

Canadian Grain Commission Governance Review

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Executive Summary

This study provides advice on the governance of the Canadian Grain Commission in the context of the changing grain industry and current pressures on the Commission to ensure the relevance and cost-effectiveness of its operations.

We interviewed more than 100 people including producers and producer associations, members of the grain trade, the CGC Commissioners and Assistant Commissioners, officials of the CGC and Agriculture and Agri-Food Canada, customers and academics.

The Canadian Grain Industry Today

The key trends emerging in this new environment are:

- the consolidation of grain handling and collection
- the proliferation of varieties and specifications
- increasing customer demand for specialized products
- increased value-added processing in Western Canada
- greater movement of products north-south, and
- increasing competition from the U.S. and Australia for high-quality, spec grain.

The key challenges facing the CGC in this context are:

- the current cost-revenue squeeze in the Commission
- industry demand for optional services (both inspection, testing and research)
- the shift away from bulk commodity exports to spec sales, and
- the need to adapt the CGC's regulatory framework and operations to the new environment in the grain industry.

Present Structure

- The CGC consists of a three-person board (the "Commission"), the members of which are appointed by the Governor in Council for renewable fixed terms of up to seven years. All three Commissioners serve full-time. One, the Chairman, is designated in the *Canada Grain Act* as Chief Executive Officer of the agency. Another is designated as Assistant Chief Commissioner.
- There are four Assistant Commissioner positions, only two of which are filled. The Assistant Commissioners are also appointed by the GiC for fixed terms.

- The Commissioners are supported by a public service staff of 700 persons, headed by an Executive Director reporting to the Chief Commissioner.

Key Findings

- the rationale for the current “commission” structure (i.e., for three people appointed to sit at the top of the organization) is not well-understood;
- despite the fact that they are doing a useful job, the role of the Assistant Commissioners is not understood or appreciated, and their accountability to the Chief Commissioner is unclear;
- the “CEO” role of the Chief Commissioner is not sufficiently clear, nor is his relationship with the rest of the organization;
- no one in the industry believes the biggest problem with the CGC is its governance, or how the Commissioners and Assistant Commissioners were organized and mandated;
- nor was there any consensus on how the governance structures of the Commission should be changed to better serve the needs of the industry;
- the present structure can be made to work better, but it is still not ideal.

Options

Four options are presented (pp. 18-22):

1. Improved Status Quo
2. A Full-Time Chief Commissioner-CEO, with a Part-Time Board
3. A Full-Time Chief Commissioner-Chairman, with a Part-Time Board
4. A Chief Operating Officer appointed by the Board

Recommendation (p. 22)

We recommend Option Two as the most appropriate governance model for the Commission as it moves into the future. We believe this model is the best way to strengthen both the “board-type” responsibilities of the Commissioners and to strengthen executive management and accountability at a critical point in the organizational history of the agency.

I. Introduction

Our Mandate

This report originates from a request by the Commissioners of the Canadian Grain Commission (CGC) for a study of the governance of the Commission. This study was to be set in the context of the changing grain industry and the current pressures on the Commission to ensure the relevance and cost-effectiveness of its operations. A full statement of the project mandate is contained in Annex “A”.

Our mandate was focused on the “Commission” level of the organization – i.e., the three Commissioners and four Assistant Commissioners, and their relationship to the senior staff level of the organization. We were not asked to carry out a conventional organizational review that would have looked at structures and roles at other levels of the organization. Nor were we asked to provide advice on the mandate of the Commission as a whole.

How we approached our work

We saw our respective strengths and experience as complementary, so we worked as a team on all aspects of the report, including planning, consultations with the industry and the development and drafting of this report.

It was suggested by the CGC, and we fully agreed, that the most effective basis for developing recommendations on the governance of the Commission would be to consult with a wide cross-section of the industry¹. To this end, we met or spoke with nearly 100 people, including:

- producers and producer associations
- senior members of the grain trade in Canada and the UK
- the CGC Commissioners and Assistant Commissioners
- senior officials of the CGC
- other federal officials, and

¹ We should make clear at the outset of this Report that when we speak of “the industry” we are referring to the grain industry as a whole, including everyone from producers to the Wheat Board to the private sector grain companies, customers, the railroads and anyone else in the production and distribution chain for Canadian grains, oilseeds and pulses. When we wish to refer to producers as such, we use that term; similarly, the term “grain trade” refers to the companies, including the Wheat Board.

- a range of other people involved in one way or another in the industry, including representatives of farm organizations, advocacy groups, academic experts and customers both in Canada and abroad.

Wherever possible, we met with people in person, although in some cases it was necessary to conduct interviews by telephone. We also received letters and submissions from a number of different parties interested in this review. We wish to thank all those who contributed their views and their ideas to the development of this report. Responsibility for the findings and conclusions set out in Section Four is of course ours alone.

Organization of this Report

This report is organized along the following lines:

Section One provides an overview of the history and current role of the CGC. It describes:

- the recent changes in the Canadian grain industry, notably in Western Canada, that have led the Commission to examine both its operations and its governance structures, with a view to setting the organization on a course for the future that is both relevant to the industry and cost-effective;
- the challenges the CGC faces in carrying out its statutory mandate for the regulation of grain handling and for the establishment and maintenance of standards of quality for Canadian grains;

Section Two sets out the major governance issues that are at stake in this review, in light of:

- the present structure of the Commission and the roles and accountabilities at the top levels of the Commission;
- our understanding of the changing Canadian grain industry²;
- our knowledge of organization and management, both in the public sector and in the grain business.

The key questions bearing on the governance of the Commission are:

- how current changes in the grain industry are affecting the role of the CGC in the industry and how it does its business as an organization;

² An understanding that has been greatly informed by our discussions with all those with whom we met in the course of this review.

- whether the current governance structure of the Commission is still appropriate, in light of the considerations identified above, and if not, what kinds of organizational model for the top levels of the Commission might be more effective.

Section Three relates our findings on these issues and questions from interviews and related discussions with members of the grain industry.

Section Four presents our conclusions about all these matters and sets out options for how the CGC might be structured and governed to carry out its job most effectively in the future. It reviews the pros and cons of alternative models.

In the end, we recommend one option over the others. But we would emphasize that there is not likely to be agreement among members of the industry over the best approach to the governance of the CGC. What is far more important is that the Agency, and its governing Board (i.e., the Commissioners) be equipped with a structure that allows the Agency to move into the future on a sound basis. This is as much a matter of clear direction and the right attitudes at all levels of the organization as it is of one governance structure versus another.

The Canadian Grain Commission Today

History, Role and Mandate

In thinking about the CGC's entrance into the new millennium, it is essential that the institution's roots and reason for being be clearly understood. One hundred years ago, farmers had no doubt in their minds that the conglomerates of grain dealers, milling companies, the Chicago exchange and the CPR were monopolies designed to cheat them. This feeling prompted a movement of farmers and politicians with an intent to design an Act of Parliament that would finally offer the farmers some measure of protection and regulate a hitherto totally unregulated grain trade. The *Manitoba Grain Act* of 1900 and subsequently its 1912 successor, the *Canada Grain Act*, became what some describe as the *Magna Carta* of the Western Grain grower.

The period from 1912-1930 was a period of testing for both the *Grain Act* and the Board that administered it. Ever larger crops and a constantly expanding grain trade placed stresses on the environment that the *Act* was designed to regulate. Staffing, or lack thereof, created problems for mediating disputes between producers and the trade.

This was not a period of smooth sailing for the Board of Grain Commissioners. The first significant challenge came when the trade questioned the constitutionality of the *Grain Act*. It was suggested that a Federal Agency could not legally regulate a provincial matter. This, of course, put all actions of the Board in question at that point. A Supreme Court decision on the matter prompted legislative change in 1925 that declared elevators to be works for the general advantage of Canada.

Over time, several Royal Commissions heard varying criticisms of the Board and how it performed its role. Producers tended to see the Board as remote and detached from their interests. This was not entirely without justification due to the increased duties of the Commissioners without a corresponding increase of support staff. By 1930, the *Act* dealt with this situation by providing for the appointment of Assistant Commissioners who would not only do inspections but would have powers delegated by the Board to mediate disputes.

Judge Turgeon's Royal Commission of Inquiry into the Canadian Grain Trade in 1925, made several key observations and recommendations that were significant in making the Board more relevant to the changing grain trade. His report recommended the establishment of capabilities for scientific investigation (the Grain Research Lab), altering the appeal process for assignments of grain grades (establishment of the Board of Grain Appeal), sampling of cars, dockage, and hiring of highly qualified inspection staff (the Inspection Division). Over time, these changes were implemented.

1930 is recognized as the end of the western homestead era. The Depression and the accompanying dust bowl conditions in the West were a major dislocation to everyone in the industry, while World War II disrupted both traditional markets and the rural way of life. All in all, the 40-year period to 1971 was a period of profound change in western agriculture. The creation of commodity-based organizations in the early 1970s had significant impact on the formation of policy and the direction of the grain industry. New crops were being grown on the prairies and wheat was no longer king. Feed grains and oilseeds became an increasingly larger percentage of total exports. While some traditional markets (e.g., U.K., Western Europe) were closed to Canada, others opened up. In the 1950s and 60s, what had been a storage-based system was transformed into a throughput system when Russia, China and other large customers began to make major bulk purchases. All of these developments posed challenges to the *Grain Act* and in some cases, made parts of it obsolete long before it was amended in 1970.

Despite these changes in the external environment, all the basic problems of grain industry regulation did not change. Accurate grading, fair weights and an orderly and just marketplace were just as important in 1970 as they had been in 1930.

The second revision to the *Canada Grain Act* took place in the summer of 1970. The rationale for a new *Act* was obvious. The tremendous changes in the grain industry since 1930, new procedures, the need for flexibility, the appearance of new organizations (notably the Canadian Wheat Board), new customers and their demands for uniformity required a new grading system. These were all compelling reasons for legislative review and the development of a new *Act*.

Inspection and grading services changed too. Automatic samplers became standard equipment, fee for service was introduced and statutory grades were placed in regulations for more flexibility. Protein segregation was also introduced. As well, new moisture measurement, pesticide monitoring, oilseed quality control, and kernel quality and end use characteristics became routine procedures for the Grain Research Laboratory. A pilot flour mill was built and it became invaluable as a teaching and marketing aid as well as a research and monitoring tool.

Today the formal mandate of the Commission is clear. Section 13 of the *Canada Grain Act* says that:

“Subject to this Act and any directions to the Commission issued from time to time under this Act by the Governor in Council or the Minister, the Commission shall, in the interests of grain producers, establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets.”

To carry out this basic mandate, the Commission may:

- issue licenses to primary, terminal and transfer elevators and the inward and outward inspection of grain
- inspect elevators
- license and assure the bonding of grain dealers
- conduct investigations and hold hearings on matters within its jurisdiction
- carry out research, and
- provide advice to the Minister on matters related to grain and grain handling.

This is a substantial role which, with some modification, has endured since the Commission was created in 1912. There is a real question, however, as to how this mandate should be expressed and pursued in the changing grain economy of 1998 and beyond. As we look to the future, it is worth asking what are the lessons of history for the present situation and future directions of the CGC? Some obvious questions beg answers. For instance:

- Has the industry indeed come full circle in 100 years, as some producers feel?
- Can the sophisticated and mature grain industry police itself?
- Is third-party adjudication of disagreements still necessary?
- Does Canada still benefit from Certificate Final quality control?
- Does the CGC's stamp of approval aid in completing sales?
- And, perhaps the most important question – can any other institution or business do what the CGC accomplishes in a manner that is as cost effective, accurate or credible?

To a considerable extent, the answers to these questions depend on where you fit in the industry and how you view the road ahead.

A Changing Grain Industry

Today, Canada's grain industry is again in rapid evolution. New players at the business table, new customers in the arena, new technologies, new ways of doing business, new crops, casualties, misjudgements, and all the growing pains of an industry in transition are evident. The challenge, as we see it, will be to bring all the players in the industry into the future simultaneously, and at a sustainable and acceptable pace.

Governments at all levels have encouraged the switch to value-added processing and enhancement of grains. New technologies, new varieties and producer willingness to grow them, and global opportunities for new markets have dramatically moved the Canadian grain industry from a bulk handling system to one of industrialized manufacturing of further-processed products.

As customers request more demanding specifications and quality standards, there seems to be a contradiction developing whereby a consolidated bulk handling system may find difficulty supplying market preferences or meeting customer demand. The consolidation of the system, more sophisticated demands for quality, consistency and phyto-sanitary testing, contracting and Identity Preservation will test whether a competitive market can function in the same manner as the industry enjoyed in the past.

In our travels throughout Western Canada, we saw a rapidly-developing and relatively new phenomenon of prairie road and rail networks that have become pressure points of contention over maintenance, upgrade and abandonment. Communities, governments, grain handlers and producers are now being challenged to find solutions to the obvious problems. No one can opt out of the issues presented by these dramatic changes.

It may be an understatement to suggest that the grain industry is changing. The fact is, it has always been in transition but never on the scale or at the pace that we are now witnessing.

Perhaps the most visible evidence of change in Western Canada today is the proliferation of high-throughput elevators on the prairie landscape. Paralleling this phenomenon is the closure of the older wooden structures that have served the rural communities for decades. Compounding the impact of change is the abandonment of branch line railroads and the utilization of alternate transportation systems, notably heavy-duty truck transport, in some cases over distances of hundreds of miles.

Changes of attitude, as well as physical changes, encourage new ways of doing old things and present opportunities for new initiatives. New pressures are being placed on established infrastructures and institutions that require huge amounts of capital and skilled manpower. New methodologies in the development of varieties and in testing for ever-more complex specifications are challenging the very foundation upon which the Canadian Grain Industry established itself in the past century.

In summary, the key trends emerging in this new environment are:

- the consolidation of grain handling and collection
- the proliferation of varieties and specifications
- increasing customer demand for specialized products
- increased value-added processing in Western Canada
- greater movement of products north-south
- increasing competition from the U.S. and Australia for high-quality, spec grain

Among the key challenges facing the CGC in this context are:

- the current cost-revenue squeeze in the Commission, caused by the decline in the volume of export trade as increasing amounts of grain are consumed in value-added processing in Western Canada while the volume of grain shipped direct from producers to the U.S. goes up as well;
- industry demand for optional services (both inspection, testing and research);
- the shift away from bulk commodity exports to spec sales;
- the need to adapt the CGC's regulatory framework and operations to a new environment in which producers are more well-informed and more capable of

dealing directly with customers, yet still wanting the services of third-party quality assurance, standards and adjudication.

II. Issues in Governance

The term “governance” refers to the network of relationships of role, authority, accountability and communication within an organization³, especially at senior levels.

The basic question at stake in this review is whether the current “commission” structure of the CGC is still the best model in terms of the governance of the organization.

Structure

At present the CGC consists of a three-person board (the “Commission”), the members of which are appointed by the Governor in Council⁴ for renewable fixed terms of up to seven years. All three Commissioners serve full-time. One, the Chairman, is designated in the *Canada Grain Act* as Chief Executive Officer of the agency, with “supervision over and direction of the work and staff of the Commission”. Another is designated as Assistant Chief Commissioner.

Also present in the structure of the organization are four Assistant Commissioner positions, only two of which are filled at present. The Assistant Commissioners are also appointed by the Governor in Council for fixed terms, though at a lower salary level than the Commissioners.

The Commissioners are supported by a professional staff of some 700 persons, all public servants appointed under the Public Service Employment Act. The Public Service staff is headed by an Executive Director who reports to the Chief Commissioner.

Roles

Aside from the CEO role of the Chairman (and the Assistant Chief Commissioner as his substitute), the duties of the other Commissioners are not specified in legislation. The Commissioners have traditionally focused on their policy and regulatory role; the job of dispute resolution has diminished in recent years and problems within the industry are usually worked out informally. The Commission has seldom had occasion to use its formal investigative powers.

³ It is therefore a broader term than “management” though it could be argued that governance includes management, at least in the sense of executive management.

⁴ i.e., the federal Cabinet.

Accountability

The Commissioners are accountable to the Minister on whose recommendation they are appointed, with the Chief Commissioner as *primus inter pares*⁵. The Chief Commissioner is a member of a portfolio team in the Agriculture portfolio, but he does not report to the Deputy Minister of Agriculture.

By tradition, the most recently-appointed Commissioner is the link between the Commissioners and the Assistant Commissioners, though no one would say that the Assistant Commissioners “report to” that Commissioner. Indeed, the fact that the Assistant Commissioners are appointed by the GiC on the advice of the Minister suggests that, in reality, they are accountable to the Minister rather than to the Chief Commissioner, though in the case of present incumbents this issue of reporting lines does not appear to be an issue. The Assistant Commissioners are largely self-directed but they stay in touch with the Commission via one of the Commissioners and they maintain active working-level contacts with Commission staff.

The basic structure of the Commission as a GiC-appointed board with a public service staff makes it clear that the staff are responsible to the Executive Director and he in turn to the Chief Commissioner.

⁵ I.e., “first among equals”.

III. What we Learned from the Interviews

From Producers

Producers have many different views on most issues in the grain business, but there was one point on which we heard almost a unanimous opinion – *the Canadian Grain Commission remains a critical element of the whole production and marketing chain for Canadian grain. And in particular, the CGC “certificate final” is seen by almost everyone as a key point of competitive advantage for export sales of Canadian grain.*

There were a number of other points on which there was a substantial commonality of opinion among producers:

- many producers reminded us that, although the *Act* makes specific reference to the Commission acting “in the interests of producers”, it too often seems to be acting in the interests of the trade⁶;
- the Commission is important to producers but the Commissioners do not have a high enough profile in the country – they need to get out of Winnipeg to listen to the farm community and spread the word about the CGC;
- producers were divided on the merits of the Assistant Commissioners – those that had had recent direct experience with them were almost uniformly positive about the job the current AC’s were doing; others were sceptical of the utility of political appointees performing essential operational jobs of inspection, dispute resolution, etc.
- while some people advocated the election of Commissioners, or at least the vetting of nominations by the industry, others were content with the idea of appointed Commissioners – provided they were knowledgeable people of good standing in the grain industry;
- producers generally saw merit in the present arrangement whereby the Commission reflected a balance among the different sectors of the industry (i.e., grain, oilseeds and specialty crops) but few saw this as a “make or break” issue; similarly, there was general support, even from Ontario and Quebec, for the present practice of a Commissioner from each prairie province (though there was also some sentiment from the East that the interests and views of Eastern growers should somehow be represented at the Commission level);

⁶ For their part, many people at the Commission stressed that it was their view that the interests of producers were best served by an efficient and healthy grain handling system, and that was what they were trying to promote.

- some producers saw the CGC as too close to the Wheat Board; but several saw its role as entirely distinct, commenting that even if there were a change to the marketing system, producers would still need a Grain Commission;
- several people expressed the view that the shift away from bulk commodities would mean an even more important role for the Commission in quality assurance and new forms of grading;
- a number of producers wanted to see greater opportunity for producer input to Commission policy work.

From the Grain Trade

By and large, the trade sees the CGC as a regulatory agency whose essential mandate is to protect the quality and integrity of the Canadian export grain industry⁷. Beyond this, views expressed by senior representatives of the grain companies tended to focus on the issue of relevant, cost-effective services from the CGC.

- while some people expressed doubts about the continuing value of the Certificate Final, most were of the view that this document (representing, in effect, a Canadian Government “seal of approval”) was an real asset to producers and companies alike⁸;
- a few people were sceptical about the need for a three-person Commission, but most tended toward the model of a CEO with a board – i.e., the basic corporate model. There was general acceptance in the trade of the need for government to appoint the Commissioners, and little appreciation of the work of the Assistant Commissioners;
- many people in the trade felt that the principal challenge facing the Commission was not governance but rather the need to adapt its services and operations to serve a rapidly-changing industry. For example, the move to spec buying is seen as requiring a corresponding move by the CGC toward spec-based grading and quality assurance;
- when asked whether they could obtain services from the private sector that would match those they were obliged to take from the CGC, opinions varied,

⁷ This view is captured in one person’s comment that “there is a need for an independent third party to look after quality, grading, licensing and security”.

⁸ Several people commented that “if we didn’t have it, we would have to invent it”.

though most company representatives tended to favour continuing with CGC services, *provided they remained competitive*⁹;

- there was some support among members of the trade for the idea of the CGC as a “certification agency” – i.e., an organization responsible for setting standards and auditing accordingly, but not necessarily carrying out all inspection and grading itself.

From the Commission

Here again a range of views were expressed, of which the following reflect the spectrum of opinion on the major issues at stake in this review:

- several people commented that, despite some recent effort at clarification, the job descriptions of the Commissioners and Assistant Commissioners remain unclear;
- historically (and almost inevitably) there has been a dynamic tension between the Commissioners and the staff, with the former always tending to get more into management issues than the staff feel is appropriate, and the latter not engaging the Commissioners sufficiently on what the latter see as policy issues. There was a general sense that this relation needed to be clarified;
- over the years, the Assistant Commissioners have seldom been included in policy discussions, though they feel they have a good deal to contribute;
- there was general agreement on the importance of balanced representation at the Commission level, and on the value of staggered succession, so that all three Commissioners do not arrive and depart at the same time;
- there was some sense that the role of the Assistant Commissioners is more focused on producer advocacy while the Commission per se should be a neutral third party;
- there was obvious sensitivity to the issue of costs and revenues. It was pointed out that it is difficult for the CGC to compete with the private sector because at present it is obliged to recover research costs associated with standard-setting.

⁹ One person claimed that the CGC cost structure for grading was twice what the private sector would charge, though most other views were not as strong as this.

IV. Findings and Recommendations

Conclusions about the Governance of the Commission

Our consultations with the industry revealed a number of shortcomings in the present model, notably that:

- the rationale for the current “commission” structure (i.e., for three people appointed to sit at the top of the organization) is not well-understood;
- the role of the Assistant Commissioners is not understood or appreciated, and their accountability to the Chief Commissioner is unclear;
- the “CEO” role of the Chief Commissioner is not sufficiently clear, nor is his relationship with the rest of the organization.

If offering observations and recommendations on governance, we should stress that no one with whom we spoke during our consultations was of the opinion that the biggest problem with the CGC was its governance, or how the Commissioners and Assistant Commissioners were organized and mandated. Certainly, most people had ideas about how governance could be improved and some were strongly of the view that the present structure is simply outmoded. But there was no consensus in the industry, nor among producers themselves, as to how the governance and related structures of the Commission should be changed to better serve the needs of the industry.

The Present Structure

Our starting point is the “status quo” -- i.e., a Commission composed of three full-time Commissioners supported by four Assistant Commissioners, all appointed by the federal government.

There are some obvious advantages – at least in theory – to the present structure:

- a three-person Commission structure is what allows the CGC to exercise regulatory authority. A structure in which the authority of the Commission was vested in a single person (i.e., a sole Commissioner/CEO) could be perfectly effective as a service-provider but inappropriate for the exercise of a regulatory (i.e., law-making) power;¹⁰
- a three-person structure assures Western producers that their province is represented at the Commission level; it also allows the government to

¹⁰ Normally, Parliament never grants regulatory powers to a single person, except where that person is a Minister of the Crown.

provide a degree of sectoral expertise (i.e., grains, oilseeds, specialty crops) among Commissioners;

- Commissioners who are appointed by the Government rather than by a Board of Directors can operate with the confidence of the Government and can exercise correspondingly greater influence on policy¹¹;
- Assistant Commissioners can (and do) play a useful role on behalf of the Commission and, indirectly, on behalf of the government that appointed them, by serving as a cost-effective, on-the-ground presence in the three western provinces, giving producers a direct channel to the three Commissioners. They are (or at least can be) a valuable source of information and advice to the Commission and, provided they have the mandate, knowledge and skills, they can serve as problem-solvers on individual issues. Moreover, having four Assistant Commissioners ensures that each of the major grain-growing areas can be represented among them.

Options for a Governance Structure

Notwithstanding its theoretical merits, the status quo is clearly not adequate to meet the needs of the industry or the Commission today. The Assistant Commissioner function is not working as intended, through no fault of the individuals concerned. Moreover, it is not clear that there is really enough work in Winnipeg to keep three able Commissioners employed on a full-time basis, *on matters that are the exclusive preserve of Commissioners*.¹²

After careful reflection, and taking account of the ideas and suggestions that emerged during our consultations, we can see four options for change, with variations possible along each option.

Option One – Improved Status Quo

Adapting the present structure to address the shortcomings identified on the previous page is a relatively simple matter. It would require:

- clarifying the “commission” role of the organization and helping the entire industry understand how the present structure serves their interests by

¹¹ This is not to suggest, of course, that only “appointed” Commissioners can have the confidence of the Government, but this method of selection clearly has that virtue.

¹² The issue is not whether hard-working people will keep busy, but whether the Commission’s policy, regulatory and adjudicative role can keep three senior people fully engaged. If not, then there will be natural tendency for Commissioners to involve themselves in matters that are the province of the Executive Director, such as personnel matters or the day-to-day management of individual cases.

allowing the regulation of grain handling to be carried out by an independent Commission rather than by the Minister on the advice of his department;

- clarifying the roles of the two Commissioners and their relationship with both the Chief Commissioner and the Executive Director and his staff;
- defining much more clearly the roles of the Assistant Commissioners, both in the field and in relation to the Commissioners and to the CGC's Service Centres.

Change on these lines would not require legislation. It can be done, therefore, relatively easily. The question is whether it would be the best arrangement for governance of this organization as we move into the next century. Specifically, we need to ask ourselves:

- Is it the best way to use the profile, talents and experience of the appointed Commissioners, both as a sounding board for producers and as a policy-making body?
- Is this the optimal structure for executive management of the Commission, notably in leading the organization as a whole into the new roles and activities in the industry that are bound to emerge from the current CGC program review?
- Is this the best way to ensure a strong regional voice on the Commission, including a voice for Eastern Canadian producers?

Option Two – A Full-Time Chief Commissioner-CEO, with a Part-Time Board

If an improved version of the status quo is not acceptable, then the issue is how to retain the benefits of the Assistant Commissioner role (i.e., outreach, information-gathering and problem-solving), while improving governance and executive management of the Commission as a whole. This would require:

- expanding the Commission itself by turning it into a board –still appointed by the GiC -- that included a larger number of part-time Commissioners located in the regions¹³;
- re-affirming the policy and regulatory role of the Commission;

¹³ One could imagine two part-time Commissioners from each of Alberta and Saskatchewan, one from Manitoba and one representing Eastern Canada, plus a full-time Chief Commissioner – all appointed by the Government on the recommendation of the Minister.

- strengthening the “CEO” role of the Chief Commissioner by giving him clear, active responsibility for the management of the organization, in the same manner as the President of any other public or private sector organization.

The advantages of this approach are that:

- it would clarify and reinforce the executive management of the Commission by mandating the Chairman as a true “CEO” with an active role in the executive management of the Agency as a whole, while locating the other Commissioners (i.e., those with collective decision-making authority on matters of policy and regulation) in the field;
- it would make it easier for the agency as a whole to move in the direction set collectively by the Commissioners¹⁴;
- it would respond to producer concerns about a three-person Commission being remote from their interests and concerns;
- it would expand regional representation on the Commission itself;
- it would lower costs slightly.

NOTE:

- This model does not mean the abolition of the Executive Director’s job, though it would mean a change from being the final point of effective senior management in the agency as such, to that of a true second-in-command to the Chairman/CEO.
- This model does require a Chief Commissioner with good executive management skills and experience¹⁵.
- This model would require that Commissioners be prepared to spend up to five or six days per month on Commission business, including monthly board meetings in Winnipeg, and to be remunerated accordingly.

¹⁴ To say this is not to suggest that the present Executive Director is in any way reluctant to respond to the direction set by the Commissioners, but rather to make the obvious general point that the present split in executive management responsibility between the Chief Commissioner and the Executive Director is more conducive to maintaining the status quo than to changing it. Imagine, for example, a department of government where all the staff reported to single person below the Deputy Minister -- how easy would it be for that DM to lead the organization in a process of significant change in what it does and how it does it?

¹⁵ Such a person need not be a producer, or come from a producer organization. He or she must, however, have credibility with producers and with the other key elements of the grain industry.

- Change on these lines would require legislation.

Option Three – A Full-Time Chief Commissioner-Chairman, with a Part-Time Board

What distinguishes Option Three from Option Two is that the Commission would retain its policy and regulatory role, with the Chairman focused on that responsibility rather than on executive management of the organization. In short, his job would not change as much as it would under Option Two.

- the principal advantages of this approach are that the Chief Commissioner would be able to focus on outreach to the industry and to producers in particular, and also could be an active player on issues related to the changing grain industry and international markets; he would not have to be preoccupied with “running the organization”;
- otherwise, the Commission would benefit from having the same, larger board and from the modest cost savings associated with the abolition of the Assistant Commissioner positions and the two full time Commissioner positions.
- the disadvantage of this model is that it would be more difficult than under Option Two for the Chief Commissioner and his colleagues to move the organization as a whole in a new direction.

Like Option Two, change on these lines would require legislation.

Option Four – A Chief Operating Officer appointed by the Board

Another way to allow for a clear change in direction and strengthen management accountability to the Commission would be for the Commission to appoint its own CEO (or COO). *Again, this is not to imply a criticism of the present incumbents, but rather to offer an approach that places clear authority over executive management in the hands of the Commissioners as a “board of directors”.*

NOTE:

- This is essentially the same model as a private sector corporation and, notably, the same model as is used by the prairie pool companies. *It is not a typical model for a government organization.*
- This approach would work only if appointment authority rested with the Commission. This would imply, therefore, a fundamental change in the relation between the Commission and its staff, with the probable consequence that the staff too would have to be employees of the

Commission rather than public servants appointed under the *Public Service Employment Act*.

- These kinds of changes would require even more fundamental change to the status of the Commission under the *Canada Grain Act*. They would therefore have to be carefully considered not only by the Commission but by the Minister and his public service advisors, and by the concerned central agencies.

Recommendation

After careful reflection, and taking into account the views expressed by the more than 100 people with whom we spoke during our interviews, we would recommend Option Two - i.e., the Chief Commissioner/CEO model -- as the most appropriate governance model for the Commission as it moves into the future.

We believe this model is the best way to strengthen both the “board-type” responsibilities of the Commissioners and to strengthen executive management and accountability at a critical point in the organizational history of the agency. If it is going to succeed in the future, the CGC will have to change what services it provides, and how it provides them. It will have to adapt its operations to a rapidly-changing industry that will demand new and ever-more competitive services. And it will have to retain the support and engagement of the producer community that has always been the *raison d’être* of the Commission.

We believe the Commission and the industry as a whole face far bigger challenges than the governance of a small agency. But good governance supports an effective organization. And in that spirit, there is an opportunity to make relatively modest structural changes at senior levels in the CGC that can have a positive impact on both the agency itself and the grain industry it was created to serve.

Doug Livingstone

Jim Mitchell

November 30, 1998

Annex “A”: Project Mandate

On September 14, 1998, the Commission issued the following press release to announce the governance review.

CGC Launches Governance Review

Barry Senft, President and Chief Commissioner of the Canadian Grain Commission, today announced that the CGC has initiated a review of its governing structures.

The review team will examine the functions of the CGC’s Commissioners, Assistant Commissioners, and the Chief Operating Officer. The team consists of Douglas Livingstone, a grain and livestock farmer from Vermilion, Alberta, and Jim Mitchell, a partner with Sussex Circle, an Ottawa firm specializing in policy and government organization.

“We’ve asked the team to review the governance of the CGC because we want to be sure that it meets the needs of the grain industry and grain producers, and that it will continue to do so into the future”, Mr. Senft said.

The review team will consult widely with representatives of producer and industry organizations to determine their views. As well, it welcomes the input of the general agricultural public. The report and recommendations, which will be available to the public upon request and on the CGC’s Internet web site, are to be completed by Nov. 30, 1998.

Douglas Livingstone, who operates a 2,200-acre grain and cattle ranch in Alberta, has considerable experience in leading agricultural enterprises, having served as vice-president and president of Alberta Pool, vice-president of X-Can Grain, president of Prairie Pools, and a director of numerous Alberta Pool subsidiaries. In 1994-95, he served as a member of the Canada-U.S. Joint Commission on Grains; in 1994, as a member of the Producer Payment Panel; and in 1990 as a member of the Canadian Wheat Board Review Panel.

A former foreign service officer, Jim Mitchell spent most of his public service career in the government organization unit of the Privy Council Office, eventually serving as Assistant Secretary to the Cabinet (Machinery of Government). He was a principal advisor on the 1993 reorganization of the federal government. In 1994, Mr. Mitchell co-founded Sussex Circle, an Ottawa firm that has provided policy analysis and strategic advice for private and public sector clients in virtually every area of government policy and program activity. As a consultant, Mr. Mitchell has worked on issues in the agricultural sector ranging from crop insurance to agricultural research.

Annex “B”: Questions Posed to Interviewees

The following is the text of the note sent to interviewees in advance of each meeting or telephone conversation

Canadian Grain Commission Governance Review: A Note to Interviewees

As you are no doubt aware, the Canadian Grain Commission has initiated a review of its governing structures, and has engaged a review team to carry out the task. The team consists of Doug Livingstone, a grain and livestock farmer from Vermillion Alberta, and Jim Mitchell an Ottawa-based consultant with expertise in government organization.

Our task is to examine how the Commission is structured to carry out its functions, both in Western Canada and nationally, in light of the changes that are affecting the industry and the CGC. We will be looking at the roles and responsibilities of the Commissioners and the mechanisms that have been established for consultation, coordination and decision-making in the Commission. All of this is with a view to ensuring that the Commission can provide top-quality, cost-effective service to the industry in the coming years.

A key part of the review process will consist of consultations with producers and other people from the grain industry, the Department of Agriculture, as well as members of the Commission and Commission staff.

To this end, we have asked CGC staff to arrange an interview with you that would be held at a convenient time and place for you.

In the interviews we would like to explore a few basic questions:

1. How do you see the changes currently affecting the grain industry in Canada, and what impact do you see them having on (a) the role of the CGC in relation to the industry and (b) how the CGC does its business?
2. How do you see the CGC today? Are there aspects of its governance arrangements that you think need to be examined, or need to be changed? Does the current model of a Chief Commissioner and four Assistant Commissioners make sense?
3. Are there any other suggestions you would make about how the Commission needs to be organized that would help it better serve industry, or that would make it more efficient?

In reporting on the interviews we will protect confidentiality by not identifying the sources of specific advice or information, though there will, of course, be a list of those interviewed.

The result of our work will be a report to the Chief Commissioner setting out clearly what we have been told, and what changes, if any we would recommend to the governance structures of the Commission. That report will be made public.

Should you have any questions, please don't hesitate to call Jim Mitchell at (613) 567-3200, Doug Livingstone at (403) 763-2385 or our CGC contact, Reg Gosselin at (204) 983-3081

We look forward to seeing you.

Doug Livingstone

Jim Mitchell

Annex “C”: List of Persons Interviewed

Alberta:

Hartmann Nagel

Assistant Commissioner, CGC

Alberta Grain Commission (Edmonton)

- Ken Moholitney, Chairman
- Gil Balderston
- Dan Cutforth
- Eugene Dextrase
- Pat Durnin
- Glen Goertzen
- Murray McLelland
- Ken Motiak
- Brenda Brindle
- Julie Toma
- Brendalee Leveseth

Marcel Maisonneuve

Executive Officer
Alberta Dehydrators Association
Edmonton

Cameron Klapstein,

Director, Region 6
Canola Alberta Producers Commission

Doug Radke

Deputy Minister
Alberta Agriculture, Food and Rural Development
Edmonton

Janette McDonald Adam

General Manager
Alberta Pulse Growers Commission
Leduc

Wild Rose Agricultural Producers (Edmonton)

- Alan Holt, President
- Neil Wagstaff, Vice President

Harvey Brooks

Cooperative Chair in Agricultural Marketing and Business
Department of Rural Economy
University of Alberta
Edmonton

Greg Rockafellow

President
Western Barley Growers Association
Calgary

Alberta Pool

- John Pearson, First Vice President
- Gord Cummings, Chief Executive Officer
- Ronald Gorst, General Manager, Grain Division

Richard Groundwater

Ex Assistant Chief Commissioner, CGC
Lankirk Farms Ltd.
Calgary

Jim Harriman

Palliser Grain
Calgary

Del Pound

Ex Chief Commissioner, CGC
Calgary

Alberta Barley Commission: (Calgary)

- Brian Kriz, Chairman
- Kevin Muxlow, Policy Coordinator

Saskatchewan:

National Farmers Union (Saskatoon)

Nettie Wiebe, President
Darren Qualman, Executive Secretary

Saskatchewan Canola Growers Association: (Saskatoon)

- Curtiss Egert, President
- Holly Rask
- Ray Hilderman
- Fred Meister

Gordon Cresswell

Chairman, Saskatchewan Pulse Crop Development Board
Saskatoon

University of Saskatchewan: (Saskatoon)

- Prof. C.M. (Red) Williams
- Prof. Richard Gray
- Prof. Ken Rosaasen
- Prof. Gary Storey
- Prof. Murray Fulton
- Prof. Bryan Harvey
- Prof. Gordon Roland
- Prof. Vern Racz

Dale Bieber

Measurement Canada
Saskatoon

Milt Wakefield

Ex Chief Commissioner, CGC
Regina

Sinclair Harrison (and Board)

President
Saskatchewan Association of Rural Municipalities
Regina

Saskatchewan Wheat Pool: (Regina)

- Leroy Larsen, President
- Bruce Johnson, Executive Vice President

Donna Welke

Assistant Commissioner, CGC
Regina

Avery Sahl

Producer/Agriculture leader
(Representing Producers)
Regina

Virginia Coupal

Sedley Seeds
Regina

Bill Farley

Flax Growers of Western Canada
Regina

Saskatchewan Agriculture and Food: (Regina)

- Terrence Scott, Deputy Minister
- Ernie Spencer, Assistant Deputy Minister
- Jim Stalwick, Manager, Policy and Program Development Branch
- Hal Cushion

Western Canadian Wheat Growers Association: (Regina)

- Larry Maguire, President
- Kevin Archibald
- Art Enns

James Woodworth

Producer

Manitoba:

Canadian Grain Commission: (Winnipeg)

- Barry Senft, Chief Commissioner
- Doug Stow, Assistant Chief Commissioner
- Albert Schatzke, Commissioner
- the late Errol Lewis, Assistant Commissioner
- Dennis Kennedy, Chief Operating Officer
- Fred Hodgkinson, Corporate Services
- Marilyn Kapitany, Director, Corporate Services
- Valerie Gilroy, CGC General Counsel
- Elizabeth Larmond, Director, Industry Services

Richard Klassen

Commissioner, Canadian Wheat Board
Winnipeg

Cargill Limited (Winnipeg)

- Len Penner, Vice President, Commodity Marketing Division
- Monte Miller, Merchant, Oilseeds, Special Crops

Curt Vossen

President, James Richardson International Limited
Winnipeg

Parrish & Heimbecker, Limited (Winnipeg)

- Bill Parrish Sr., President

- R. John Hembecker
- J.W. Astwood, Secretary-Treasurer
- Gerry Hurley, General Superintendent

Ted Allen

President and Chairman of the Board
United Grain Growers Limited
Winnipeg

Gordon Bacon

President, Pulse Canada
Winnipeg

Andrew Paterson

President, N.M. Paterson & Sons
Winnipeg

Jonathan Roskos

Manitoba Canola Growers
Winnipeg

Dale Adolphe

President, Canola Council of Canada
Winnipeg

Canadian Special Crops Association (Winnipeg]

Monte Miller, President
François Catellier, Executive Director

Ken Tjaden

President, Manitoba Pulse Growers Association

Ken Matchett

CEO, X-Can Grain Pool Ltd.
Winnipeg

Keystone Agricultural Producers

Don Dewar , President
Weldon Newton, Vice-President
Winnipeg

Western Producer Car Group

Winnipeg

Ontario:

Ontario Corn Producers' Association: (Guelph)

- Don LeDrew, General Manager
- Brian Doidge

James E. Kirk

Goderich Elevators Ltd.

Dave Buttenham

Executive Vice President
Ontario Grain & Feed Dealers Association
Cambridge

Douglas Hedley

Acting Assistant Deputy Minister, Policy Branch
Agriculture and Agri-Food Canada
Ottawa

Howard Migie

Director General
Adaptation and Grain Policy Directorate
Agriculture and Agri-Food Canada
Ottawa

Dennis Wallace

ex CGC Executive Director

Fred Brandenburg

Secretary Manager
Ontario Soybean Growers' Marketing Board
Chatham

William McClounie

General Manager
Ontario Wheat Producers Marketing Board
Chatham

Jim Lowe

Regional Director – Bayport Region
Canadian Grain Commission
Chatham

Quebec:

Jean-Guy St-Onge

Président

Bunge du Canada Ltée
Québec

Union des producteurs agricoles

- Michel Neveu
- Armand Mousseau

Guy DuRivage

Régie des grains du Québec
Montreal

United Kingdom:

David Henderson

Warburton's