

Notes for Speech to the Canadian Centre for
Ethics and Corporate Policy

Public Trust – Who's Accountable

By Jon K. Grant

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12:00 noon
Ontario Club

“The only thing necessary for the triumph of evil is for good men to do nothing”

Edmund Burke

Shortly after my rather public response “to set the record straight”, my son called and said “Dad, we are all very proud of you – but don’t do it again”. That seemed to sum up response on two levels. Public support and my own concern for the impact of what I did.

As some may know, perhaps most not, it bears repeating in a very quick summary, the issue that as former Chair of Canada Lands I was faced with. On December 21st 2001, Minister Gagliano in an interview with the Globe and Mail indicated we – Canada Lands had hired an associate of his to give us access to he – the Minister. Shortly after that the Globe and Mail called and I set out to “correct the record” – that we didn’t need somebody to give Canada Lands such access. My frustration boiled over and I spoke quite frankly about my dealings with the Minister’s office over the past four years.

The response across Canada was immediate, telephone calls, emails, letters; three fishermen in Newfoundland to a logger on the West Coast – the support was overwhelming. I was courageous to speak out, was a common phrase. So, the first part of my son's comments were very supportive, the second part though, "don't do it again" reflected a more personal concern, on my part but of my family as well.

This was high risk. How could a private citizen dare to criticise a Federal Cabinet Minister in such a public way? In Canada, often we are conditioned to hold our nose and look the other way, rather than risk a major personal risk or an attack on one's credibility.

This was not the way it was supposed to be. After 18 years as the CEO of Quaker Oats I retired at age 60 and I accepted the part-time job as Chair of the Board of a newly reconstructed Crown Corporation – Canada Lands. The prospects of contributing to

Canada, to put back something to the country that had been so good to me, was exciting. Here was a company charged initially with the sale and development of CNR properties left with the Federal Government when the railway privatised plus some excess military lands and major environmental clean-ups. Though nominally a Liberal, having donated \$100 to our local Member of Parliament's election campaign, this was not a patronage appointment but one who could help lead this experimental, commercial arms length Crown Corporation. We did well, initially reporting to Minister Diane Marleau, the Minister of Supply and Services, who allowed us to run the business. It wasn't until the beginning of 1998, the Minister and our environment changed. As I said publicly, shortly after we began reporting to Minister Gagliano's office, one of his Executive Assistants said that since Minister Gagliano was Quebec's senior Minister, we should understand that "the rest of Canada is yours (Canada Lands) – Quebec is ours". That set the tone for a very uneasy relationship for the next four years.

But here was a company which was extraordinarily successful, having over five years provided a cash distribution to the Federal Government of over 250 million dollars or 75% of all the dividend contributions of Crown Corporations. From coast to coast, we developed extraordinary community projects. The innovative Currie Barracks housing project in Calgary to the largest brownfields environmental clean up in North America at the large and abandoned Moncton railway yards. Large and small, we left in the communities where we worked an enhanced environment. To many communities across the country, Canada Lands has and will continue to be a Canadian success story, under the leadership of Kathy Milsom, whom we were fortunate to bring on Board as our CEO in the spring of 2000.

On at least three occasions, I formally brought my concerns to Federal officials – senior levels of the Liberal Party and the bureaucracy. There was plenty of time for the Federal government

to have dealt with the difficulties we were facing, yet nothing was done.

But enough about Canada Lands – there is a larger issue and it concerns the professional conduct of Ministers and their political people with respect to the independence, transparency and ethical conduct of Crown Corporations. So called exempt political staff who are neither elected by the citizens of Canada, nor trained by our highly regarded professional civil service, shouldn't be allowed to interfere in the management of a Crown Corporation. Many of have said, “ah yes – but not all Ministers and their staff are as you portray”. Yes, that may be true but my experiences were only with one Minister's office, and when I warned of the problems, nobody took any action.

My understanding is that Crown Corporations and Agencies for the most part report through an appropriate Minister to Parliament.

Parliament, made up of Members of all political parties that

represent constituencies across the country, who are proxies for the stakeholders of the Corporations or Agencies - you and I. These key Crown Corporations now report through Minister Manley to Parliament and his background and reputation seems to be, from what I understand, a man of fine principles with a clear view of how our established institutions perform. As I said during the CBC National interview, during the height of this crisis, “Chair’s and Ministers come and go but institutions stay”.

We, whether the governors, as Chairs and Directors or as Ministers, have a stewardship responsibility to maintain and enhance the reputation of our fine Crown Corporations, such as the Post Office, CMHC, CBC and many others. If we fail, our actions damage the institutions’ credibility, shatters its morale and compromises its principles - an injustice to all Canadians.

I’m very greatly concerned that a necessary review of the governance of Crown Corporations and Agencies will fall off the

“radar screen” of public debate. It is very important that an oversight review be conducted by a reputational outside group, perhaps made up of key governance leaders in the private and public sector along with the Auditor General of Canada and the Ethics Commissioner, to look at a number of areas to improve the situation.

The selection and appointment of Chairs and Board Members to these organisations needs to be screened by others along with the political process. Competent Directors can be found across the Canadian landscape to represent the regions and to balance ethnic diversity but most important of all, be leaders from all walks of life. One of the great shortcomings in the private sector, is that Corporate Directors are often chosen by their Boards from the same social and economic bracket and often from the same cities from which the head office is located. In short, they know each other too well. There is a risk fashioned very much by Directors

themselves to bring people who “fit in” to our Boards but we buy ourselves a lot of trouble.

I wonder what would have happened if over the years Enron or even Nortel brought in Directors that had other perspectives about business and society and who were quite prepared to challenge the status quo. Yes, the meetings might become more uncomfortable and challenging but particularly in Enron’s case, would Directors who have consulting contracts and long-term relationships with Enron, be allowed to govern in the way that they did.

Such an oversight committee looking at our public sector Directors could develop a bank of qualified individuals who are quite prepared to serve the country. Training programs in governance, ethics, including conflicts of interest, would be a mandatory introduction to trusteeship of Canada’s public corporations. More importantly though, we must examine reporting relationships of

these corporations and agencies, through Parliament and to guarantee their independence, and transparency.

Professional managers should report through their Boards and Chairs without political interference, and be proud of the role they play. Howard Wilson, Canada's Ethics Commissioner has a report coming out shortly to engage Canadians on a discussion of ethical conduct by the Federal Government and their Crowns. This is needed and no government leader should be concerned about the results of this debate. What is needed now is to clear the air, but also to improve the reputation of not only our political leadership but also our Federal institutions.

Powerful pressures of credibility and subsequent evaluation of our institutions are buffeting Canada, indeed North America and even our western world. It effects very much the personal ethics of our leaders. In the Enron example the company's corporate leaders benefited through insider knowledge, excessive executive salary

and bonuses at the expense not only of shareholders who one can argue should know better, but more importantly, employees and pensioners. To compound the ethical dilemma is the fact that our veritable worldwide auditing firms are now put to question. It is not surprising that investment advisors who told us what securities to buy when the market was going up, we now find compromised to promote companies in which their firm was the financial beneficiary.

Employees today don't expect companies to provide them with a job – that security disappeared in the nineties, but they do fear their executives, benefiting personally beyond acceptable compensation levels, can bring down the organization.

Today, who do we look up to for our moral compass when there is no discernible opposition except the press? To some extent this is happening but the convergence of all media, newspapers and television are now in the hands of four large corporations, all who

have very close business, political and in some cases family connections with our political leaders. This may have no effect on the independence of the media's editorial policy but it does raise the question in terms of the ability of the fourth estate to act as the people's voice in the absence of any viable opposition. Potentially disturbing questions. In addition, is the role the Canadian Broadcasting Corporation as a government controlled Crown Agency a disseminator of Canadian news? Can the CBC provide an objective voice to Canadians? In my own view, I think they do a fine job but it is always a question – "Do you bite the hand that feeds you?"

During the extensive publicity surrounding the Minister and Canada Lands, I came to have a very high respect for columnists, reporters and radio and television news broadcasters. Their professional coverage of this story was extensive and well researched. From what I can gather, their independence was beyond question. As Canadians we should encourage this and

support the professional investigative reporting that needs to be conducted in this country. Our letters to the editor and talk back to radio and television news is one way that we can voice our opinion.

Everybody benefits when the public sector and the private sector set higher standards. In the 1980's when environmental stewardship was becoming a priority issue, Quaker Oats took a leading role in its work habits but also to support a proactive environmental leadership position. Did this benefit Quaker Oats? Indeed it did! Survey after survey, internally and externally, found out that employees were proud of the company that they worked for and that Quaker had taken an environmental position. Our suppliers wanted to continue to list Quaker as a customer and so gave us preferential treatment and our customers welcomed our presentations, because of the reputation Quaker was developing in environmental stewardship. To use the old cliché, it was a “win, win” all around.

The Federal Government today has the same opportunity to take a leading role of improving the ethical standards in Crown Corporations and Agencies. The Prime Minister, Deputy Prime Minister and the Ethics Commissioner, Howard Wilson can move this agenda forward to raise Canadian's sights. With our tremendous Olympics win, we can be proud of Canada. The time is now.

When I took on the Chairmanship of Canada Lands in 1996, I realised that with the capable direction of a very professional Board of Directors and since the spring of 2000, wonderful leadership from our President and CEO, Kathy Milsom, that we would have such lasting legacies across the country. I am proud of this success but the journey took a different road when circumstances forced me to correct the Minister's statement but it did open up an issue that all Canadians were concerned about. At Quaker Oats, we lived under a business motto called "it's the right

thing to do”. Many have said it was courageous of me to speak out
– I’m not sure it was courageous but it was “the right thing to do”.

Thank you