interested parties to come forward. The announcement also stated that a formal expression of interest and a desire for more information about the com-

pany would require posting of a \$100,000 deposit.

The July advertisement brought expressions of interest from 10 groups and these were supplied with substantial information over the next three months. A federal election resulted in a change of government and brought the privatization process to a temporary halt but, in October, the new government confirmed to proposed privatization of NTCL and set November 23 for receipt of preliminary letters of intent to purchase. The result was three offers.

The receipt of the offers brought to an end the Beginning Phase of the privatization process. The Middle Phase was the consideration of the three offers and the attempt to do a deal.

The offers were from,

1. a consortium of the:
 - Denendeh Development Corporation (an Indian group)
 - The Northwest Territories Métis Development Corporation (a group of people with mixed Indian-White ancestry)
 - Arctic Transportation Ltd. (NTCL's major competitor on the Mackenzie)
2. a consortium of the:
 - Inuvialiat Development Corporation (a regional Inuit (Eskimo) group)
 - Nunasi Corporation (a regional Inuit group)
 - Certain members of NTCL's management
3. Northern Industrial Carriers Ltd. (a trucking and pipeline construction).

Each of the bidders requested a number of covenants and warranties from the federal government.

On December 21, 1984, the government announced conditional approval of a sale to Northern Industrial Carriers (NIC). The conditions included adding northern and native participation to the purchase offer. The announcement noted that the price offered by NIC was substantially better than the other offers and that the other offers would receive no further consideration.

The Middle Phase ended on March 29, 1985, with the government's announcement that negotiations with NIC were being discontinued. A federal spokesman subsequently indicated that the basic problem was that NIC wanted government help in financing the deal. He also noted that NIC was having difficulty meeting the government's requirement to involve native and/or northern business partners. In NIC's view, the problem stemmed from the fact that the government was unable to respond satisfactorily to the requested covenants and warranties.

Paradoxically, the March 29 announcement also triggered the End Phase by indicating that the government would be interested in new offers from members of the two consortia which had previously submitted bids. The End Phase was surprisingly short and on May 17 the federal government announced the sale of NTCL to Inuvialiat/Nunasi consortium. Parliamentary approval was obtained and the deal closed.

IV. CONCLUSIONS

A conclusion to be drawn from the government ownership of NTCL is that IF A POLICY INSTRUMENT IS AVAILABLE, THE POLICY MAKER WILL USE IT.

The federal acquisition of NTCL was unplanned and no mandate was firmly assigned to it. However, the company was perceived to be the government's instrument for assuring that effective freight service was available for communities and for resource development in northwest Canada. The company's self imposed dedication to provision of a high quality service, especially to communities was clearly a reflection of what its owner wanted, even if he never said so explicitly.

The second conclusion is that FEDERAL OWNERSHIP OF NTCL BECAME UNNECESSARY WHEN A SUFFICIENT NUMBER OF TRANSPORTATION OPTIONS BECAME AVAILABLE—in other words, when the transportation user became his own master. For many years NTCL was "the only game in town". However, completion of the Dempster Highway to the Mackenzie Delta via the Yukon, experience with the route around Alaska, and extension of winter roads to Norman Wells and to the other communities provided shippers and consignees with choices. Use of these other routes and modes undercut NTCL's traffic base and made it difficult for the company to provide high quality, albeit expensive service while maintaining commercial viability.

The third conclusion is that in order to be acceptable NTCL PRIVATIZATION HAD TO RESPOND POSITIVELY TO FEDERAL POLICIES AND INITIATIVES. Simply taking the highest bidder and remaining neutral to such things as northern and native economic development was not acceptable. It will be recalled that the initial financially attractive offer from Northern Industrial Carriers was not acceptable to the federal government because it failed to involve northern or native interests in the ownership or management. It can be expected that any federal privatization attempt in the future will also have to respond to a variety of interests to be acceptable.

ENDNOTES

- * Policy Advisor, Crown Corporation Policy, Transport Canada.
- 1. Privy Council Office, *Crown Corporations Direction Control and Accountability*, 1977.
- 2. *ibid* p.
- 3. *ibid* p.12
- 4. J.L. Robinson, 1945, *Water Transportation In The Canadian Northwest*, Canadian Geographic Journal Vol. XXX1.
- 5. Beakjust, G.J., *Management and Regulations of the Mackenzie Waterway*, University of Toronto—York University Joint Programs in Transportation, 1974.
- 6. Rea, R.I., *Political Economy of Northern Canada*, 1968.
- 7. Hawrysko, J., and Hodgson, J.R.F., *The Influence of the Closure of the Uranium City Mine on Lake Athabasca Regional Transportation* Canadian Transportation Research Forum, 1984
- 8. *ibid*
- 9. Cabinet approval of NTCL's annual budget is required and legislation only permits the company to borrow funds from the federal treasury.

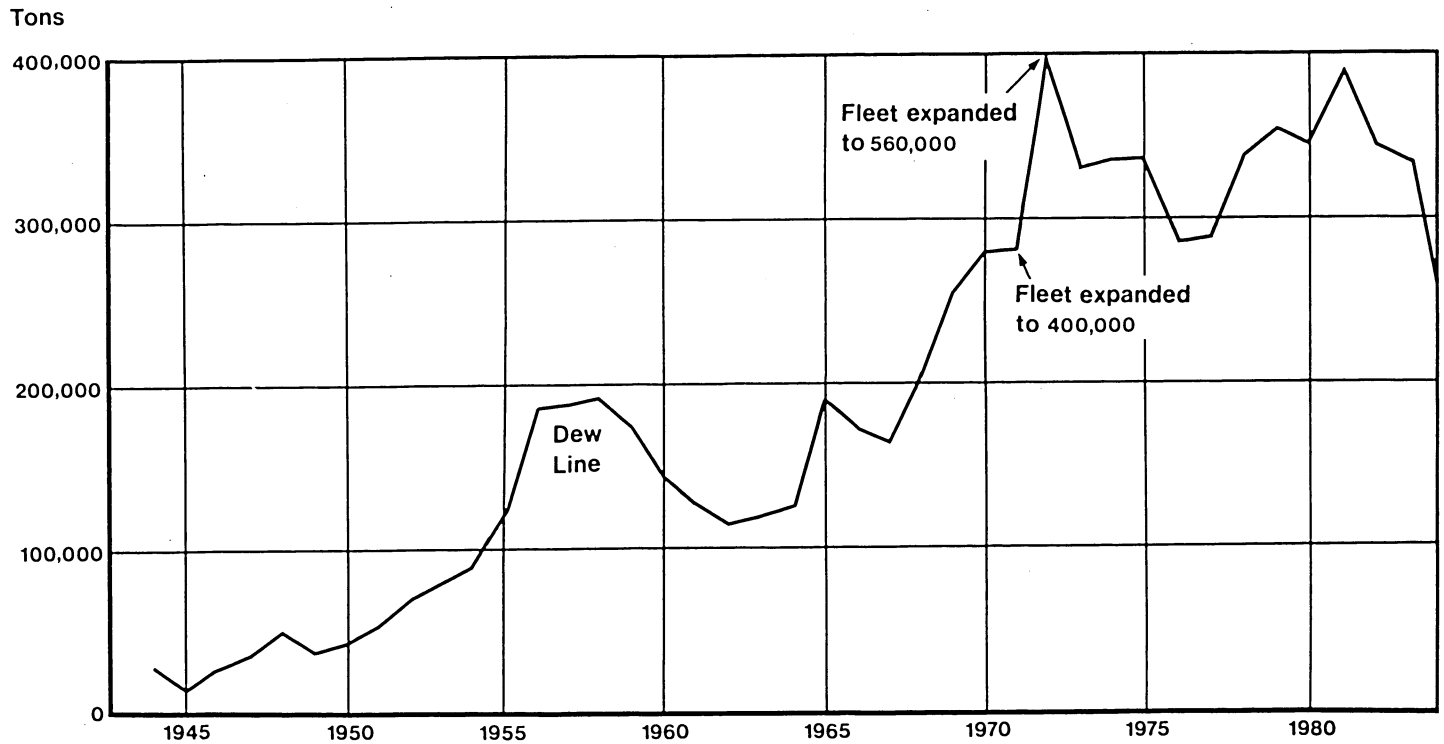


Figure
Traffic Carried by NTCL

