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The Nova Scotia Management Board:
A Study in the Deficiencies of Micro-Management

Timothy J. Barber

A Thesis
in
The Department
of
Political Science

Presented in Partial Fulfillment of the Requirements
for the Degree of Master of Arts at
Concordia University
Montréal, Québec, Canada

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c Timothy J. Barber, 1994



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Abstract

The Nova Scotia Management Board: A Study in the Deficiencies of Micro-Management

Timothy J. Barber

This thesis investigates the difficulties that are encountered when public sector financial management is conducted in an over-centralized manner. The example which will be used to illustrate this problem is that of the central agency of the Province of Nova Scotia, the Management Board. The thesis rests on the assertion that from 1979-1990 the provincial government formed by the Progressive Conservative party under Premier John Buchanan over-centralized control of spending as a result of what could be described as an "obsession" with micro-management. It is argued that the system could be de-centralized by applying some of the recommendations of the Lambert Commission (1979) that deal with accountability. However, it is shown that the Lambert accountability regime requires certain pre-conditions that do not exist in Nova Scotia, and therefore act as an impediment to changing the current system.

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Introduction

This thesis investigates the difficulties that are experienced when public sector financial management is conducted in an over-centralized manner. The example which will be used to illustrate this problem is that of the central agency of the Province of Nova Scotia, the Management Board. This thesis rests on the contention that the provincial government, formed by the Progressive Conservative party under Premier John Buchanan from 1979-1990, over-centralized the control of spending as a result of what could be described as an "obsession" with micro-management. The consequences of this obsession include a deterioration of both the effectiveness and the efficiency of the provincial bureaucracy, because of the lack of departmental autonomy and the concomitant lowered morale within the management ranks of the Nova Scotia public service.

While it is necessary to have some form of central agency "mapping out" the long-term objectives of the government and deciding on the overall direction which policy should take, it will also be argued that it is

essential that managers of departments be given more autonomy to perform one of their primary functions: to manage their resources and department. This can, in large measure, be achieved by making Deputy Ministers of line departments accountable to Parliament and therefore responsible for their actions and performance. The result of utilizing such a "decentralized" model is that central agencies are not involved in the day-to-day affairs of individual departments; such minutiae should not be their concern. Once duties and roles are clearly defined, a central agency should concentrate on "macro" concerns and should provide overall long-term direction to departments, with Deputy Ministers and senior departmental staff working within the general framework provided to them by the central agency.

In the "centralized" model that exists in Nova Scotia there is a great deal of duplication of tasks, because the central agency has such an extensive mandate; there are no clear limits as to that in which it may or may not involve itself. The Management Board has thus become increasingly involved in every facet of the provincial bureaucracy in an attempt to bring government spending under control; such

involvement is, however, linked to perceptions that senior departmental staff cannot be trusted to be fiscally responsible. It also reflects the lack of any long-term strategy or direction, as well as what would appear to be the loss of control of both the political and fiscal agenda as far as the current government is concerned. The government of Nova Scotia led by John Buchanan set out on an attempt to balance its budget through the implementation of short term, ad hoc measures, or micro-management. These measures include reviews by the central agency of any capital purchase exceeding two hundred dollars, a moratorium on furniture purchases, a review of out-of-province travel, et cetera. However, even with these controls, the finances of the province are still in a state of disarray, and the implementation of the controls has resulted in the central agency being heavily overburdened.

This thesis will investigate the operations of the Management Board of Nova Scotia and will identify some of the problems that exist in both the system of financial management and the decision-making process. The hypothesis that will be put forward is that a more efficient means of fiscal management can be achieved by making senior

departmental managers accountable for their performance and that of their departments, and by returning the responsibility for day-to-day operations back to the managers of line departments. As postulated above, this would enable central agencies to concentrate on "macro" concerns and to establish long-term objectives for the bureaucracy as a whole. It will be argued that a "decentralized" system can be achieved in Nova Scotia by the implementation of some of the recommendations of the 1979 Royal Commission on Financial Management and Accountability (the Lambert Commission), namely those that deal with accountability. Although the Lambert Commission was a study of the federal bureaucracy, it was the most comprehensive study of its kind to date and dealt with certain "absolute truths" of organizations, large or small, public or private. Therefore, as will be shown, it does have an application in the realm of provincial bureaucracies.

Chapter One serves to examine the work of both the Glassco and Lambert Commissions, in their contributions to the creation of an accountability regime for decentralized public sector management, and to review some of the

critical literature that was generated by the Commissions' work. The state of public sector management in Nova Scotia will be the focus of the Second Chapter; this will include a review of the changes that have occurred in the province between 1970 and 1990. The final chapter integrates the themes of the first two chapters; it applies the Lambert accountability formula to Nova Scotia's public sector as an alternative to the highly centralized regime that now exists. However, it will also be asserted that there are certain preconditions necessary for achieving this decentralized form of management that do not exist in Nova Scotia; in short, the contention will be that the political culture of that province, as it manifested itself under the Progressive Conservative administration of recent years, is not compatible with a decentralized, modern, accountable form of financial management.

Chapter I

This chapter focuses on the recommendations that were made in 1979 by the Royal Commission on Financial Management and Accountability, commonly referred to as the Lambert Commission after its Chair, Allan Lambert. As this thesis attempts to illustrate the problems of over-centralized financial management by central agencies and examine how both decentralization and accountability can improve this situation, the recommendations of the Lambert Commission report concerning accountability will therefore receive greater attention than the other recommendations put forward. Indeed, according to the Commission report, accountability is an essential feature of a decentralized management model as well as a central element in the delegation of managerial authority.

The report of the Lambert Commission provides one of the most complete frameworks put together in Canada up until now for the implementation of a model for a more accountable, decentralized financial management. The chapter concludes with a discussion of the preconditions that are essential if a system which still meets the

criteria of greater decentralization and accountability is to be implemented.

In order to achieve a greater understanding of the context in which the Lambert Commission conducted its investigations, it is necessary to review briefly the findings and recommendations of the 1963 Royal Commission on Government Organization, the Glassco Commission. Reviewing the findings of the Glassco Commission should help us to gain a clearer understanding of the Lambert Commission recommendations, because the members of the latter considered themselves to be "closing the loop" that the former had left open. This chapter concludes with a survey of some of the critical literature on the topics of accountability, the Lambert Commission and the problems of applying their recommendations to the Canadian bureaucratic apparatus.

There are certain weaknesses in an over-centralized system that can be addressed through decentralization; however, a decentralized system requires that those to whom power has been delegated should be held accountable for their actions. Therefore, accountability can be defined

simply as the obligation that senior managers, or in this case Deputy Ministers, are required to answer for the exercise of responsibilities to the people or group that conferred such responsibilities on them. Deputy Ministers also have the obligation, under this definition, to provide information and explanations to Parliament (through the Public Accounts Committee) on the day-to-day operations of the departments which are under their charge.¹

However, even with such a definition, the concept of accountability begs the question: Who is accountable, to whom and for what? The Lambert Commission report has provided some excellent suggestions for a framework to resolve this dilemma, which will be set out later in this chapter. As to the concept of decentralization, this refers to the concentration of power and authority at the centre. In the context of provincial administration, the most extreme form of centralization is best illustrated by

¹This definition is a combination of those provided by Gordon Osbaldeston, Keeping Deputy Ministers Accountable (Toronto: McGraw-Hill Ryerson, 1989), pp. 5-6. Osbaldeston makes a distinction between accountability and answerability. I am not convinced that this is a necessary distinction; it is my belief that they are the same thing.

the unilateral exercise of power by a Premier as chief executive officer or, similarly, by all decision-making being made by Cabinet; this could be referred to as the bureaucratization of the legislature. Decentralization, on the other hand, refers to the delegation of power and authority to subordinates. Contrary to the centralized model, the extreme case here would be the delegation of all power to officials within the bureaucracy.²

The Royal Commission on Government Organization (1963)

It was stated earlier that the Lambert Commission regarded its recommendations as "closing the door" opened by the Royal Commission on Government Organization. The Report of the latter (the Glassco Commission) is generally regarded as the major turning point in modern Canadian public administration.³ The Glassco Commission had wrestled with questions concerning the advantages and disadvantages of both centralized and decentralized styles

²This definition owes what clarity it has to Peter Aucoin & Herman Bakvis, The Centralization-Decentralization Conundrum: Organization and Management in the Canadian Government (Halifax: Institute For Research in Public Policy, 1988), p. 11.

³Ibid., p. 2.

of management, as well as the extent to which private sector management practices should be adopted by the public sector. In short, the central task of the Commission was to establish what measures needed to be adopted to ensure effective management of a burgeoning bureaucracy. It was recognized that a complete overhaul of the bureaucracy was needed, and the Commissioners were given the sweeping mandate required to fulfil the task; they were directed to inquire and report upon

the organization and methods of operation of the departments and agencies of the Government of Canada and to recommend the changes therein which they consider would best promote efficiency, economy and improved service in the despatch of public business, and in particular but without restricting the generality of the foregoing, to report upon steps that may be taken for the purposes of:

- eliminating duplication and overlapping of services;
- eliminating unnecessary or uneconomic operations;
- achieving efficiency or economy through further decentralization of operations and administration;
- achieving improved management of departments and agencies, or portions thereof, with consideration to organization, methods of work, defined authorities and responsibilities, and provision for training;
- making more effective use of budgeting, accounting and other financial measures as a means of achieving more efficient and economical management of departments and agencies;
- improving efficiency and economy by alterations in the relations between government departments and

- agencies, on the one hand, and the Treasury Board and other central control or service agencies of the government on the other; and
- achieving efficiency or economy through reallocation or regrouping of the public service.⁴

The Glassco Commission report did change the direction of Canadian public sector management, whether rightly or wrongly. As Aucoin and Bakvis noted, "the [Glassco] study points to the emergence of a new philosophy in management within the government of Canada that emphasizes results, performance and outcomes."⁵ But it appears that change was exactly what the Canadian bureaucracy needed at the time. The rapid growth of the civil service over the preceding decades had left it in a state of disorganization; it lacked cohesion and also a coherent direction. This rapid growth had presented a great challenge to the civil service; a challenge which, the Glassco Commissioners concluded, "it had failed to meet."⁶ It was the opinion of the Commissioners that the civil service was not oblivious to change: it did attempt

⁴Canada, Royal Commission on Government Organization, Final Report (Ottawa: Queen's Printer, 1963), p. 1.

⁵Aucoin & Bakvis, Conundrum, p. xix.

⁶"The Glassco Commission Report: A Panel Discussion," Canadian Public Administration 4 (1962):387.

to adapt to such change; however, the adjustments that actually were made were more often than not in the wrong direction.⁷

Ronald Ritchie, an authority on management issues, commented that the civil service "is so fragmented, so dispersed, so vague in its direction that it is almost impossible for the managers of departments to exercise authority or to be accountable."⁸ In other words, the managers were being asked to do so much that they were unable to perform their key function, that of managing their resources and department. The civil service was not found to be as unified as it should be, although, Ritchie argued, "unified does not necessarily mean uniform."⁹ He realized, as did others at the time, that the civil service was too diverse an entity, with too many different types of employees, to implement uniform standards of management; after all, civil servants ranged from highly specialized scientists to lesser trained blue collar workers.

⁷Ibid., p. 388.

⁸Ibid.

⁹Ibid.

One of the most interesting and important sections of the Glassco Commission report explores the question of centralized versus decentralized styles of bureaucratic management. Glassco clearly recognized and articulated the problems of dealing with these two competing notions of management; the Commissioners were being asked to find ways of "improving the efficiency and economy by altering the relations between government departments and agencies, on the one hand, and the Treasury Board and other central control or service agencies of the government, on the other."¹⁰ The Commission does make an attempt to achieve a balance by recommending a synthesis of these two, however it appears that the "real power" and decision-making authority concerning the general direction of all departments remained centralized under Glassco.

In support of the notion that managers should be left to manage, Ritchie asserts that

departments and agencies of the federal government should be given the authority which they require to be proper managers of the tasks with which they are charged and at the same time the central agencies should assume the functions which are equally

¹⁰Ibid.

necessary: coordination, weighing of priorities and appraisal of performance, but without the detailed web of regulations and daily interventions which is their role to a very large degree today.¹¹

This clearly reveals the two approaches that the Commission suggested should be adopted. Although the members of the Commission wanted to increase the managerial autonomy of individual departments, they understood that this autonomy had to be tempered by some central authority. This was to be achieved by a central agency which would dictate broad policy guidelines to departments, appraise departmental performance and prioritize programs.

Some of the most dramatic changes put forward in the recommendations of the Glassco Commission were applicable to the Treasury Board, which would become the "central organ" for the public service. It was proposed that the Treasury Board would formulate and dictate general policy direction to departments, weigh priorities and examine programs prior to their funding; the Treasury Board was, in effect, to be given sweeping powers over the Canadian bureaucracy. Since the Treasury Board was to be given this substantially increased role, which would require more time

¹¹Ibid., p. 389.

from its Minister than the Minister of Finance was able to give, it was recommended that a separate ministry be created, whose sole task would be to take care of Treasury Board matters. The Commissioners also recommended that the Minister in charge of the Treasury Board should be in charge of personnel policy, insofar as it would be this Minister that appointed both the senior financial officer and senior personnel officer of each of the government departments.

The Commission did centralize a great deal of bureaucratic authority, but it appears that there was also an attempt to make the vital separation between policy decision-making and management of the civil service. In support of the newly created ministry, M. W. MacKenzie argued that in order to achieve the goals of the Glassco Commission, "you need someone at the head of the organization."¹² Essentially, the Commission dealt with the "dilemma between the freedom of management and necessity of control."¹³ However, it has also been suggested that perhaps Glassco advocated too much

¹²Ibid., p. 395.

¹³Ibid., p. 393.

centralized control. This appears to be the question that has generated the most debate; judging from the literature of the day few, if any, of the commentators were vehemently opposed to this move towards centralization, yet no one seems to be in absolute agreement as to what the perfect blend between centralization and decentralization really is.¹⁴

The direction of the recommendations of the Glassco Commission was quite clear: policy decision-making authority and long-range planning should be left to a central agency (the Treasury Board), which would allow managers to manage their departments. Letting the managers

¹⁴Although there were some negative comments and reservations expressed about this new direction of the Canadian public sector, they do tend to be anomalous. One need only look at "The Glassco Commission Report: A Panel Discussion," Canadian Public Administration 4 (1962); "Here's How Canada's Business Should be Run," Financial Post, 8 September 1962; "Civil Servants Need Clearer Goals," Financial Post, 12 January 1963; "Efficient Government Help to Business Too," Financial Post, 1 December 1963; "First Dose of Glassco Shouldn't Create any Pain," Financial Post, 9 November 1963; "Here's a Handy Checklist of Efficiency Proposals," Financial Post, 9 November 1963; "Glassco Report: Government Eager to Streamline," Financial Post, 26 September 1964.

manage was a popular idea, but some argue that the Glassco Commission report and its recommendations concerning managerial autonomy were never fully implemented.¹⁵ It is against this backdrop that the Lambert Commission was launched in 1976.

The Royal Commission on Financial Management and Accountability (1979)

The Royal Commission on Financial Management and Accountability was appointed in December, 1976 and chaired by Allan Lambert, former Chairman and CEO of the Toronto Dominion Bank. Although there were many factors that made it necessary to carry out this investigation, it is commonly held that the 1976 report of the Auditor General was the driving force behind the creation of the Lambert Commission. This report raised serious questions concerning the ability of the government to run efficient and effective operations and strongly suggested that the government was well on its way to losing control of the public purse. The terms of reference of the Commission were as follows:

¹⁵Interview with James Mallory, November, 1988.

To examine and report on the management system required in the inter-related areas of:

1. Financial Management and Control
2. Accountability of Deputy Ministers and heads of Crown agencies relative to the administration of their operations, and
3. The evaluation of the administrative performance of Deputy Ministers and heads of Crown agencies, and the inter-departmental structure, organization and process applicable thereto, including in particular:
 - a) the development, formulation and application of financial management policy, regulations and guidelines by central agencies,
 - b) procedures to ensure that
 1. necessary changes in policy, regulations and guidelines are identified, and
 2. policy regulations and guidelines are adhered to,
 - c) systems and procedures to ensure effective accountability to government and where appropriate to Parliament of the government departments and agencies, and
 - d) the organization necessary in central agencies, government departments and Crown agencies to achieve the foregoing.¹⁶

In contrast to the terms of reference provided to the Glassco Commissioners in 1963, the Lambert Commission members had a much narrower set of instructions. It is interesting to see that the Lambert Commission does indeed

¹⁶Canada, Royal Commission On Financial Management and Accountability, Final Report (Ottawa: Supply & Services Canada, 1979), p. vi.

continue where the Glassco Commission left off. In fact, it bears reiterating that in large measure Lambert worked within the framework constructed by Glassco and regarded its work as "closing the loop" that was initiated, but not completed, by its predecessor. The Lambert Commission was in effect being asked to "hang the meat on the bones"; surprisingly, it had taken fifteen years to recognize the need for specifics.

The result of the nearly three years of work by the Commissioners was a set of 165 recommendations designed to forge a "chain of accountability" of public servants to Parliament and through Parliament to the public. As stated in the Introduction to this thesis, although the recommendations called for major changes in the structures and processes of both government and Parliament, for the purposes of this thesis the focus will be upon the recommendations that directly affected the proposed accountability regime. The Lambert Commissioners viewed accountability as central to the delegation of managerial authority and therefore saw the establishment of specific guidelines to regulate this area as essential to achieving

the goals of the Commission. This had not been done by the Glassco Commissioners because, as Lambert suggested

the Glassco report recognized the need for the increased delegation of authority to individual departments and agencies to be matched by a comparable degree of accountability. Unfortunately, the Commission provided no clear direction as to how such accountability should be rendered within the government, perhaps because it considered itself barred by its own terms of reference from recommending an accountability framework that would extend from government to Parliament.¹⁷

However, the Glassco Commission did have an impact in this regard, because the philosophy of "let the managers manage" did result in some authority being delegated, but, as the Lambert report stated, "this delegation was almost always accompanied by excessive concern with whether it was being properly wielded."¹⁸ It would appear, according to Lambert, that perhaps the Glassco commitment to the decentralization of authority was not as genuine as it appeared and that Glassco sought, in some subtle, and some not so subtle, ways to maintain central agency control over the system.

¹⁷Ibid., quoted by Aucoin & Bakvis, Conundrum, p. 28.

¹⁸Stanley Mansbridge, "The Lambert Report: Recommendations to Departments," Canadian Public Administration 4 (Winter 1979):537.

However, as one commentator observed, "the (Lambert) Commission's Report reinforced and elaborated on Glassco's recommendations that a 'framework of central direction' should accompany an increase in the powers of the Deputy Minister (brought about by a reduction in central controls)."¹⁹ Ironically, after criticizing the Glassco Commission for failing to decentralize enough, Lambert stated:

While we have criticized the mounting number of central agency directives and controls, we recognize that many of these have been necessary measures that appear to be in the best interests of departments. . . . Senior departmental managers should provide the leadership and pressure for improvements (in areas such as improved accounting standards, performance measures . . . and even . . . such seemingly minor matters as taxi use and travel), but when they do not, it is understandable that central agencies have had to intrude on the management prerogatives of departmental administrators."²⁰

This inconsistency did not go unnoticed; referring to page 189 of the final report, a critic, Stanley Mansbridge, pointed out that "Deputy Ministers should be accountable to

¹⁹A. W. Johnson, Reflections on Administrative Reform in the Government of Canada, 1962-1991 (Ottawa: Office of the Auditor General of Canada, 1992), p. 8.

²⁰Ibid., p. 12.

'the Minister, the Prime Minister and the Cabinet, the central agencies, and Parliament.' That seems like an awful lot of masters to serve!"²¹

The Lambert Commission recognized that in the context of Canadian government organizations, accountability takes two forms. The first is political or ministerial accountability and the second administrative accountability or the accountability of public servants. The Commission realized that the size and complexity of Canada's growing bureaucracy was diminishing the ability of a Minister to control the day to day operations of his or her department, but it also argued that Ministers are "politically responsible to the House of Commons for the actions of their public servants and legally responsible before the courts of law for the actions they authorize."²² The Commissioners, it would appear, were not as worried about ministerial accountability: there were clearer lines of accountability for them. What were required, according to

²¹Mansbridge, p. 533.

²²Canada, Lambert Commission, cited in Robert Carman, "Accountability of Senior Public Servants and its Committees," Canadian Public Administration 4 (Winter 1984):550.

the Commissioners, were "additional means for ensuring that their (the Ministers') officials are, in fact, fulfilling responsibilities that have been held accountable for their performance."²³ The Lambert Commissioners therefore recommended that "the Deputy Minister as chief administrative officer account for his performance of specific delegated or assigned duties before the parliamentary committee responsible for the scrutiny of government expenditures, the Public Accounts Committee."²⁴

The notion of making Deputy Ministers accountable to Parliament through the forum of the Public Accounts Committee was a new one in Canada, although it had been used in Great Britain for several years. Deputy Ministers would be responsible to that Committee for the following specific duties:

- 1) the correctness of the appropriation accounts for the votes for which the Deputy is responsible;
- 2) the legality of expenditures made under these votes, that they are in accordance with Parliament's intentions in voting them and that mechanisms are in

²³Ibid.

²⁴Canada, Lambert Commission, cited in Aucoin & Bakvis, p. 28.

- place to ensure probity in the expenditure and receipt of monies;
- 3) economy, efficiency and effectiveness in the expenditure of money voted to the department;
 - 4) evaluation of the effectiveness of programs in achieving their stated objectives;
 - 5) other responsibilities assigned under the Financial Administration Act, including the maintenance of adequate systems of financial management, the safeguarding of public property, the supervision of compliance with contracts and control of allotments;
 - 6) personnel management responsibilities delegated under the Public Service Employment Act (staffing, including appointment, promotion, transfer, demotion and release) and its regulation, and under the Financial Administration Act (organization and classification); and
 - 7) responsibilities related to the Official Languages Act.²⁵

Therefore, Deputy Ministers would be held responsible for the implementation of government policy and could not be called to account for policy decisions. Aucoin and Bakvis were critical of Lambert in this respect, adding that

it makes good sense to have Deputy Ministers give an account to Parliament, in the forum of the Public Accounts Committee, for their specific duties in regard to the "probity and legality of expenditures," as is the case in Britain, insofar as these duties are and can be laid down in statutes. Extending this accountability to "the economy and efficiency with which programs are run, and their effectiveness in achieving

²⁵Canada, Lambert Commission, cited in Carman, p. 550.

policy goals," however, invites a blurring of ministerial and administrative responsibilities that cannot but serve to diminish ministerial accountability for policy and management.²⁶

The difficulty of maintaining a clear distinction between the policy (political) and administrative realms will be returned to in the discussion of the Public Accounts Committee later in this Chapter.

The Lambert Commission's proposed accountability regime was criticised from many angles; many of the most cogent of these critiques were summarised in a special issue of Canadian Public Administration (Winter 1979). However, for the purposes of this thesis we will focus on three important problem areas. First, there was concern that Lambert's suggestion for making Deputy Ministers responsible for certain duties, and thus relieving the Minister of them, would profoundly alter the principle of ministerial responsibility. Second, in making Deputy Ministers responsible to the Public Accounts Committee, there was concern that they would have little protection from the Committee's more partisan elements. Third, the

²⁶Aucoin & Bakvis, p. 29. For an interesting discussion of this issue, see also Carman.

Lambert Commissioners had not suggested any specific criteria, or objective measures, upon which the performance of Deputy Ministers would be assessed, possibly leaving this open to the subjective judgement of Committee members. Each of these potential problem areas will be examined.

Ministerial Responsibility

The Lambert Commission's proposals marked the beginning of a running debate on the issue of ministerial responsibility and whether Deputy Ministers could be made accountable to Parliament without being wholly responsible for the things for which they were to be held accountable. At issue, noted Al Johnson, was the proposal that the Minister should be relieved of responsibility for the things that were specifically assigned to the Deputy Minister. "This would, of course, change profoundly the principle of ministerial responsibility, under which the Minister is responsible for the functioning of the whole of the department."²⁷ Johnson also claims that "the Lambert Commissioners never quite squared the circle of ministerial responsibility."²⁸

²⁷Johnson, p. 12. Emphasis in original.

²⁸Ibid., p. 13.

Many others argued that full implementation of the Lambert Report recommendations would violate the principle of ministerial responsibility without replacing it with a new concept. Gordon Osbaldeston was one of those who criticised the recommendations, stating that "ministerial responsibility was fundamental to responsible government, and that to subtract whole areas of public administration from [it] would break the chain of responsibility from the public to the minister of the crown and back again."²⁹ Put simply, Osbaldeston held that ministers had to remain fully responsible and accountable for the functioning of their departments as a whole.

Osbaldeston's solution to the problem was to create a distinction between being "answerable" and being "accountable" to Parliament. Under his proposed model, answerability meant that "Deputy Ministers would have an obligation to provide accurate and complete information to parliamentary committees and to help 'explain' departmental policies and programs."³⁰ Ministers would, however, remain fully responsible and accountable for the functioning of

²⁹Ibid.

³⁰Ibid.

the whole of their departments. This was consistent with the submission of the Privy Council Office to the Lambert Commission in 1979, which stated that: "The minister is responsible for all the actions under his authority, and Parliament's constitutional concern is to assure itself that its ministers have adequate control over their departments in order that they may answer for the activities carried out in their name."³¹

However, Johnson explains, what the Privy Council Office said about accountability of officials was somewhat more complicated: "Officials are accountable to their ministers, but they may also be accountable 'before not to Parliamentary Committees for administrative matters' . . . though that accountability cannot be said to alter the formal and direct responsibility of the minister personally to Parliament for any matter within his discipline for which the House chooses to hold him answerable".³² This was restated almost a decade later by Osbaldeston in more modest terms: "Deputy Ministers are answerable to Parlia-

³¹Ibid.

³²Ibid. Emphasis in original.

ment, while ministers are accountable to it."³³ Summing up the debate into operational terms, Johnson says

it is clear that a House of Commons Committee could call a Deputy Minister to answer for the administration of his department. Moreover, there would be nothing to prevent the committee from reporting to the minister, on the basis of the Deputy's testimony (hopefully on the basis, too, of objective performance measures), their judgement as to the efficacy of the department's administration. The committee would not be able, however, to impose sanctions on the Deputy, only the Prime Minister could do that (given that he is responsible for the appointment of Deputy Ministers).³⁴

The Public Accounts Committee

One of the most thorough critiques of the Lambert Commission's recommendation that Deputy Ministers be held accountable to the Public Accounts Committee is provided by Robert Carman in his article "Accountability of Senior Public Servants to Parliament and its Committees." Carman argues that: "The Lambert Commission's proposals for an improved system of accountability for Deputy Ministers offer some valid directions for improvement but underestimate the need for parliamentary reforms to reduce

³³Ibid.

³⁴Ibid., p. 14.

partisanship and increase informed supervision of the process by elected representatives."³⁵

Carman's underlying premise in the discussion is that any system of accountability must be both effective and fair, yet he is not convinced that these two requirements can be met under the existing system. The Public Accounts Committee, to which Deputies would be accountable under the Lambert formula, is seen as being too politicized to provide these requirements. "The appearance of a Deputy before a committee is governed, theoretically, by the principles of political neutrality . . . [which] requires that politics and policy making be separated from administration: that the appointment, promotion, administrative actions and accountability of public servants be completely immune from political influence."³⁶ As Carman points out, although Deputy Ministers are to a certain degree responsible for the actions of their ministers, they should not be expected to account for policy decisions or to become involved in partisan political matters. "In theory the existing system should maintain a clear separation of

³⁵Carman, p. 542.

³⁶Ibid., p. 544.

political and administrative accountability, but in practice the distinction is often blurred."³⁷

One of the leading arguments used by the critics of the accountability system is the fact that political considerations and partisanship, more often than not, undermine the objective assessment of administrative decisions. Yet the Lambert Commissioners recognized this as a problem and did comment on it:

The House of Commons is in many respects a forum where parties conduct continuous election campaigns to form the next government. Even the workings of the committees of the House of Commons are also affected by this partisanship. Without attempting to change the necessarily partisan nature of the House, we have concluded that ways must be found to improve the accountability of the government to Parliament and its committees. Our proposals for reform concern this function of Parliament which, at present, falls short of satisfying not only the members of Parliament themselves but also citizens in general who are restive over the obvious lack of effective control."³⁸

³⁷Ibid.

³⁸Ibid.

In further support of his argument, Carman quotes from Senator Michael Pitfield's comments concerning the partisan nature of parliamentary procedures:

At the moment, the accountability system turns largely on Question Period, to a lesser extent on the Public Accounts Committee and on the Parliamentary Committee system. In all of these places, the basic motivation is scoring political points . . . a system based almost entirely on scoring political points provides very imperfect mechanisms for bureaucratic accountability, mechanisms that carry great costs for the operation of a democracy.³⁹

Carman concludes that the crux of the problem is this emphasis on the reward system for publicly embarrassing the government or its officials. Because it is within this context of the scoring of political points, in the guise of scrutiny by elected representatives, that

the principles of political neutrality and accountability may be jeopardized, and public servants may be cast in the role of scapegoat for their political masters . . . of course public servants should be held answerable for administrative errors or omissions, but they should not be expected to answer for actions beyond their realms of responsibility."⁴⁰

³⁹Senator P. Michael Pitfield, "Bureaucracy & Parliament," p. 5, speech to Kiwanis Club, Ottawa, 25 February 1983, quoted in Carman, p. 545.

⁴⁰Ibid.

In addition, the fact that the meetings of the federal Public Accounts Committee are open to the public and the press also creates problems. "The news media," Carman states, "play an important role in shaping the public's perception of the performance of senior public servants."⁴¹ This creates problems because of the Canadian news media's voracious appetite for "newsworthy" stories.

For the most part the public receives information through the commentary of reporters for newspapers, television and radio. Reporters are concerned with uncovering and reporting facts, but they are also predisposed to seek out newsworthy stories. Predictably, accounts of mismanagement receive considerably more coverage through media than do reports of sound administration by government managers.⁴²

This example only further illustrates Carman's initial point: Why would senior public servants take on a greater level of administrative liability if there does not exist a fair and effective means of assessing their performance and a reasonably non-politicized forum in which this can be done?

⁴¹Ibid., p. 549.

⁴²Ibid.

Objective Performance Measures

For the sake of argument, let us assume that the political nature of the Public Accounts Committee could be somehow neutralized and that the potential for bureaucrats being used as political scapegoats could be limited, if not altogether eliminated. Although this settles the question of what forum would be used to judge the performance of senior officials, it leaves open the question of what criteria would be used to judge their performance. There were very serious questions raised about the criteria, or objective performance measures, to be used in the assessment of Deputy Ministers. If, as Lambert suggested, Deputy Ministerial accountability should extend to the "economy and efficiency with which programs are run, and their effectiveness in achieving policy goals," what does "effectiveness" mean? As the pioneer of effectiveness evaluation, D.G. Hartle, often mused when discussing the limits of his science: "What is the effectiveness of going to church?" This may be a moot point, but returning to the question raised by Carman, is it reasonable to expect Deputy Ministers to take on more liability if they don't know exactly what their performance will be assessed upon?

Unlike the private sector, the public sector does not have a "bottom line" which can serve, if necessary, as the final arbiter of performance. As Timothy Plumptre states in his book, Beyond the Bottom Line: Management in Government: "One of the key problems of accountability in the public service is that of devising objective and reliable methods of assessing performance, which would make it easier to "hold people to account."⁴³ Plumptre illustrates this need by asking the following questions:

Is the good manager one who follows the rules, or the one who ignores lines of authority to get things done? Is the official who stays within budget but fails to deliver the program a better manager than the one that blows the budget but provides the public with a needed service?⁴⁴

Without clearer definitions of these terms and objective measures for them, the system of assessment will continue to be open to subjective judgements. It could be argued, on the other hand, that with clearer definitions, that is, definitions that leave little room for subjective judgements, the problems described above concerning the Public Accounts Committee would be severely curtailed.

⁴³Timothy Plumptre, Beyond the Bottom Line (Halifax: Institute For Research in Public Policy, 1988), p. 156.

⁴⁴Ibid.

Other Considerations

In his article discussing the Lambert Commission findings, Stanley Mansbridge argues in favour of the decentralization of administrative authority, but not of the variety that resulted from the Glassco Commission, which saw increased autonomy for senior management accompanied by monitoring and questioning of every decision by central agencies. He states that "provided we have a competent selection of Deputies and senior staff, authority should be delegated."⁴⁵ Yet Mansbridge's statement rests on potentially flawed assumptions: a competent, professional public service, along with a non-politicized selection process of Deputy Ministers are essential preconditions in a decentralized management model. An individual's ability to manage should be the leading qualification for Deputy Ministers; however, it could be argued that this is not always the case, as political affiliation or willingness to advance the government's agenda often come prior to any consideration of ability. This may not be the case everywhere, although I have found in my experience that it does appear to be an important consideration at both the federal and the (Nova Scotia) provincial levels of government.

⁴⁵Mansbridge, p. 537.

In much the same way as Mansbridge does, the Lambert Commission premises its accountability model on the assumption that merit will be the guiding principle in deciding who will be appointed to senior management positions in the federal civil service. Speaking on the point of the politicization of the civil service, Al Johnson recently stated:

I came to the conclusion over my 45 years in the public service that the allures of patronage are so great, and the damage done by patronage to government, and to public respect for government, are so great, that the making of appointments must continue to be removed from ministerial and departmental responsibility. They must remain the responsibility of the Public Service Commission--created in 1917 for the avowed purpose of establishing the merit system in the Government of Canada.⁴⁶

Therefore there must be mechanisms in place that ensure that a merit driven, non-politicized process for making senior appointments to the bureaucracy exists. Unfortunately, anyone who has dealt with the federal Public Service Commission in recent times would realize that its role and power has been severely diminished.

As Aucoin and Bakvis observed: "In the federal administrative system, as in all complex organizations, the

⁴⁶Johnson, p. 39.

pull towards centralization is inherent; decentralization, on the other hand, requires conscious and continuing efforts to tilt the organization in ways that contain, even resist, the natural tendency to rein in power at the centre."⁴⁷ Both the Glassco and Lambert Royal Commissions were established to examine the stresses being experienced in government organizations caused by several decades of unprecedented growth in the Canadian public service. They attempted to deal with the inherent problem of large, complex organizations; on the one hand, the Commissioners recognized the need for a greater level of decentralization and delegation of authority, and on the other, appreciated the need to temper this devolution with some central control in terms of providing overall direction to the bureaucracy and monitoring the activities of those to whom authority has been delegated. Finding the right balance, referred to by Aucoin and Bakvis as a "tight-loose configuration," was not achieved by the Glassco and Lambert Commissions. However, as was shown above, they did assist in moving the debate forward, which resulted in some practical and beneficial changes in Canadian public sector management and helped to identify some of the problems and

⁴⁷Aucoin & Bakvis, p. 6.

challenges that would be faced in any effort to remodel and decentralize the system.

As was established by the Lambert Commissioners, accountability is central to the delegation of authority. However, in order to create a sound accountability regime there are four central requirements or preconditions:

1. A delegation of authority to Deputy Ministers that respects the importance of the principle of ministerial responsibility,
2. A neutral, non-partisan forum to adjudicate a Deputy Minister's performance,
3. Objective performance measures that limit committee members from making subjective assessments of a Deputy Minister's performance, and,
4. Mechanisms to ensure the continued non-politicized selection of public sector managers. (ie. A truly independent Public Service Commission).

Chapter Two will provide the results of the empirical research into how financial management is conducted in the province of Nova Scotia. The highly centralized controls on the bureaucracy as a whole in the province will be shown to be not only redundant but also contributing factors to significant inefficiencies in the system. It will be seen that many of the problems that exist in the public sector of Nova Scotia are very similar to those with which the Glassco and Lambert Commissions dealt. It is important to

understand, in the context of this thesis, that the Auditor General of Nova Scotia argued in his 1979 report (which will be discussed in detail in Chapter III), that the recommendations of the Lambert Commission dealing with accountability could be applied to his province. Before any informed analysis can be undertaken as to how the Lambert accountability regime can, or should, be applied to Nova Scotia, it is necessary to establish the existing conditions which gave rise to the concerns of the Auditor General. The next Chapter seeks to demonstrate the reasons why the linkages between a Royal Commission dealing with the federal civil service and the problems experienced in a provincial bureaucracy are clear.

Chapter II

This Chapter provides the results of the empirical research into the practices of financial management in the province of Nova Scotia; it is divided into three main sections. The first includes a historical review of provincial financial management prior to 1979; the focus is on the Treasury Board, the Review of Public Expenditures (ROPE) Committee under the Regan governments from 1970 to 1978 and excerpts from the reports of the Auditor General of those years. The second will examine the proposals recommended by the Special Cabinet Committee on Government Effectiveness and Management, which were implemented by the Buchanan government in September, 1979 to alleviate the problems experienced by the Treasury Board: these were the changes that led to the creation of the Management Board. The final section examines the outcome of the changes and illustrates some of the problems that have since been experienced at the Management Board; this is followed by a discussion of the existing conditions in Nova Scotia that tend to the employment of such highly centralized forms of financial management.

There is not a great deal of academic literature on the subject; therefore, the empirical basis for much of this chapter is a series of interviews conducted during my tenure as a Legislative Intern in the Parliament of Nova Scotia from September 1989 to June 1990. Approximately thirty officials were interviewed, some more than once, for this thesis. Many of these interviews, but not all, were conducted on a confidential, not for attribution basis. The interviews were occasionally given reluctantly; public servants were often worried that their comments would result in dismissal or denial of promotion (a list of those who were interviewed is provided in Appendix A). It is not claimed that those who were interviewed are necessarily a statistically valid representative sample of provincial officials; from a methodological perspective, statistical validity rests first and foremost on a randomized selection mechanism for the sample population, which was not employed in this thesis because of the constraints on time and access. However, the list of people to speak to grew with every interview, and it is stated with some degree of confidence that amongst those interviewed can be found the full spectrum of views on this subject amongst the senior managers of the provincial bureaucracy.

It should be mentioned that some documents that could have led to a clearer understanding of some aspects of the day to day financial operations of the province were not made available to me. This has to be appreciated in its proper context. In June 1990, the Progressive Conservative government had come under increasing charges of corruption, "pork-barrelling" and influence peddling; this was the result of testimony by the former Deputy Minister of the Department of Community Services, Michael Zareski, before the Public Accounts Committee. Zareski's testimony implicated Premier Buchanan in a complex web of patronage throughout the province. This may explain some of the paranoia concerning accessibility to certain sensitive documents (see attached Appendix B, which contains articles on patronage in Nova Scotia by Stevie Cameron, which appeared in the Toronto Globe and Mail in July 1990.) The episode was concluded after Premier Buchanan resigned from public office and then accepted a seat in the Canadian Senate in October 1990.

The Regan Years (1970-1978)

Through the late 1960s and early 1970s both federal and provincial governments went through rapid growth and

expansion resulting from the frequent addition of new programs and services. This escalation in programs and public spending required both levels of government to re-examine their methods of financial management; Nova Scotia was not exempt from this process, as is made evident from examining the reports of the provincial Auditor General. The impression one is left with after reading the reports from 1974-1978 is that the number one priority of the government should have been to introduce measures designed to improve financial management in the province. The Auditor General's Reports of the latter Regan years consisted of yearly petitions, imploring the government to improve controls on spending in the province. Due to the pivotal nature of the comments made to the subject of this thesis, it is felt necessary to reproduce them here at length.

The 1975 report recalled the 1974 recommendation that "a higher degree of priority be given to the performance of the accounting function by accounting staff and supervisory management."⁴⁸ The report went on to note that:

⁴⁸Nova Scotia, Report of the Auditor General (Halifax: Queen's Printer, 1975), p. 6.

The continued rise in government spending, coupled with the frequent additions of new programs and services, creates the need for a continuing updating of accounting and information systems. Aside from the traditional fiscal needs which these systems must meet, there is an ever growing requirement for improved techniques to measure program efficiency and effectiveness.⁴⁹

By 1976, after two years of pointing out the need for more rigorous controls, it was obvious that the Auditor General was not satisfied with progress in this area. In his report for that year, he took aim at the provincial government and delivered the following broadside:

There appears to be a growing concern about whether there are adequate controls by governments at various levels, over the expenditure of public funds. For the past two years I have recommended that a higher priority be given to the accounting function. I expressed the opinion that frequently senior management is insufficiently aware of the needs for, and importance of, a properly designed and maintained accounting and control system. If confidence is to be maintained in the financial control and accounting systems, it is my considered opinion that something more than token action must be taken in the following three areas of concern: one, there is a need to strengthen the financial management and control functions in some departments and agencies, particularly in certain of the larger departments; two, there is a need to improve the process whereby systems, procedures and transactions are monitored and checked on an ongoing basis, on behalf of

⁴⁹Ibid.

management; and three, there is a need for improved disclosure of financial information.⁵⁰

To emphasize the importance of his recommendations, the Auditor General completed his comments by drawing attention to the unacceptable consequences of allowing the financial management practices of the province to continue. His opinion, he concluded, was that "the foregoing three areas of concern require immediate attention, to prevent erosion of, and loss of confidence in, the system necessary to control and report upon the use of public funds."⁵¹

Little notice was taken even of such openly critical remarks. That very little of substance had changed was made obvious in the Auditor General's report for 1977. However, this report also contained what could be seen as an optimistic note, in that there seemed to be a propensity for change; indeed, the report gave every indication that the senior bureaucracy of the province had reached an "entente cordiale" to this effect, as is seen in the following passage:

⁵⁰Nova Scotia, Report of the Auditor General (Halifax: Queen's Printer, 1976), p. 8.

⁵¹Ibid.

Four years have elapsed since I first recommended that a higher priority be given to the performance of the accounting and financial control function. My 1975 and 1976 reports drew little or no reaction to these matters. During the past year, I have discussed these concerns with the Ministers and Deputy Ministers of Finance and Treasury Board and a number of other Deputy Ministers. As a result I believe there now exists a better understanding of what is required and a preparedness to take more aggressive action to satisfy these needs.⁵²

By the time the Auditor General reported in 1978, it would appear that whatever propensity for change he had identified was of such a glacial nature that its effects were not yet evident. Despite his previous belief that the senior bureaucracy had a better understanding of, and a preparedness to implement aggressively, the required changes, he found that: "In making an overall assessment of financial control and accountability, one can only conclude that the response has been slow and much remains to be accomplished."⁵³

⁵²Nova Scotia, Report of the Auditor General (Halifax: Queen's Printer, 1977), p. 8.

⁵³Nova Scotia, Report of the Auditor General (Halifax: Queen's Printer, 1978), p. 8.

After five years of essentially repeating the same warnings and pleas, it is easy to sympathize with the Auditor General's exasperation; however, these criticisms levelled at the government were not falling entirely on deaf ears. In fact, after publication of the 1976 Report, some steps were taken in an attempt to rebuild and then sustain public confidence in the ability of the government to control the use of public funds. The means employed to achieve this end was the creation of a new committee of the Treasury Board, called the Review of Public Expenditures (ROPE) Committee.

This committee was chaired by Jack Hawkins, who had also been chairman of the Treasury Board; the committee membership included six other cabinet ministers. Mandated to control and review all provincial expenditures, the committee effectively suppressed all discretionary spending at the departmental level and made life very difficult for Deputy Ministers. The ROPE Committee acted as a control in the system: no monies could be spent without its approval. The frustration on the part of Deputy Ministers, and in some cases junior ministers, stemmed from the fact that a small cadre of senior ministers were setting the spending

priorities for the province. Although it could be argued that this is usually the case on the macro-management level, what was different was that they were trying to control expenditures and balance the budget through micro-management.

With the ROPE Committee, whether money had been included in the budget estimates for a new or existing program made little difference because the committee was in effect practising a type of "zero-base budgeting." For example, a department could be promised money in the budget estimates for a new program in the coming year, only to be called back before the committee to re-justify the expenditure. In the final analysis, the committee tended to concentrate on small items such as out-of-province travel, furniture purchases, et cetera. These were expenditures it could cancel without causing too many problems; however, it was still seen by many as an irritant, another hurdle in the system that departments had to leap over. The bureaucracy responded with a classic manoeuvre, by devising a means of circumventing the ROPE committee. The strategy was simple: a department would submit dozens of requests and then "barter" for the one or

two items that were really needed. From the perspective of the line departments this new technique proved very effective, however, it didn't take long for all departments to catch on, quickly bogging down the ROPE Committee with hundreds of "bogus" requests. In retrospect, it is remarkable that this system remained in place for two years, right up to the election in 1978.

Several of Regan's former senior advisors argue that the changes recommended by the Special Cabinet Committee on Government Effectiveness and Management, implemented by the Buchanan government in 1979, would have been brought in if Regan had been re-elected for a third term (they claim this work was well under way prior to the 1978 election). However, as often happens, the problems were recognized too late; instead of attacking the problem in a fundamental and comprehensive manner, the Regan government's reactions were ad hoc accommodations to what could be argued was a changing political mood, characterized by an insistence on responsible financial management. In turn, Nova Scotians went to the polls in September, 1978 and gave John Buchanan and the Progressive Conservatives a majority government.

Changing Winds

When the Conservatives came to power in 1978, they were quick to deal with the problems of the Treasury Board and financial management in the province; it was, after all, one of their major election campaign promises. Although Premier Buchanan and his government colleagues knew that the system they had inherited was flawed and badly in need of an over-haul, he and his cabinet saw first hand how seriously change was needed and how unwieldy the old system was. Premier Buchanan's acknowledgement of the problems was consistent with the Auditor General Reports cited above, and was as follows:

certainly, in the first few months of office we discovered that government was cumbersome. There was an absence of long-term planning, and there were no budget controls. It was obvious that we had to act responsibly to correct these and other deficiencies which had resulted in government acting on a day-to-day basis. The structure we inherited did not provide for efficiencies and, in fact, government was out of control.⁵⁴

The Cabinet was being asked both to formulate and to examine policies, as well as to assess their financial and political implications. This process was taking a great

⁵⁴John Buchanan, "Notes for Premier's News Conference on Government Reorganization," Halifax, 22 June 1979, p. 2.

deal of time and the regular Cabinet agenda was not being dealt with; every meeting saw the agenda grow longer. Under that system, the financial implications of policy decisions were not getting the attention they needed and there was little or no policy co-ordination; the line departments often pursued their own interests, because no identifiable long-term objectives were being put forward by Cabinet.

In response to the need to improve the antiquated Treasury Board system, the Special Cabinet Committee on Government Effectiveness and Management was established. As Buchanan stated, "there was no mechanism to correct the situation so we had to create one."⁵⁵ The members of the committee included elected representatives, bureaucrats and management consultants from the firm Cooper's and Lybrand. The mandate was straightforward: identify problems in the administrative apparatus of government; suggest ways of ensuring its smooth operation; and recommend changes that would free the Cabinet from the need to assess the financial implications of policy decisions. To accomplish this task, committee members consulted senior bureaucrats,

⁵⁵Ibid.

examined government structures in other jurisdictions and studied the work of several government Commissions, including an Ontario Report on Government Reorganization from the early 1970s and that of the Royal Commission on Financial Management and Accountability, which was completed in 1979.

The work of the Special Committee on Government Effectiveness and Management resulted in the establishment of two major Cabinet committees: the Policy Board and the Management Board. At a news conference held in June, 1979, Premier Buchanan described the proposed new configuration:

The function of the Policy Board is to develop and recommend the policies and priorities for consideration by the Executive Council (Cabinet) as a whole. When policies and priorities are approved, the board will be responsible to coordinate their execution by all departments and agencies of government.⁵⁶

⁵⁶Ibid., p. 4. The mandate of the Policy Board is set out in An Act Respecting the Public Service (1979):

"The Policy Board shall act as a committee of the Executive Council on all matters relating to the development and recommendation of policies and priorities for consideration by the Executive Council, and shall undertake such other related duties as are, from time to time, assigned by the Governor in Council."

The Policy Board was to be composed of eight ministers with the Premier as chair and supported by a secretariat headed by a Deputy Minister. Buchanan then went on to describe the role of the other new committee, the Management Board:

The Management Board will be responsible for the internal operations of government. In consultation with the Executive Council, the Board will establish administrative, budgetary and personnel policies. It will review departmental plans and priorities in light of the goals and objectives established by the Executive Council and will measure the performance of the government in attaining those goals. The chairman of the Board will be a senior minister holding no other portfolio. The Premier and eight other ministers will be members of the Board.⁵⁷

⁵⁷Ibid., pp. 4-5. The Management Board mandate is also found in An Act Respecting the Public Service (1979):

"1. The Management Board shall act as a committee of the Executive Council on matters relating to the development, recommendation and execution of policies respecting the management of internal operations of the government, including administrative, budgetary and personnel policies, together with such reviews of plans, priorities and performance of departments, commissions, agencies and crown corporations as the Management Board determines appropriate.

2. The Management Board shall examine and report to the Executive Council on all matters relating to financial management, estimates, expenditures, financial commitments, terms of employment and classification of employees in the public service, the organization of the public service and staff establishments and on any matter concerning general administrative policy in the

According to many of the senior officials interviewed, the secretariats for the Management Board and the Policy Board were never intended to become large central agencies. However, in support of this new structure both the Civil Service Commission and the Management Board Secretariat (formerly the Treasury Board Secretariat) were placed under the control of the new Management Board. The Deputy Minister of the Management Board Secretariat would act as Secretary to the Board. Buchanan went on to outline what the government's expectations of these changes were:

public service that is referred to the Management Board by the Executive Council, or on which the Management Board considers it advisable to report to the Executive Council.

3. The Management Board shall

- (a) examine, advise upon and compile the annual estimates of revenue and expenditure;
- (b) inquire into, examine and advise upon expenditures, commitments and prospective expenditures and revenues;
- (c) in its discretion, investigate any matter relating to the receipt and disbursement of public money;
- (d) make recommendations generally with a view to promoting efficiency and economy in the public service;
- (e) act upon such matters as may be referred to it by the Executive Council."

The new organizational arrangement that I have just outlined will have a number of important results. In the first place, it will ensure that the policies of all departments are consistent with the overall objectives of the government. It will ensure that in the development of policy and perhaps equally as important, in the development of the means of carrying out those policies, the experience of members of the public service will be considered and given due weight.⁵⁸

The changes brought about by the Special Cabinet Committee's recommendations were welcomed by the Auditor General; after five years of asserting that something needed to be done to improve financial management in the Province, it appeared that some genuine and substantive changes were finally being put into place. Although the 1980 Auditor General's Report does not refer to the overall organizational changes, it does enthusiastically mention several initiatives being carried out by the Management Board:

A critical aspect of the budgetary-resource allocation process is performed by the Management Board whose responsibilities pertain to not only administrative policy but also ongoing involvement in financial and personnel management. It is encouraging to note the

⁵⁸Nova Scotia, Legislative Assembly, 11 May 1990, Hansard:177.

direction and leadership provided by the Board in these areas.⁵⁹

This is perhaps one of the only positive comments to be found in the Reports of the Auditor General concerning the government's performance in the sphere of financial management between 1974 and 1980.

Full Circle

The final section of this chapter examines some of the changes that have occurred at the Management Board, and some of the problems it has faced since its inception. It will be shown that the Management Board as it developed is quite different from that which was proposed by Premier Buchanan in 1979. In concluding, the conditions that exist in Nova Scotia which can lead to the employment of highly centralized models of financial management, such as the ROPE Committee and the Management Board, are investigated; it will be demonstrated that while these conditions make centralized control a political necessity, they are also a major impediment to the decentralization of spending

⁵⁹Nova Scotia, Report of the Auditor General (Halifax: Queen's Printer, 1980), p. 8.

authority and the creation of an accountability regime in the province.

The Management Board/Policy Board configuration was originally recommended as a means to correct the problems of over-centralization experienced by the Treasury Board and the ROPE Committee in the mid-1970s. Unfortunately, most of those interviewed agreed that the Management Board has come full circle, back to the micro-management that it was designed to alleviate; it has thus become increasingly involved in every facet of the provincial bureaucracy in an attempt to bring government spending under control. Once again, unable to establish a long term strategy to deal with both debt reduction and balancing the budget, the government turned to ad hoc measures and micro-management for solutions. These measures included reviews by the central agency of many government operations such as departmental budgets, personnel decisions, all capital purchases over two hundred dollars, a review of out-of-province travel, et cetera. The result has been a slow moving system that is cumbersome and unresponsive, an over-burdened central agency, and an entire bureaucratic

apparatus unable to act without seeking approval from the Management Board.

The initial reaction to the Policy Board/Management Board is said by interviewees to have been enthusiastic; it was, most thought, an honest attempt to deal with the heavy work load the political centre had brought upon itself under the direction of the ROPE Committee. In spite of this, most agreed that the enthusiasm was short-lived. In theory the new system appeared sound; however, it was generally felt that the flow charts did not adequately anticipate the dynamic that was created when human beings were added to the mix. Some ministers were stronger than others by virtue of their portfolio, or friendship with the Premier, or force of personality, or their ability to "work the system" to greater effect. Some departments had greater prominence because the government's agenda made it easier for some ministers to get what they wanted. This sometimes created jealousy and division between ministers.

In the nearly fifteen years since it was established, the Policy Board has gone through many changes. In the early 1980s it was split into two boards: the Resource

Development Board and the Social Development Board. In December 1985, the two boards were amalgamated into a single Policy Board with an expanded membership of ten cabinet ministers. Although the profile of the Policy Board has ebbed and flowed, interviewees confirmed that its power was considerable in establishing policy priorities for the government, and in turn, setting the agenda for the Management Board to follow. However, given the focus of this thesis we will not be examining the Policy Board beyond this point.

Although the staff of the Management Board has remained relatively small, its membership has grown substantially; from the Premier and eight members of cabinet, it has increased to include the Premier, twelve members of cabinet and four ex-officio members (all of whom are public servants). There have been other, more subtle, changes; for example, it was originally intended that the minister responsible for the Management Board was not to have a second portfolio, nevertheless, in 1990, Minister Terrence Donahoe was Minister Responsible for the Board as well as Minister of Government Services. Yet by far the

most dramatic changes occurred in the breadth of what the Board reviews.

In the name of controlling government spending, the Board has used its broadly defined mandate to become increasingly involved in every facet of the provincial bureaucracy. The mandate of the Board permits the examination of any area of the province's affairs that it, or the Executive Council, deems appropriate. This has resulted in line departments having to abdicate much of their spending authority to the Board and having to submit requests for most transactions. In turn, the system has been "bogged down" and the Board has been inundated with requests. When asked about the volume of transactions dealt with by the Management Board, Minister Terrence Donahoe told the Provincial Legislative Assembly that

between April 1, 1989 and March 31, 1990, Management Board had submitted to it 546 financial transactions, 255 land transactions, 25 matters which were more policy than financial, 35 characterized as miscellaneous, 171 personnel, 225 various and sundry non-agenda, 689 personnel replacement matters, 486 personnel additions requests, 115 personnel deletion items and 5,915 casual requests. The 1989-90 total, there-

fore, was 8,462. That represents a decrease of 878 transactions in total over the year previous.⁶⁰

Although the Board reviews a broad range of transactions, four specific categories illustrate how the Board exercises its mandate. The four categories are: scrutiny of departmental budgets; out-of-province travel; personnel review; and capital and furniture purchases.

Scrutiny of Departmental Budgets

Much like the ROPE Committee in the mid-1970s, the Management Board acts as a second audit in the budget process. Beyond the obvious problems of creating hurdles for line departments in an already complicated and time consuming process, this activity raises questions in terms of legislative process. Tabling a budget in the legislature, debating it and then not allowing line departments to operate within those estimates does not seem to be an efficient way of running a government. Further, William Gillis, Liberal critic responsible for the Management Board, felt that it was not very honest to announce

⁶⁰Nova Scotia, Legislative Assembly, 11 May 1990, Hansard:177.

programs that have yet to be approved by the Board and for which approval may take several months, or worse still, may not be given at all.⁶¹

Out-of-Province Travel

This was an area that was left to the discretion of line departments up until roughly 1988. The Management Board was instructed to keep a tight rein on out-of-province travel after Premier Buchanan ran into six members of Nova Scotia's Department of Education in Winnipeg attending the same education conference. This severe reaction to one department's poor judgement was not a popular one with other departments, most of whom were being very responsible with their travel budgets; many felt that they were being unduly punished for the sins of others. However, the Premier's wish has been upheld; departments continue to submit travel requests well in advance, adding several steps to a process that had hitherto been left to the discretion of the department.

⁶¹Interview with William Gillis, Member of the Nova Scotia Legislative Assembly for Antigonish, May, 1990.

Personnel Review

Judging from the numbers submitted by Minister Donahoe, review of personnel constitutes the largest portion of transactions processed by the Board (7,376 in 1989-90). When asked in the Legislature about guidelines that the Management Board followed regarding the review of personnel matters, Minister Donahoe responded:

The general guideline and the legislation under which Management Board functions pretty much requires Management Board to be responsible for the review of all personnel decisions. As a general statement, I think it is clear that the entire range of personnel changes, additional (sic), deletions, reclassifications, promotions, demotions whatever, to my knowledge, virtually every single one of those affecting a public servant does, in fact, at some point come before the Management Board.⁶²

The fact that the Management Board controls who gets hired, promoted and demoted creates several problems. First, the process of approval is extremely slow and cumbersome. For example, to get approval for a minimum wage lifeguard position for a community college requires the completion of an appointment sheet, with nine signatures from various levels of the bureaucracy. In the case

⁶²Ibid.

of the lifeguard position, the "approval" of the position itself took six months and the process would have to be repeated once an applicant had actually been chosen for the position.⁶³

Secondly, and more importantly, because there is no independent public service commission, no mechanism exists to protect "casual" civil servants (term or contract employees) from the politics of hiring and firing. The final decision-maker on personnel issues is the Board, which is a cabinet committee, therefore there are no safeguards to ensure that jobs do not go to "friends of the Party"; conversely, there is nothing to protect "casual" public servants from being fired for holding dissenting political views. Control of personnel by the Board has also been strengthened by the trend away from full-time civil service positions and towards more short-term, casual positions, which must be approved by the Board (5,915 casual positions were approved in 1989).

⁶³Interview with Gerry O'Malley, Member of the Nova Scotia Legislative Assembly for Halifax-Needham, May, 1990.

Capital and Furniture Purchases

When asked in the Legislature about what the Board reviewed in terms of capital purchases, the Minister replied: "Madame Chairman, we have looked at expenditure limits of some hundreds of dollars and we have looked at expenditure items of many multi-millions of dollars. There is no fixed or formalized lower or upper range."⁶⁴ Interviewees confirmed this was generally the case, but that a lower limit of two hundred dollars was regarded as the rule of thumb when it came to review of capital and furniture purchases. Although this review is conducted under the guise of spending controls, several observers claim that it is in place to ensure that furniture dealers that are "friends of the party" are given preferential treatment on these contracts. This control is further enhanced by the fact that there is no independent tendering process in the province. Although this is not a major incursion into the day-to-day operations of line departments, it too leads to a slow moving, highly inefficient process.

⁶⁴Nova Scotia, Legislative Assembly, 11 May 1990, Hansard:177.

Conclusion:

The Management Board's scrutinizing of departmental budgets, expenditures and personnel policy can be said to have varying effects on the public sector in Nova Scotia. First, it severely limits the spending authority of line departments, which forces Deputy Ministers to spend valuable time in front of the Board defending requests instead of managing their departments. Second, it sends a negative signal to the province's bureaucracy concerning the level of trust felt toward them by elected officials, which, it can be argued, leads to lower morale. Third, and probably the most important, when the political centre micro-manages the system as a whole and insists on this level of scrutiny of spending it results in the Management Board becoming heavily over-burdened which severely slows the approval process.

Why is there a tendency towards centralized management in the province of Nova Scotia? When asked this question, most interviewees came to the same conclusions. Many suggested that in the case of Premier Buchanan it was a matter of personal management and political style; he apparently enjoyed keeping a tight grip on the reins of

power. As Jeffrey Simpson wrote of John Buchanan in his book Spoils of Power:

In John Buchanan, Nova Scotia observed the classic parish-pump politician, most at ease discussing the fine points of political manoeuvring, arranging for the satisfaction of every local desire, administering patronage and injecting partisanship into the most routine matters. The more exacting and tiresome matters of policy deliberation bored him; partisan politics animated his spirits, and patronage helped sustain his government and unify his party.⁶⁵

However, it should be kept in mind that severe limits on and scrutiny of departmental spending were not the invention of the Buchanan administration; as shown above, it was a practice employed by earlier administrations as well.

Other interviewees, including some members of the legislature, argued that micro-management was a necessary evil because, after all is said and done, the bureaucracy could not be trusted with the public purse. Still others point to the inability of successive governments in Nova Scotia to come up with long-term plans for the province and they therefore attempt to control spending through micro-management instead. Perhaps, as was observed by Aucoin and

⁶⁵Jeffrey Simpson, Spoils of Power (Toronto: Collins Press, 1988), p. 184.

Bakvis, it is in the nature of large and complex organizations to gravitate towards centralized control. But this only partially explains this situation; it is the by-product of an over-arching problem in the province. By far the most compelling explanation of the use of strong central controls is when such use is viewed as a response by the province's political leadership to the unique (and antiquated) political culture which exists in Nova Scotia. Political culture as a cause of this phenomenon, and thus ironically as an impediment to decentralizing the system, will be explored at greater length in the third and last chapter of this thesis, which focusses on some of the possible answers to the question of what can be done to improve the problem of over-centralized financial management in Nova Scotia.

In the final chapter, I argue that a decentralized system of financial management would create a much more efficient means of controlling spending in the province. This could be achieved by implementing some of the principles and mechanisms that were recommended by the Lambert Commission, outlined in the first chapter. The proposed accountability regime would return significant

spending authority to line departments and make Deputy Ministers accountable for their performance, while leaving central agencies to plot the long-term direction for government as a whole. However, it will be posited that the necessary pre-conditions for such a system to succeed would first have to be achieved.

Chapter III

In an article entitled, "The Discipline and the Profession of Public Administration: A Practitioner's Perspective," Michael Pitfield argues that there is a desperate need on the part of Parliamentarians for thoughtful and constructive reflection on the role of Parliament and its elected members. He underlines its importance by writing: "I am utterly convinced that in our system of government, the role of Parliament remains the prime determinant from which all else flows - including the position of the ministry, the roles and responsibilities of ministers, and the roles of the officials supporting them."⁶⁶ If those who are governing do not possess an understanding of their role and its limits, they will, as a consequence, stumble into performing functions for which they do not have any expertise. Pitfield further elaborates:

Until that process of reflection is carried through, Parliament - faced with the overwhelming mass of

⁶⁶Michael Pitfield, "The Discipline and the Profession of Public Administration: A Practitioner's Perspective," in Canadian Public Administration: Discipline and Profession, ed. Kenneth Kernaghan (Toronto: Buttersworth, 1983), p. 50.

government business and daily political tensions - will likely respond to uncertainty about its role in largely ad hoc ways. That in turn would generate even more uncertainty, and could increasingly lead Parliament to disparate attempts to scrutinize all that government does in detail rather than overseeing and holding responsible those who are in fact responsible and who have the means to fulfil that responsibility. That road leads toward the bureaucratization of Parliament, in the sense that Parliament would submerge itself in process rather than principles, in details rather than directions, and in dealings at the level and from the perspective of bureaucrats rather than on the political bases and from the political perspectives which have been Parliament's strength.⁶⁷

As was shown in the first chapter, the Glassco and Lambert Commissions recognized the necessity for central agencies to provide long-term, "macro" direction to line departments, but they both conceded that after several decades of unprecedented growth in the bureaucratic machinery, the Government of Canada had become too large and complex to be micro-managed by the central agencies. It was acknowledged by both Commissions that there was a desperate need to delegate authority for the day-to-day operations of line departments to Deputy Ministers. This devolution of responsibility required the development of an

⁶⁷Ibid., pp. 50-51.

accountability regime under which those to whom authority had been delegated would be held to account for their performance and that of their departments. The discussion in the first chapter clearly demonstrated that, while not without flaws, a major contribution was made by the Glassco Commission, and to a greater degree by the Lambert Commission, in moving the federal bureaucracy toward adoption of the mechanisms that would be required to implement this decentralized system of financial management.

The second chapter sought to illustrate how financial management in the Province of Nova Scotia is conducted. It was shown that recent governments in the province have employed strong central spending controls in order to scrutinize all line department activity. This highly centralized system was shown to have ill-effects for line departments and the central agency alike (the Management Board): line departments are unable to effectively execute their mandates because their resource allocation is constantly being scrutinized and re-assessed. The Board, inundated with requests, is over-burdened and therefore creates a slow-moving, inefficient approval process.

This final chapter attempts to integrate the mechanics of the Lambert Commission accountability regime, discussed in the first chapter, with the practical problems experienced by Nova Scotia's Management Board, presented in the second chapter. It is the central assertion of this thesis that many of the inefficiencies in Nova Scotia's system of financial management are linked to the over-centralized nature of the Management Board, and that greater efficiency could be achieved if spending authority were returned to line departments. The proposal put forward in this final chapter is by no means radically decentralist, although it would devolve spending authority to line departments and give Deputy Ministers more room to manoeuvre in their day to day operations. However, Deputy Ministers would be made accountable to the Public Accounts Committee for departmental performance and would also be monitored by bi-annual audits. As a result, the Management Board would be given a freer hand to concentrate on the setting of long-term goals and objectives for the government as a whole.

However, as will be demonstrated, there are several obstacles blocking the implementation of the Lambert

accountability structure in Nova Scotia; some of the impediments are structural in nature, but far more daunting is the antiquated political culture of the province. This chapter shows, furthermore, that in part Nova Scotia political leaders over the past two decades have failed to "constructively reflect" on their role. As a consequence, they have sought to perform functions that are traditionally those of the bureaucracy. The response to the ensuing uncertainty has been, to borrow Michael Pitfield's term, a "bureaucratization of Parliament" which has resulted in the use of ad hoc and short-sighted measures such as micro-management to deal with problems such as deficit reduction that require comprehensive and thoughtful solutions.

A Decentralized Alternative to the Management Board

When interviews were conducted for this thesis, those interviewed fell into one of two categories: a majority that agreed that the system was imperfect, and that it had to be replaced, and a minority that also agreed that the system was imperfect, but that it had to be maintained. Remarkably, those who defended the current system were all elected representatives: only one elected representative felt the system had to be changed. The number one concern

of these politicians was that the bureaucracy could not be trusted with the public purse and therefore had to be monitored rigorously by the Management Board.

The majority of those who were interviewed thought the system needed an over-haul: most of these individuals were bureaucrats. The main reason cited for wanting to decentralize spending authority away from the Management Board to line departments was that the functions of the Board were largely redundant, and that getting approval for routine requests often took several months which created a highly inefficient process.

When those who advocated change were asked about alternatives to the way the Management Board operates, most suggested roughly the same model:

1. The Cabinet or political centre should provide Deputy Ministers with clear, long-term objectives of the government as a whole and their department specifically: in other words, a mandate;
2. Departments should be given the resources to carry out their assigned mandate;

3. The inputs and outputs of departments should be monitored and audited on either a quarterly or bi-annual basis;

4. Deputy Ministers should be made accountable for their performance and that of their departments to the Public Accounts Committee.

This model, it was claimed, would result in the central agency being able to concentrate on what most felt that it should be doing: articulating the government's long-term goals and objectives and specific mandates to line departments.⁶⁸ Interestingly, the elected officials who defended the system could argue that this model is only a power grab on the part of the province's bureaucracy. However, there are significant checks and balances in the proposed system; while most spending authority would be devolved to Deputy Ministers, they would still be answer-

⁶⁸Many of the interviewees felt that if the political centre put more time into long-range planning and budget control on a macro-level, then the micro-management now practised, as an attempt to balance the budget, would not be necessary. Of course, paradoxically, the central agency is so busy navigating itself through its self-created paper storm that it does not have the time to reflect on the long-term.

able to the province's elected representatives through the forum of the Public Accounts Committee and through the proposed auditing system.

It could be argued that the report of the Lambert Commission, responding as it did to the conditions in the federal civil service, has little application to provincial bureaucracies. However, although the public sector of Nova Scotia is much smaller than that of the federal government, there are certainly enough similarities in the structures of these bureaucracies to make the Lambert accountability structure applicable. In fact, as Aucoin and Bakvis noted, both Glassco and Lambert dealt with questions that are fundamental to the structure of all large and complex organizations: What level of control of line departments by the centre is necessary, desirable, and most importantly, efficient? These questions are not limited to the federal public service. Indeed, the Nova Scotia Auditor General's Report of 1979 strongly suggested that people involved in the province's financial administration should read the Lambert Commission report and consider the 150 recommenda-

tions put forward by the commissioners because he believed that they could also be applied at the provincial level.⁶⁹

In trying to make a case for improving the system of financial management in the province, the Auditor General quotes from Lambert that

. . . it has become apparent that the management of government requires greater attention from parliament, ministers and public servants than it has been given in the past. Programs and activities must not be approved without more carefully defined goals and objectives, and a more realistic forecast of costs. Parliament should pursue more vigorously its role of holding the government to account. The cabinet and individual ministers should provide more leadership and direction to officials to ensure that they administer their operations with economy, efficiency and effectiveness, and should be more directly involved in holding them to account for carrying out their assigned tasks.⁷⁰

Therefore, despite the fact that the Lambert Commission focused on financial management and accountability at the federal level, Nova Scotia's Auditor General believed that the Report's recommendations and the framework that the Commissioners suggested could be applied to his province

⁶⁹Nova Scotia, Report of the Auditor General (Halifax: Queen's Printer, 1979), p. 8.

⁷⁰Ibid.

and could very well serve as a basis for a new system of financial management and accountability.

However, the Auditor General makes no mention of some of the Commission's shortcomings; as was shown in the first chapter, the recommendations of the Lambert Commission were not without flaws. There were several areas of concern with the Lambert model that were left unresolved:

1. The issue of whether or not making Deputy Ministers accountable would in any way conflict with the principle of ministerial responsibility;
2. Whether the Public Accounts Committee, essentially a forum used to score political points, is a suitable arena to assess the performance of Deputy Ministers;
3. The development of objective measures that would be employed to assess the performance of Deputy Ministers;
4. Provision for a non-politicized process for the selection of Deputy Ministers.

Yet, despite these flaws, as stated at the beginning of this chapter the work of the Lambert Commission made a significant contribution to the debate and managed to create a structure that can be used, as the Auditor General

suggested, as the basis for overhauling the system of financial management in Nova Scotia. There is no intention to dogmatically apply the Lambert accountability regime in this thesis, but merely to use it as a guide or reference.

It has been argued throughout this thesis that Nova Scotia is now in the state that the Glassco Commissioners found the federal civil service to be in during the early 1960s in that it employs a form of highly centralized management which creates inefficiencies given the size and scope of the operations which it attempts to control. It is, after all, reasonable to suggest that there exists a threshold at which the size of an organization becomes an impediment to central control, but the bureaucratic machinery of the province is still small compared to the number of departments and agencies that one would find in other, larger, jurisdictions. Furthermore, the actual size of departments is quite small when compared to other provinces. For example, Nova Scotia's Department of the Environment had 120 employees in 1989, while the Department of the Environment in Ontario had, at the same time, several thousand. All of this tends towards the conclusion that, while Nova Scotia's public sector may be too big to

micro-manage, it is small enough to accommodate the Lambert accountability structure.

At the same time though, it should not be assumed that the Lambert accountability structure could be easily implemented; there are some serious obstacles to the realization of a decentralized system of financial management in Nova Scotia. First, there is the problem of the lack of trust held by elected representatives for the provincial bureaucracy. As was mentioned above, most of the politicians that were interviewed (which included members from all parties represented in the legislature) defended the Management Board's scrutiny of departmental budgets and spending because the "bureaucrats can't be trusted." In this context, it is therefore probably not unreasonable to expect senior officials to be sceptical about taking on greater responsibility given the propensity of elected officials to use them as political scapegoats.

Another obstacle is the lack of an independent Public Service Commission in Nova Scotia, which results in a heavily politicized employee selection process. As was noted in the first chapter, Mansbridge and Johnson claim

that a merit-based public service is an essential part of a decentralized management model; such a public service appears to be woefully lacking in the Province of Nova Scotia. A case in point is the fact that any casual (part-time) position has to be approved by the Management Board, which is a Cabinet Committee and, therefore, more likely than not to favour those of the same political stripe. The same would be true of senior appointments; since the appointment of Deputy Ministers is the responsibility of the Premier, the selection tends to be limited to those who will advance the agenda of the government of the day. This whole process lends itself to the purging of the Deputy Ministerial ranks of the bureaucracy by incoming governments. This was recently the case in Nova Scotia; in 1993, shortly after winning the provincial election, Premier John Savage asked for the resignations of nine out of twenty-two Deputy Ministers. The end result is the undermining of a merit-based public management culture in the province. When interviewed for this thesis the Leader of the Nova Scotia New Democratic Party, Alexa McDonough, lamented that people understand the reward side of patronage, but they do not appreciate the negative impact that it has on the overall quality of the province's civil

service.⁷¹ She claimed that there is no guarantee, under the current system, that positions are filled by the best qualified people.

Another major hurdle that must be overcome in the implementation of the Lambert formula is the use of the Public Accounts Committee as the forum to assess both the performance of the Deputy Ministers and that of their departments. As noted in the first chapter, Robert Carman stated that the Public Accounts Committee in Ottawa is no more than an extension of Question Period in the House of Commons: a place where the opposition attempts to score political points on the government of the day at the expense of public servants; a political circus.⁷² If this is so, then the Nova Scotia Public Accounts Committee is the circus maximus. However, as was suggested in the first chapter, this problem could be significantly alleviated if objective measures could be devised to assess performance. Perhaps Deputy Ministers would be more willing to take on

⁷¹Interview with Alexa McDonough, Leader of the Nova Scotia New Democratic Party, May 1990.

⁷²Robert Carman, "Accountability of Senior Public Servants and its Committees," Canadian Public Administration 4 (Winter 1984):545.

greater liability and have their performance appraised by the Public Accounts Committee if they were satisfied that the terms of their assessment were to be as objective as possible, without subjective interpretation by members of the Committee. It would also help if elected officials were made to understand the distinction between policy-making and the administration of those policies; in other words, the sharp and necessary distinction between the political and bureaucratic realms.

The aforementioned are serious hurdles to overcome in the implementation of the Lambert formula; however, it will be argued that they present far less challenging obstacles than that created by the province's political culture. As has been asserted above, the use of strong central spending controls by the political leadership of the Nova Scotia government, through the mechanism of the Management Board, is best understood when it is viewed as a response to the province's unique and antiquated political culture. In the final section of this chapter the political culture of Nova Scotia will be examined; it will be seen to be both a major cause of micro-management and also an impediment to

creating a more effective and efficient decentralized system of financial management.

Political Culture: An Obstacle to Change

What is political culture? For the purposes of this thesis the definition of political culture that will be adopted is as follows: "By political culture we mean customary and approved aspects of political life which reflect the expectations, goals and laws the public uses to judge political behaviour."⁷³ The most dramatic and clear manifestation of political culture in Nova Scotia is patronage; that is, the giving of full-time or part-time employment or contracts to supporters of the government. Nova Scotians have become so conditioned to patronage, especially that which is employment related, that it is not only accepted, but expected that with a change of the governing party comes a wholesale change in the civil service: everything from roadcrews to middle and upper level civil servants.

In Nova Scotia, where rewarding party supporters is seen as the norm, political leaders are required to keep a

⁷³Simpson, Spoils of Power, p. 10.

tight rein on the process of hiring to ensure that the spoils are suitably distributed. The mechanism used to screen the hiring process throughout the Buchanan years was the Management Board. This is clearly the case judging by an analysis of the transactions reviewed by the Management Board in 1989-90, the majority of which (5,915 of the total of 8,462) dealt with casual or contract positions. It can be seen, therefore, that a significant part of the role of the Management Board is to streamline the process of ensuring that "friends of the party" are rewarded for their electoral support. Devolving hiring to departments would mean that responsibility for the hiring process would be handed to the bureaucracy: ideally, an independent Public Service Commission. It is with good reason then that there is resistance on the part of elected representatives to abdicate their control of this aspect of the decision-making process. Those elected to govern wish to retain this power; those in opposition look forward to having their turn.

Peter Aucoin's study "The Expenditure Budget Process: Management Systems and Political Priorities" can be used in support of this thesis; it examines the problems faced in

the province's budgeting process. Aucoin explains how the government in Nova Scotia attempted to improve the expenditure budget system shortly after the 1984-85 Estimates were tabled. After a thorough overview, Aucoin concludes that the new system represented a substantial improvement over that which it replaced. However, this is not to say that the new system alleviated all of the problems faced by the old; in fact, in his conclusion, he poses a number of sceptical questions: "What does one make of an expenditure budget process that results in estimates and expenditures which for several successive years have produced major deficits? Is the system deficient as a system, or do other factors account for this expenditure?"⁷⁴ In response to his own rhetorical questions, Aucoin goes on to observe that "the political priorities of the present government, as reflected in its expenditure behaviour, and thus its use of the expenditure budget process, conform to some of the most prominent characteristics of Nova Scotia's political

⁷⁴Peter Aucoin, "The Expenditure Budget Process: Management Systems and Political Priorities," in Governing Nova Scotia: Policies, Priorities & the 1984-85 Budget, ed. Barbara Jamieson (Halifax: Dalhousie University School of Public Administration, 1984), p. 52.

culture."⁷⁵ Aucoin identifies four characteristics of Nova Scotia's political culture that are relevant to the expenditure decision-making process: that the province's politics are populist, parochial, partisan, and pragmatic.

[Nova Scotia's] politics are populist in that people expect the government to provide for them in terms of public services to meet public needs . . . they are parochial in that local and regional concerns are given high priority in political decision-making . . . even casual observation of governmental decisions on projects, grants and subsidies makes the importance of this characteristic obvious. Our politics is partisan in that the electoral cycle, as determined in part by the government of the day, looms large as a predictive measure of political decision-making, especially expenditure decisions (i.e., highways, public works, etc.). Finally, our politics is pragmatic in that a government does what politics demands. If deficit spending is required, then deficit there shall be.⁷⁶

Aucoin's observation regarding the expenditure budget planning process is relevant to this thesis because it demonstrates how a model, no matter how well designed, can be warped by external forces: in this case, those four characteristics of Nova Scotia's political culture which he identifies. If Aucoin is correct, can there be a system of

⁷⁵Ibid., p. 54.

⁷⁶Ibid., pp. 54-55.

financial management that effectively controls costs if the system is forced to respond to those characteristics? It has been asserted throughout this thesis that without a fundamental change in the attitudes both of elected representatives and the citizenry alike, a successful shift towards a system of decentralized financial management is improbable.

Conclusion: Bringing About Change

As the Nova Scotia Auditor General stated in his 1979 Report:

Many concerns have been expressed in recent years about the shortcomings in financial management and accountability throughout governments. From this, one can only conclude that there has been a failure by many of those who are responsible for this function, to recognize and to respond voluntarily to changing circumstances.⁷⁷

Therefore, the Auditor General did not hold out much hope for those within the system to bring change. How then can change be achieved? One of the realities faced by the political leaders of Nova Scotia, which could force a remodelling of the system upon them, is the province's dire

⁷⁷Nova Scotia, Report of the Auditor General (Halifax: Queen's Printer, 1979), p. 8.

fiscal situation. As Jeffrey Simpson argued in his book, Spoils of Power: "The arrival of deficit financing as an intellectually approved method of arranging a nation's finances further widened the patron's opportunities for porkbarrelling."⁷⁸ However, the very serious deficit situation in Nova Scotia could also provide the excuse required by government to wean the public from the political rewards to which it has become accustomed.

Another possibility, although unlikely, is that an incoming government, recognizing the deficiencies of the current system, might show leadership on this issue by simply refusing to practice "politics as usual" and thus would not seek to fire the former government's partisan employees. This is an extremely risky strategy: perhaps, as history would suggest, it would be an elaborate form of political suicide. Simpson confirms this by stating that "the historical landscape of Canadian politics is littered with the corpses of leaders who attempted to explain to the voters that the treasury could sustain no further demands and who despaired of ever finding sufficient preferments to

⁷⁸Simpson, Spoils of Power, p. 15.

satisfy surplus demands."⁷⁹ Therefore, trying to convince the small clientele who benefit from the prolongation of a highly politicized system that it is not in the long-term collective interests of Nova Scotians to maintain the system as it now stands is probably not a strategy that the politicians would be willing to adopt because of the political costs associated with it.

A much more effective strategy to change the way the Management Board operates is by demonstrating that it does not execute its central role, that of expenditure control. Elected officials who were interviewed for this project defended the role of the Management Board as a necessary check in the process to ensure that civil servants do not mispend tax dollars. Yet, in the seven years between 1982 and 1989, the province has been required to seek, on the average, additional appropriations of \$77,800,000. The lowest additional amount requested in any one year was \$43,100,000 in 1986-87, while the highest amount was \$115,800,000 in the election year of 1985-86. In 1989, nineteen of the government's twenty-five departments

⁷⁹Ibid.

required additional appropriations.⁸⁰ If the Management Board was indeed acting as an efficient check in the system, how could this be the case?

Clearly the Management Board has failed miserably in its role as a check on the system. With all of the scrutiny imposed on the bureaucracy by the Board the results have been, as shown above, dismal. The system as it now stands has been demonstrated to be slow, cumbersome and inefficient. If, as suggested, the system of financial management was decentralized according to the Lambert accountability regime, a great deal of duplication and redundancy would be eliminated. The added costs associated with delays in implementation caused by the Management Board being over-burdened are significant; such costs would be negated if spending authority were devolved to line departments. Savings would also be achieved through staffing cuts and reduction of the operating budget at the Management Board. Even if devolution of spending authority to Deputy Ministers did not result in an end to massive annual additional appropriations, at the very least the

⁸⁰Nova Scotia, Report of the Auditor General (Halifax: Queen's Printer, 1989), p. 50.

cost of delays would be eliminated and the operating budget of the Board reduced. It is not being suggested here, after all, that the application of the Lambert Commission's recommendations would represent a panacea; the province's fiscal problems would not magically disappear, but giving greater authority over the day to day operations of departments to Deputy Ministers would be much more cost efficient and, in the end, make eminently greater sense.

There is still, however, the problem of patronage in the province and how political leaders continue to bow to its demands. Once the veil of expenditure control is peeled away, the true nature of the Management Board lies exposed. Devolving all that the Board does to line departments would require political leaders to give up their control of hiring in the civil service. It is this power that politicians want to maintain; after all, as was shown above, it is expected that a political party's supporters be rewarded in this manner. Perhaps there would be a greater willingness on the part of elected officials to surrender their control if these expectations did not exist. This, of course, would require a change in the province's political culture and until it is dealt with

there remains a major obstacle to implementing any model of decentralized financial management.

At the beginning of this chapter, Michael Pitfield was noted as arguing that unless there is an understanding by politicians of both their own traditional role and the role of the bureaucracy, there will always be uncertainty as to what each should and should not be doing. The Management Board, a Cabinet Committee, has submerged itself in "process rather than principles, in details rather than directions"; it has attempted to balance the budget by imposing the principles of micro-management on a system where the size and scope of operations provide an intrinsic barrier to efficient centralized controls, which is of course arguably the case in any large organization. The result is a highly inefficient system that wastes time and money, and worst of all, that does not result in a balanced budget.

It has been asserted above that the implementation of the recommendations of the Lambert Commission regarding accountability would enable the political centre to monitor the activities of those to whom spending authority had been

devolved, while allowing Cabinet or central agencies greater freedom to provide long-term direction to the bureaucracy; a role which has been woefully lacking in the last two decades in Nova Scotia. It is by enabling Cabinet and central agencies to focus on the long-term direction of the province and to seriously reflect on the difficult expenditure trade-offs now facing governments that balanced budgets will be achieved, and not through counting paper clips. After more than a decade of failing to achieve these results through micro-management, perhaps it is time to examine a fresh approach along the lines suggested in this Chapter. However, as has been argued in this thesis, even if the province's political leadership could be convinced of the virtue of devolving spending authority to Deputy Ministers as had been suggested by the Lambert Commissioners, there still remains a major obstacle in the form of the prevailing political culture of Nova Scotia.

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APPENDIX A

List of Individuals Interviewed

Most of the information contained in the Second Chapter of this paper was compiled through interviews I conducted while completing the Nova Scotia Legislative Internship in Halifax, 1989-90. Some of the interviews were given with reluctance; public servants were often worried that their comments would result in dismissal or denial of promotion, while some of the elected representatives that I spoke to are still involved in public life. Below is a list of individuals that I spoke to on this topic.

Peter Fry
Director of Budgets
Management Board, Province of Nova Scotia

Mike Laurie
Hay Consultants
Involved in 1979 re-organization for Province of Nova Scotia

Jeremy Ackerman
Former Leader, Nova Scotia New Democratic Party

John Angus MacKenzie
Member of Cabinet Committee on Government Effectiveness and
Management (1979), Province of Nova Scotia

Lorne Ferguson
Director of Strategic Planning
Executive Council, Province of Nova Scotia

Gerry O'Malley
Member for Halifax-Needham
Nova Scotia Legislative Assembly

Alexa McDonough
Leader, Nova Scotia New Democratic Party

Vince MacLean
Leader of the Official Opposition
Nova Scotia Legislative Assembly

Bob Moody
Director,
Management Board, Province of Nova Scotia

Carmen Moir
Deputy Minister of Community Services
First Deputy Minister of Policy Board (1979), Province of
Nova Scotia

Hugh MacDonald
Deputy Minister of Labour
Involved with Cabinet Committee on Government Effectiveness
and Management, Province of Nova Scotia

Wayne Doggett
Director, Planning and Evaluation
Department of Advanced Education and Job Training, Province
of Nova Scotia

Jack Hawkins

Member, Nova Scotia Legislative Assembly
Former Chairman, Treasury Board and ROPE Committee,
Province of Nova Scotia

Robbie Shaw

Vice President, National Sea Products
Former Chief of Staff to Premier Gerald Reagan
Member of ROPE Committee, Province of Nova Scotia

Peter Nicholson

Deputy Secretary, Priorities and Planning
Privy Council Office, Ottawa

Senator P. Michael Pitfield

Former Clerk of the Privy Council
Senate of Canada, Ottawa

J. Gerald Valiquette

Executive Director
Royal Commission on Accountability and Financial Management

Senator John Buchanan

Former Premier of Nova Scotia
Senate of Canada, Ottawa

Professor Agar Adamson

Department of Political Science
Acadia University, Nova Scotia

Professor Peter Aucoin

School of Public Administration
Dalhousie University, Nova Scotia

Questions for Management Board Project

Background Questions

1. What does Management Board involve itself in and not involve itself in; is there a specific mandate that spells out its exact role?
2. What outside sources or models were examined by the Committee in its assessment? Glassco, Lambert, d'Avignon, etc.? What influence did these outside reports have on the outcome?
3. Why was there a committee organized by the Premier; what were some of the problems that existed in the old system that had to be dealt with?
4. Does the Deputy Minister's committee on Policy and Management still exist, and if so, what amount of influence does it have over Management Board and Policy Board?
5. Does the Civil Service Commission still have as much of a role as it did in the 1979 reorganization?

6. Why was the Treasury Board maintained after the Management Board was created, and when was it eliminated?

7. Who was involved in the 1978 Committee that looked into the various options for the reorganization?

Questions on Operations

1. With so many members of the Executive Council on the Management Board, is there not a great deal of repetition and duplication of process?

2. Who do Departments present their budget estimates to? Would they have to further justify any expenditures once their budget is approved (i.e., in a second round)?

3. What are some of the flaws of the current system or are there any? How is this system superior to the one that was in place in the mid-1970's?

4. In terms of capital purchases, equipment purchases, etc., do departments have the final say or do they require Management Board approval?

5. What is the maximum purchase in dollars that a department can make on its own, without Management Board approval (maximum purchase order)?

6. Are all positions in the Civil Service approved by the Management Board? If not, which ones are exempt from Management Board scrutiny?

7. In your opinion, does the way that Management Board operates and the current budgetary process in the province limit departmental fiscal autonomy and duplicate a process that has already been carried out?

8. To what extent does time make incrementalism a necessity in this province's budget process? Is zero-base budgeting a reasonable alternative in the province?

9. Has the role of the Management Board changed since its inception in 1979, not so much in terms of staff and yearly budget, but in terms of what it reviews and approves? Some argue that the Management Board, originally a measure to replace the ROPE Committee of the late 1970's, has come full circle, that it too has become too involved in

financial management in the province. What do you think of this position?

Questions on Management Philosophy

1. In your opinion, is it possible that a more decentralized system of financial management could be adopted in the future? What alternatives have been considered?

2. Why does the Province insist on such a "tight-fisted" approach to financial management? Is it a function of distrust of senior officials in line departments, incompetence, political reasons, management style, etc?

3. Why is it that with this system of financial management, which is designed to keep close tabs on government spending, the government consistently has to secure additional appropriations? (Last year, \$104 million).

901950068 SAT JUL.14,1990 PAGE: A3

BYLINE:*STEVIE*CAMERON*

CLASS: News

DATELINE: Halifax NS

WORDS: 684

** COVER CHARGE/The Premier of Nova Scotia ordered the **
** province to purchase \$50,000 worth **

** of push-button dispensers for toilet-seat covers from **
** one of his friends, a former civil servant says **

** Lifting the lid on toilet-cover deal **

BY STEVIE CAMERON
The Globe and Mail
Halifax

Nova Scotia government has paid \$50,000 for 200 toilet-seat-cover dispensers from a friend of Premier John Buchanan and no one is quite sure where the dispensers are.

Michael Zareski, deputy minister of government services from 1984 until 1989, said he was told by one of the Premier's staff to buy 200 toilet-seat-cover dispensers for \$250 each from Robert Cranston, a close friend of Mr. Buchanan.

Mr. Cranston is not on the government payroll but spends a great deal of his time in the legislative corridors, especially around Mr. Buchanan's office.

When The Globe and Mail called Mr. Buchanan's office last week to ask about Mr. Cranston, Michael Kontak, the Premier's senior assistant, said Mr. Cranston had just left the office a few minutes before. He said Mr. Cranston was not a government employee, but could not say what Mr. Cranston did for a living. Mr. Cranston visited the Premier's office again yesterday morning.

Mr. Zareski said in an interview that "in late 1988 I got a call from John O'Brien, the Premier's press secretary, who told me the Premier wanted me to meet with Bobby Cranston. John told me Bobby had a special proposition - he was selling toilet-seat covers."

Both George Moody, now Minister of Transportation and Communications, and Terence Donahoe, now Government Services Minister, said they knew of the contract.

Mr. Zareski met Mr. Cranston and looked at the European-design motorized gadgets, which spun out fresh plastic covers for toilet seats at the push of a button.

"Then I got another call from Mr. O'Brien who asked me what I thought of them." Mr. Zareski said he thought they were useless.

Mr. O'Brien told him the Premier's office wanted them used.

"So I said, 'OK, we'll use them as a prototype. I'll buy one or two.' That was not good enough for them, said Mr. Zareski. "They told me to buy several."

He wound up signing a purchase order for \$50,000 worth and planned to distribute them around provincial hospitals and other provincial buildings.

"But a few months later I got a call from Terry Donahoe telling me not to use them because there was an AIDS scare on and they could be an embarrassment to the government. He thought there would be a backlash. As far as I know they're still in the government services warehouse."

Mr. Donahoe said that he knew nothing of the conversations between Mr. Zareski and Mr. O'Brien and that Mr. Zareski had not told him there was anything wrong with the purchase.

"I can tell you that Michael at no time said to me as his minister -

that I recall at least - that this was wrong or inappropriate." Mr. Donahoe said he asked Mr. Zareski not to distribute the covers as a result of a call from the Department of Health.

Martin McNeil, an assistant to Mr. Donahoe, said he would try to find out where the seat covers are now.

Both Mr. Cranston and Mr. O'Brien were telephoned by The Globe and Mail, but neither returned the calls.

Mr. Cranston and his brother Murdoch are well-known figures in the Halifax area.

The two, who are often in business ventures together, are both excellent athletes and well-known in the city's sporting fraternity. They have worked in fish importing and exporting, including a swordfish-export business, and Robert Cranston once accompanied Mr. Buchanan on a trip to Spain when Mr. Buchanan was the provincial fisheries minister.

In 1986 Robert Cranston was a partner in a company called Mother Snow's Fine Foods Ltd., which won federal fishing licences in a Cape Breton test clam fishery with the help of Elmer MacKay, then the federal revenue minister, and Robert Coates, who had been minister of defence.

Mr. Cranston's partners included Richard Logan, Mr. Coates's former chief of staff, Halifax businessman Dennis Snow and two Ottawa businessmen. Both Mr. MacKay and Mr. Coates admitted they had lobbied Thomas Siddon, then the fisheries minister, to win licences for the company.

NEXT: The Teflon man

ADDED SEARCH TERMS:

GEOGRAPHIC NAME: Nova Scotia

SUBJECT TERM: government; political*patronage;*biography; series

PERSONAL NAME: John Buchanan; Michael Zareski; Robert Cranston

ORGANIZATION NAME: Progressive Conservative Party

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901940077 FRI JUL.13,1990 PAGE: A4 (ILLUS)

BYLINE:*STEVIE*CAMERON*

CLASS: News

DATELINE: Halifax NS

WORDS: 1542

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** PAPER PRESIDENT/A friend of the **

** Nova Scotia Premier once controlled 100 per cent **

** of the shares of a provincially owned company **

** Restoration firm **

** at centre of storm **

BY STEVIE CAMERON The Globe and Mail

Halifax A company of stone masons lies at the centre of the latest wave of*patronage*charges now sweeping through Nova Scotia .

Michael Zareski , once one of the province's most powerful public servants, told the Legislature's public accounts committee last month that Halifax lawyer Mark Cleary , a close friend of Conservative Premier John Buchanan , had received between \$50,000 and \$100,000 as "paper president" of Canstone , a government-owned company. It was set up by Mr. Zareski in 1985 to repair Province House, the oldest legislative building in Canada.

At the time, the government hired a group of British stonemasons as project managers for the restoration; a year later, they turned ownership of Canstone over to the British group.

Mr. Zareski, who was then the deputy minister of government services, told the committee that Mr. Cleary later demanded \$30,000 to sever his legal ties with Canstone in 1986. Mr. Zareski believed, in talking to Mr.

Cleary, that part of the money was to go to Mr. Buchanan.

The Premier and Mr. Cleary have denied receiving the \$30,000, and the day after Mr. Zareski's testimony, Government Services Minister Terence Donahoe told the Legislature he had investigated Mr. Zareski's allegations about the \$30,000 payment.

"There were many things said yesterday about the Canstone issue and among them comments that relate to the \$30,000. I can tell you that I am reliably informed by my deputy that he has made inquiry of the lawyer who was present at the meeting to which Mr. Zareski made reference in his testimony before public accounts yesterday, and that lawyer categorically and 100 per cent refutes the testimony of Mr. Zareski relative to the \$30,000 matter."

Mr. Cleary has admitted he was paid \$50,000 by the company during the year he served as president.

"I got 5 per cent on most materials purchased and on the salaries of the apprentices," Mr. Cleary told reporters on June 22. "I also got compensation for my minority shares. I didn't want to turn them over to the English people without getting something," he added, while providing no details of the compensation.

But a Halifax source familiar with the deal told The Globe and Mail yesterday that Mr. Cleary received more than \$30,000 from the British company for his shares in Canstone, even though the company had been created entirely with government money.

"Cleary had 10 per cent of the shares and received in excess of \$30,000," the individual told The Globe.

The Royal Canadian Mounted Police now have Canstone's financial records, which, the individual said, show exactly how much Mr. Cleary was paid for the shares.

Shortly after the company was set up, Mr. Zareski testified last month, "I received a call from Don Power (Mr. Zareski's predecessor as deputy minister, now an adviser to the Premier) saying this should be bumped up and I said I do not agree with it and at that point in time he indicated to me that this was the Premier's wish. So I had to give Mr. Cleary 5 to 10 per cent across the board on all of the work that flowed through Canstone."

Mr. Buchanan denied Mr. Zareski's statements later that day in the Legislature. "Anything that I have heard that he said is absolutely incorrect," the Premier said. "There is not a shred of truth to it."

What Mr. Zareski did not know at the time was that Mr. Cleary, in fact, owned all of Canstone's shares.

"I didn't know he owned any shares of the company at all until I tried to get rid of him," Mr. Zareski told The Globe. At that time, all the deputy minister of government services knew was that he was to pay Mr. Cleary 5 per cent on all paper transactions.

"When we hired him to set up the company, he took advantage of a resolution in the incorporation of the company to give himself all the shares - 100 of them, in the company," Mr. Zareski said. "He took the shares in his own name. No one knew until we tried to get rid of him."

"Then, when we tried to turn Canstone's ownership over to the English company, we found he personally held all the shares."

Mr. Cleary retained 10 shares when the assets were transferred to the English company.

"Cleary was a prominent member of Canstone when we set it up," said Les Batten, now Canstone's president. "Therefore, he should have been given some shares. We saw nothing wrong with that."

But six months later, when Mr. Batten and his partner David Russe decided the partnership was not working, they asked Mr. Cleary to sell them his shares and he agreed.

In May, 1986, then government services minister Mike Laffin told provincial New Democratic Party Leader Alexa McDonough that Mr. Cleary

received nothing when Canstone was turned over to the British group. Since that time, government ministers had refused to respond to written and oral questions about Mr. Cleary's compensation as president of Canstone, submitted by Mrs. McDonough.

Mr. Cleary now refuses to talk to reporters, and yesterday his secretary said he was still on holiday and not calling in for messages.

Meanwhile, Eric Firth, a former Canstone apprentice who recently formed a new stone restoration business with three other former apprentices, told The Globe yesterday that Mr. Cleary expressed an interest in joining his group a few weeks ago. Mr. Cleary said he wanted to be a partner in exchange for 20 per cent of their shares, his expenses and 10 per cent of their profits.

"He met us for an hour in the Maritime Mall," said Mr. Firth, now the managing director of Millenium Masonry Ltd. "He said there were certain contracts coming up, and he would like to join our company."

Mr. Firth's group later told Mr. Cleary it was not interested. Mr. Firth told Halifax reporters about the offer from Mr. Cleary, but he has refused to comment.

Mr. Zareksi set up Canstone in 1985 when the province decided to embark on a \$5-million restoration of Province House, an imposing and classic Georgian stone building that was built in 1819.

Originally, the government hired a British stone restoration firm, Southwest Stone Cleaning and Restoration Co. of Bristol, as project manager, hoping to find Nova Scotia artisans to do the work. Southwest Stone was unable to find enough local stonemasons, however, so the government asked company executives - Mr. Russe and Mr. Batten - to bring over more British experts and get them to train local apprentices.

As the province wanted to apply for federal job-training grants for the apprentices, Mr. Zareski set up Canstone as a "blind trust" (as they called it) to be run by the British. As a private company, it could apply for federal grants unavailable to provincially owned companies.

Nova Scotia has several other beautiful old stone buildings that need restoration - one is the former Royal Canadian Mounted Police building that now houses the provincial art gallery - and several good quarries. It seemed like a practical plan.

Stone buildings usually need restoration work when they are about 150 years old, Mr. Batten told the Globe: "Canada has many buildings about that age now, so it was a good time to start businesses like this."

"I engaged Cleary to act as the agent for the government," Mr. Zareski said. Mr. Cleary was asked to incorporate Canstone as a "blind trust," a company originally financed by the government but run at arms' length by independent managers.

"As the work was being done," Mr. Zareski told the legislative committee, "it was a requirement that all of the contracts and all of the labor, materials, purchases and so on be routed through Mr. Cleary in a paper flow through him and we were required to give him a percentage of overhead profit."

Mr. Zareski testified that when he was later told by Mr. Power that the Premier wanted it raised to 10 per cent, he balked. "I set up Canstone as a 'privatization' project, honestly and innocently, to train Nova Scotians," he told The Globe.

Mr. Batten said in an interview that he had had no objection to Mr. Cleary's role.

"He was experienced in business and he was a close friend of certain important people. . . . It seemed like a sensible appointment. And paper presidents still have to do some work, so I have no trouble with him charging percentages. The fact that he wanted an increase was purely business and should have been resisted."

A year later, Mr. Batten said, the rising Canadian dollar meant his group was losing money. "The government considered stopping work on the

project but it would have meant hardship on the apprentices so they decided to set up a new company (still called Canstone) and we took it over with full support of Mike Zareski."

Mr. Batten said Mr. Cleary resisted that move so it was decided to keep him in the company. Mr. Cleary turned over 90 shares of the company to the new owners, and kept 10 shares for himself. Six months later the company purchased Mr. Cleary's 10 shares.

NEXT: The mysterious toilet seats

ADDED SEARCH TERMS:

GEOGRAPHIC NAME: Nova Scotia

SUBJECT TERM: political patronage; government finance; building and construction; corruption; series

PERSONAL NAME: Michael Zareski; Mark Cleary; John Buchanan

ORGANIZATION NAME: Progressive Conservative Party; Canstone

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901930038 THU JUL.12,1990 PAGE: A11 (ILLUS)

BYLINE:*STEVIE*CAMERON*

CLASS: News

DATELINE: Halifax NS

WORDS: 1410

** BIDDING BLUES/A Nova Scotia decision on a prime **
** piece of Halifax real estate sparked a nasty dispute **
** Green Toad saga fuels*patronage*charges **

BY STEVIE CAMERON The Globe and Mail

HALIFAX

The Green Toad squats on the site originally set aside for Halifax's new art gallery.

That's the nickname Halifax has given to Cornwallis Place, a controversial new green-glass office building on the harbor's edge and a structure opposition politicians charge was built on*patronage.*

It sits on land originally known as Block M - the last undeveloped piece of the city's historic waterfront area. But in 1985 the provincial government announced that the art gallery would go into an old RCMP building and Block M would be turned over to commercial development.

The art gallery decision began a saga that involved several individuals close to Conservative Premier John Buchanan and launched an escalating dispute between the government and Michael Zareski, deputy minister of government services, that ended with Mr. Zareski's resignation.

"The art gallery plans were completed and ready for tenders," said Mr. Zareski, "but the Premier told me he'd changed his mind and to try to fit them into the World Trade and Convention Centre instead.

"I could see it wouldn't work. I went to a meeting with the Premier and the gallery board and he told them he was going to put it into the World Trade Centre. They were upset and adamant it should not go there."

Mr. Zareski said he then took the group across the street to see the RCMP building; even though the building was badly in need of repair, the group could see its potential.

Block M was owned by Waterfront Development Corp., a provincial Crown corporation under the province's industry minister responsible for managing Halifax's provincially owned waterfront land.

Irving Co. of New Brunswick (which had owned the land until the province expropriated it), Manufacturers Life Insurance Co. of Toronto and Centennial Group of Halifax were the three finalists among 17 companies that had submitted proposals. But a decision was shelved when the waterfront corporation's chief executive, Harold Bonner, angrily resigned in October, 1985.

Mr. Bonner charged in statements to the local news media that Roland Thornhill, then development minister, had interfered in the waterfront agency's efforts to run a fair competition to develop Block M by ordering that the bids not be opened.

Adding to the local suspicions of political interference was evidence that Centennial Group, owned by Mr. Buchanan's former law partner, Ralph Medjuck, had submitted a proposal to develop Block M three months before the province told the art gallery it could not have the site.

In 1986 the government finally chose a \$26-million bid from Mr. Medjuck's Centennial Properties over \$100-million proposals from the other two developers. Defending the decision in the Legislature, Mr. Buchanan said that if either of the other bidders had been chosen it might have delayed development of the site for up to 10 years.

Mr. Medjuck's company planned to build a seven-story office building with underground parking and a public boardwalk on the harbor side, stating it had commitments from three major tenants.

They turned out to be Mr. Medjuck's own company, his partners in the development - Halifax law firm McInnes Cooper and Robertson - and the provincial Department of Tourism.

Mr. Medjuck also wanted the Department of Municipal Affairs to move in, said Mr. Zareski, who as deputy minister of government services from 1984 to 1989 was responsible for all provincial government leases and contracts.

This was not the first time the Premier had favored Mr. Medjuck, Mr. Zareski said in an interview with The Globe and Mail. The developer had already won several other major leases.

"I have been in Mr. Medjuck's presence when I am negotiating with him on a particular contract and he would pick up the phone and talk to the Premier while I was negotiating with him," Mr. Zareski told a hearing of the Legislature's public accounts committee last month in describing the relationship between Mr. Buchanan and Mr. Medjuck.

On Nov. 6, 1986, Mr. Medjuck bought a large chunk of the Block M parcel for \$2.5-million. (The government used the remainder of the site for a park.) On the same day, he then sold a 50 per cent interest in the project to his own real estate company, Cornwallis Realities Ltd., and the other half to MCR Holdings Ltd., owned by a group of well-connected lawyers at McInnes Cooper and Robertson.

The eight MCR owners include Stewart McInnes, who was minister of public works in the federal Conservative government before his defeat in the 1988 election; former Tory MP George Cooper; and Buchanan adviser Joseph MacDonald, the chairman of Nova Scotia Power Corp.

But the project still required tenants. McInnes Cooper and Robertson took the top two floors of the building. The law firm recently moved into part of a third floor. Right after the 1988 provincial election, the Buchanan government announced that the Tourism Department was moving in.

"I've raised the issue of the Cornwallis Building on several occasions," New Democratic Party Leader Alexa McDonough said. "I first raised the Block M deal when the government made the decision to bump the art gallery.

"I then raised it again upon hearing the rampant rumor that Tourism was negotiating a lease with Medjuck. At that time, the minister of government services, Mike Laffin, denied that they were looking at any further leases for government departments."

Aware that the failure to put major projects out to tender was likely to anger voters, the Buchanan government had promised during the 1988 election that all government leases would be put to competitive tender.

"I almost fell over when I got the call to whip up a tendering policy they could announce before the 1988 election," Mr. Zareski said.

Right after the Conservatives were re-elected, the Tourism Department moved into the Green Road without a call for tenders. The department

needed to move, the government said, because its downtown offices were not close enough to the Legislature.

"They're always saying they need to move, every time a developer needs a new tenant," Mrs. McDonough said in dismissing the government's explanation.

Questioned in the Legislature at the time, Mr. Laffin replied that the tendering policy came into effect only after the election and the Tourism Department deal was in the works before.

Mrs. McDonough, whose husband Peter is a partner at McInnes Cooper and Robertson, bluntly states: "There's never been any question in my mind that it was largely a*patronage*deal - both the decision to bump the art gallery from that site and approve the Medjuck-MCR purchase for Block M and, second, for Tourism to go into the building."

There was still more in the works. The Green Toad's owners lobbied hard to add the Municipal Affairs Department to the list of tenants but Mr. Zareski insisted that the government follow its new tendering policy.

His wishes were followed and two others, including Trizec Corp., anxious to keep Municipal Affairs as its tenant, put in bids.

"The best proposal was to keep Municipal Affairs in Trizec's Maritime Mall," Mr. Zareski said. "My minister, Terry Donahoe, told me to hold off. The next day I got a call from Ralph Medjuck saying he wanted to sweeten the deal. Then I got a call from the Premier's office telling me to let them try again.

"I said 'fine, but let the other two try again too.' "

Once again, Trizec won.

As he explained the deal to the public accounts committee, Mr. Zareski said he and Mr. Donahoe went over to the Premier's office to evaluate the bids.

"At that point in time," Mr. Zareski testified, "the Premier said to me, 'Michael, the minister of the (municipal affairs) department wants to move and you know my wishes. I would very much like to see this go to Mr. Medjuck."

In his interview with the Globe, Mr. Zareski added: "I knew exactly what I had to do." He informed Trizec that Municipal Affairs would remain in their building.

"Within two weeks after that I was whisked out of government so quick I don't know if anyone else could have done it quicker," Mr. Zareski told the public accounts committee.

Today, the Green Toad sits still half empty, with the provincially run public utilities office, the law firm, Mr. Medjuck's offices and the Tourism Department as tenants, and amid rumors of a third new provincial tenant within the next few months.

NEXT: The Canstone affair

ADDED SEARCH TERMS:

GEOGRAPHIC NAME: Nova Scotia

SUBJECT TERM: political*patronage;*government contracts; building and construction; corruption; series

PERSONAL NAME: John Buchanan; Ralph Medjuck

ORGANIZATION NAME: Progressive Conservative Party

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901920021 WED JUL.11,1990 PAGE: A1

BYLINE:*STEVIE*CAMERON*

CLASS: News

DATELINE: Halifax NS

WORDS: 1559

** PORK BARREL/The man who once awarded Nova Scotia **

** government contracts fears the favors system can't **
** be rooted out. Politicians say it must be **
***Patronage*habit strong in Halifax **

BY STEVIE CAMERON
The Globe and Mail
Halifax

FEW people get to see Nova Scotia's pork-barrel politics as close up as Michael Zareski did, but everyone in the province knows how deeply entrenched the system is.

For five years, Mr. Zareski ran the Department of Government Services - the ministry that dispenses millions of dollars' worth of contracts, leases and even decides the location of schools and hospitals.

"Patronage has been the key factor in Nova Scotia political life from before Confederation to the present," said George Rawlyk, a former Dalhousie University history professor who now teaches at Queen's University in Kingston, Ont.

An expert on the Atlantic Provinces, Mr. Rawlyk said the present system began in the 1840s as Nova Scotia struggled to gain control of *patronage* instead of seeing its officials appointed from London.

"It's such a powerful part of the political culture that in Nova Scotia you expect governments to behave this way," said Mr. Rawlyk, who believes that other provincial governments run very similar systems. "Nova Scotia remains the most traditional part of Canada and these traditional values remain. It's an awful reflection on politics.

"People here are so dependent on the government," Mr. Rawlyk added. "I can always tell when there's an election imminent in Nova Scotia. When you see scores of people cutting trees and working along the roads, you know there's an election coming."

Mr. Zareski left his job as deputy minister of the Government Services Department last summer after a dispute about a valuable lease that he told the Legislature's public accounts committee that Premier John Buchanan wanted awarded to Ralph Medjuck, a developer and Mr. Buchanan's former law partner. Mr. Zareski awarded the lease to Trizec Equities Ltd., the low bidder in two rounds of tendering, and he believes his career ended when he made that decision.

"Such a person would become a pariah in that society," Mr. Rawlyk said, describing Mr. Zareski's experiences. "He would be totally isolated."

Even when politicians come into government clean, with high ideals and the determination to change the system, Mr. Zareski said in an interview, "they see everyone else taking advantage, and they think they can't change it. So they finally do it themselves."

Mr. Buchanan has not replied to requests from The Globe and Mail for an interview about Mr. Zareski's allegations.

Mr. Zareski joined the department in 1974 as a young civil engineer. In 1984, he became deputy minister. And what he saw in that job, he told a Legislature committee in June, was the Premier, his family and his closest friends taking advantage of the system. Favors relating to jobs, leases and contracts were at the top of the list. Government services drivers and mail messengers ran personal errands for the Buchanan family, picking up dry cleaning and chauffeuring children.

After the public accounts hearing, Mr. Buchanan denied Mr. Zareski's allegations. "Everything that I have heard that he (Mr. Zareski) said is absolutely incorrect," Mr. Buchanan told the Legislature. "There is not a shred of truth to it and . . . if Mr. Zareski has some problems then he has some problems. I certainly feel very sorry for Mr. Zareski."

Mr. Zareski has said Mr. Buchanan was not the only member of the cabinet handing out *patronage*, as pages from the former civil servant's 1989 appointment book reveal. (The pages were photocopied from his book so he could work out expense claims; the books themselves have been declared government property by Mr. Donahoe, the Government Services Minister, over

Mr. Zareski's protests.) Entries show he met many times with Finance Minister Greg Kerr over the new provincially financed Upper Clements Theme Park in Mr. Kerr's Annapolis West riding.

Mr. Kerr has come under fire in the local news media for giving out theme park jobs to supporters, including a key job to his own brother, but he has told reporters it is part of his job to point out local qualified candidates for jobs.

Then there was the time Mr. Zareski was told that the site for a proposed new nautical institute was being changed from the Halifax-Dartmouth area to the Cape Breton area, where several government ministers held ridings. Knowing the institute would attract fewer students in the new Port Hawkesbury location, Mr. Zareski hired a consulting firm to do an audit on the project. The result was a plan to trim the space by a third.

"I was saving the federal government millions in capital costs and the provincial government millions in operating costs," said Mr. Zareski, "but in a meeting with three ministers - Terry Donahoe, Billy Joe McLean (who has since resigned) and David Nantes - I was told 'not one nail is to be removed.'

"Today they have had to fill the spaces with forestry and food sciences classes and it's a white elephant."

Mr. Zareski said he spent many hours working on leases and contracts that would be awarded to developers close to the Premier. They included Mr. Medjuck, Mr. Buchanan's former law partner, and builders such as Ben McCrea and Robert Stapells, as well as Cape Breton developer Martin Chernin and Saint John developer Patrick Rocca.

Mr. Zareski explained how his relationship with Mr. Buchanan worked. "There may be a phone call, I may see him at a function, or I may be buttonholed in a room someplace and asked how things were going and could the matter be moved along.

"He was the Premier and I was the deputy within his government, and I felt I had to fulfill his requirements as best I could."

Is Nova Scotia's patronage system so deeply embedded - as Mr. Zareski believes it is - that it cannot change?

New Democratic Party Leader Alexa McDonough, who for the past five years as leader has been trying to expose it, says it has to change.

"What makes it so excruciatingly difficult to break the back of the patronage system," she said, "is that it has such a stranglehold over people's lives because of its pervasiveness.

"Voting behavior is dictated by the threat of punishment or the promise of rewards, whether you're talking about jobs, government contracts, paved roads or schools."

Mrs. McDonough said she has met plenty of skepticism in her assault on the system. "We're not optimistic that it will be easy but it has to be done. Until it is done, there will be no accountability, no fairness."

The NDP Leader says she is committed to this for two reasons.

"In a province like Nova Scotia, where resources are scarce and opportunities are limited, the patronage system becomes not only a major economic problem but the single greatest barrier that prevents people from acting in a politically free manner.

"Secondly, . . . patronage was the single most repugnant thing about my involvement in the Liberal Party."

Mrs. McDonough joined the Liberals in the late 1960s, attracted by Pierre Trudeau's promise of a just society. "I discovered that what Liberal politics was all about was pumping out patronage. Having gained a mandate from the people to serve the people, I watched them turn around to serve the needs of Liberal politicians and supporters.

"What preoccupied people was who was going to get which plums, who was going to get wine and dine, who was going to get contracts. It was shameful."

Provincial Liberal Leader Vince MacLean says he too is dedicated to

ridding Nova Scotia of*patronage*politics, adding that public-opinion polls conducted for his party are telling him that voters are fed up.

"People are very cynical," Mr. MacLean said. "They say nothing will change and they don't think there is anything we can do about it."

He said his own record shows he has strongly argued for a more independent justice system. "I was the one who went to the RCMP and asked for an investigation of all members' expenses in 1985 after the government refused to act. (Culture minister) Billy Joe MacLean and (MLA) Gregory MacIsaac were both charged" and convicted of cheating on their expense accounts. Billy Joe MacLean was fined and Mr. MacIsaac went to jail. Both were expelled from the Legislature.

The Liberal Leader (no relation to Billy Joe MacLean) said he has also demanded stronger conflict-of-interest laws. "I revealed my own personal assets, as limited as they are, and those of my wife. I have nothing to hide."

While he does not deny that his party has always been considered just as guilty of playing*patronage*politics as the Tories, Mr. MacLean says his party will not condone it any longer.

"I'm not prepared to go through various sacrifices to simply walk into the Premier's office and change the person who is handing out the goodies."

Despite Nova Scotians' tolerance for*patronage*politics, Mr. Rawlyk, the Atlantic history expert, said he thinks Mr. Zareski's allegations may be the end for the Buchanan government.

"This may be the last of the big scandals. It will be very difficult for the Premier to slough this one off. Up to now he's been able to create distance between himself and*patronage*scandals, but once it strikes so close to home he may be finished. When people are caught red-handed here, they're punished."

The Royal Canadian Mounted Police are investigating the allegations.

NEXT: A developer gets a lease

ADDED SEARCH TERMS:

GEOGRAPHIC NAME: Nova Scotia

SUBJECT TERM: political*patronage;*government cont: acts; developers; series

PERSONAL NAME: Michael Zareski

ORGANIZATION NAME: Progressive Conservative Party; Liberal Party

GLOBE AND MAIL - Document 5 of 7 - Page 1 of 9

901910006 TUE JUL.10,1990 PAGE: A1 (ILLUS)

BYLINE:*STEVIE*CAMERON*

CLASS: News

DATELINE: SYDNEY, N.S.

WORDS: 1863

** REVERSED FORTUNES/Michael Zareski's life has fallen **

** apart since he went public with accusations against **

** the Tory government in Nova Scotia **

BY STEVIE CAMERON The Globe and Mail SYDNEY, N.S.

The man who precipitated the biggest scandal to hit the Nova Scotia Legislature sat in a cosy tea room in Big Pond talking about the past year in his life and what his allegations of influence-peddling have done to the Conservative government of John Buchanan.

Over that year, Michael Zareski has lost his job as deputy minister for government services, gone through a painful divorce and been denied access to his two sons. He also saw his financial assets frozen, and went to a sanitarium against his will to prove he was sane.

So at 40, the man who was once considered the golden boy of Nova

Scotia's civil service is now on unemployment and planning to sue the government.

His troubles began more than a year ago, Mr. Zareski told the Legislature's public-accounts committee, when he refused to award a multi-million-dollar lease to Halifax developer Ralph Medjuck, Mr. Buchanan's former law partner.

"It was the last straw for the government," said Mr. Zareski, sitting in folk singer Rita McNeil's pink and white tea room. "But I would never have gone public if the government had not blackened my good name."

He picked his opportunity carefully. Over the past year, he did not go to the media or the police; instead he waited until he was invited to a meeting of the public-accounts committee on June 13 to discuss the Government Services Department's 1989 fiscal year - the last year for which he was responsible.

He told the committee that while he was deputy minister, Mr. Buchanan had personally and persistently interfered in the awarding of contracts, leases and government jobs to ensure they went to his friends and political supporters. Furthermore, he said he believed the Premier had taken kickbacks from a government-financed company.

He told the committee that Mark Cleary, a close friend of Mr. Buchanan, had been a "paper president" of a company set up with provincial funds to restore historic buildings and that Mr. Cleary had not only skimmed a percentage of company profits but demanded a further \$30,000 when Mr. Zareski asked for his resignation, suggesting that part of the money was for the Premier.

Mr. Cleary said later he received \$50,000 from the company, but he denied the rest of the story, as did Mr. Buchanan.

During the hearing, Health Minister David Nantes accused Mr. Zareski of leaving a psychiatric sanitarium Guelph, Ont., without doctors' permission, although medical records show this is not the case. Health groups, including the Nova Scotia Medical Society, have called for Mr. Nantes's resignation, saying he has breached patient confidentiality.

After those calls, the RCMP began investigating Mr. Zareski's allegations.

In the House, Mr. Buchanan said: "Everything that I have heard that he (Mr. Zareski) said is absolutely incorrect. There is not a shred of truth to it, and . . . if Mr. Zareski has some problems, then he has some problems. I certainly feel very sorry for Mr. Zareski."

Meanwhile, government officials are demanding Mr. Zareski prove his allegations. He says the proof lies in steno pads he used to keep track of every call and meeting during his more than four years as deputy minister.

"Every time the Premier called, or every time I had a meeting or call from one of his staff or friends, I made a note of the date, what he wanted and how the matter was resolved," he said in an interview. "I did it to keep track of what I was doing, not to keep a record on the Premier."

"All anyone has to do is go through the index to the files of government services, remove the files and match them up with my diaries."

Since his dismissal, Mr. Zareski has not been allowed back in his office, and the government says his steno pads are its property. Although Mr. Zareski said he believes the government has destroyed the diaries or cleaned out damaging entries, Government Services Minister Terry Donahoe denied this. "They haven't been doctored, altered or tampered with in any form," Mr. Donahoe said in an interview. The RCMP seized the diaries two weeks ago.

Mr. Zareski joined the Ministry of Government Services in 1974 with a degree in civil engineering from the Technical University of Nova Scotia.

"I got promoted because I had a reputation for getting things done. Terry Donahoe used to call me a 'brilliant young worker.' Now he says, 'The poor man, we feel pity for him.'"

In December, 1984, he became deputy minister, the top civil servant in

the department, which handles all the province's leases and construction. But before he was offered the job, he said, Mr. Buchanan called him into his office for a talk.

"The Premier had been a government services minister. He told me it was a very sensitive department and he would ask me to do things from time to time that I might not agree with. But this is politics, and would I go along with it?"

Mr. Zareski thought he understood. "I had grown up in government services and I wasn't naive." Still, he said he was not prepared for the constant flow of demands from the Premier, his aides and his close friends.

An early challenge involved the proposed Lower Sackville Vocational School. After the riding voted in New Democrat John Holm in 1984, the government cancelled its plans for the school. "I was required to deal with it," Mr. Zareski said, "and I had to say it was cancelled due to a budget review and lack of funding."

"I've also seen us build schools in places where they were not needed. But you do what you're told. Yes sir, no sir, three bags full. I always tried to get the best deal for the taxpayers that I could. I might give the lease to the Premier's friend, but I made sure he paid the best dollar for it."

One Halifax real estate broker who dealt with him on several occasions said Mr. Zareski was a very tough negotiator in working out government leases.

As pressures mounted at work, his personal life became equally troubled. Beginning in 1988, Mr. Zareski, a devout Roman Catholic, had become increasingly interested in the charismatic movement in the church. He later joined the Rosicrucians, a mystic order. (Last summer, one wild rumor circulated in Halifax that Mr. Zareski was a member of a satanic cult.) A health and fitness devotee, he had also developed an interest in organic foods.

His wife, Patricia, did not share his beliefs. On June 7, 1989, after a disagreement with her, he took a week's holidays without telling her where he was going. She immediately contacted Mr. Donahoe and his predecessor, George Moody, now the Minister of Transportation and Communications.

"She told me Michael was saying some very strange things to her and wasn't quite himself," said Mr. Moody. He said he and his wife had become friendly with the Zareskis, but added that he too had noticed a difference in his former deputy over the past year.

Mr. Zareski flatly denies that his behavior changed.

He decided to try to reconcile with his wife, "but my brothers told me she would only let me come home if I saw a psychiatrist first."

To prove his sanity, he agreed to let his brothers take him to Halifax's Abbie Lane Hospital. When he arrived, he found arrangements had been made for him to have a psychiatric assessment at the Homewood Sanitarium in Guelph. The government's private jet was standing by to fly him there.

Mr. Zareski said he objected furiously but was told that his wife doubted his sanity and it would be better - because of his high profile in Nova Scotia - to have an assessment done discreetly at an out-of-province hospital.

"Finally, I agreed," he said. "I wanted to prove I was healthy and sane. But I took a commercial flight."

In Guelph, he found that he was scheduled for a three-to-four-week assessment instead of the two-day examination he expected, but he decided to co-operate. Four doctors, including a psychiatrist and a neurologist, as well as a clergyman and a social worker, put him through extensive physical and psychological tests. Their conclusion was that while he was angry about the way he had been treated, he was healthy and sane.

"He has risen as far as he can go in his present job," Dr. K. R.

Ferguson wrote in his final report, "and doesn't want to remain there indefinitely, so a career change is not unreasonable . . . but because of the security and prestige he recognizes to make a change would upset his wife and family."

Despite the clean bill of health, Mr. Zareski thought that his experience was too outrageous to ignore and that he would have to resign when he got home.

He returned to Nova Scotia to find his wife had banked his pay cheques in their joint account and moved all the money into her private account. Letters from his bank managers and from his wife's lawyer confirm that he lost control of his pay cheque while he was at Homewood and never got it back.

Mr. Donahoe said Mr. Zareski's government credit cards were cut off on July 18 because the department had not heard from him since his return from Homewood. "He told his secretary he was on holidays but he didn't tell me and I was his boss," Mr. Donahoe said. "So we had to cancel his cards."

On Aug. 14, Mr. Zareski formally resigned from the government, but he was paid until mid-October. Despite having his new Sydney address, the government continued to send his cheques to his wife. Letters from his wife's lawyer, Nancy Bateman of Patterson Kitz, show that Mrs. Zareski kept the money to cover her expenses.

Mr. Moody told The Globe the government had nothing to do with Mr. Zareski's bank troubles and sent his cheques to his wife because Mr. Zareski had not put in a written request to have them sent to him in Sydney.

But Mr. Zareski's files show many requests to have his cheques sent to his new address.

In order to get some money to live on, Mr. Zareski finally appealed personally to Mr. Buchanan in mid-August; the next day he was able to get an advance of \$5,000 from his pension savings, but the remaining money was frozen by a court order requested by Ms Bateman that same day.

Mr. Donahoe, Mr. Zareski's minister from January to June, 1989, told The Globe that the government had no role in cutting off his bank credit nor had it ever been involved in any plot to discredit him. "I want to say this straight up, and Michael knows it in his heart of hearts," Mr. Donahoe said.

"In fact, on every occasion his family contacted us, the attitude from myself and the Premier was that we were ready, willing and able to assist in any way we could."

NEXT: The*patronage*system

ADDED SEARCH TERMS:

GEOGRAPHIC NAME: Nova Scotia

SUBJECT TERM: political*patronage;*bribery; corruption; government contracts; biography; series

PERSONAL NAME: Michael Zareski; John Buchanan

ORGANIZATION NAME: Progressive Conservative Party

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901830030 MON JUL.02,1990 PAGE: A5

BYLINE:*STEVIE*CAMERON*

CLASS: Column

DATELINE: Halifax NS

WORDS: 642

** INFLUENCE **
** Nova Scotia's **
** 'Big Daddy' **
** sheds no tears **
** for Buchanan **

SIEVIE CAMERON
HALIFAX

AS Nova Scotians watched the scandal-tainted Buchanan government spiraling down in public opinion polls recently to crash at 13 per cent support - well behind the Liberals and New Democrats - not all of the province's powerful Tories were unhappy. Take Joe Stewart, for one.

Mr. Stewart, the 330-pound New Glasgow pizza and video king who runs federal*patronage*in the province from a cubbyhole office over his store, has never liked John Buchanan and has never hesitated to say so. Mr. Stewart's Canada Day holiday plans were to spend the weekend in Toronto at the Blue Jays game "with 20 other prominent Nova Scotians," as he put it, without any backward glances at a premier personally touched by recent allegations concerning*patronage*and kickbacks. "Doesn't bother me," Mr. Stewart snorted, as he prepared to leave for Toronto.

People in Halifax chuckle at Mr. Stewart's reaction. They remember how Mr. Stewart, also known as Big Daddy, tried to get rid of the Conservative Premier in a 1976 leadership review; unsuccessful, Mr. Stewart turned his attention to thwarting Mr. Buchanan's wishes whenever he could. A good example was the 1988 provincial election campaign, when Mr. Buchanan set off to Bridgewater to anoint Harry Cook, his personal choice for the Lunenburg West riding. "Harry won't get it," Mr. Stewart told friends. "Read the paper tomorrow. Marie Dechman's going to get it."

When Mr. Buchanan arrived he found that Mr. Stewart had arrived early, the nomination meeting was over and Ms Dechman was the Tory candidate. The Premier was not amused; Ms Dechman won the seat, and Mr. Stewart could not resist retelling the story all over Halifax.

When he is not running nomination meetings or doling out federal largesse, Mr. Stewart, 53, runs the video store and Pizza Delight franchises he owns in Halifax and New Glasgow. He has also had a thriving business selling "Big Daddy" athletic jackets to university and school teams, and sponsors the "Big Daddy's Jackets," a New Glasgow junior hockey team. (In nearby Antigonish, a staunch Roman Catholic town with a rival hockey team, Mr. Stewart is known as "the owner of the Protestant team.")

For years, the enmity between him and the Premier kept Mr. Stewart out of Tory politics. "One of his biggest roadblocks in getting back in was John Hickman, director of the PC Association," said an old friend, who declined to be identified. Mr. Hickman, who died a few years ago, was the brother of Mr. Justice Alec Hickman, the Newfoundland judge who recently conducted the Marshall inquiry.

Mr. Stewart's route back into the Conservative party came in 1983 with the Central Nova federal by-election. New Glasgow is in Pictou County, the personal fiefdom of his good friend Elmer MacKay; Mr. MacKay resigned the seat so that the new federal leader, Brian Mulroney, could run there. (Mr. MacKay was re-elected in 1984 when Mr. Mulroney moved to his hometown riding of Manicouagan.) It also helped that Mr. Stewart had attended St. Francis Xavier University in Antigonish when Mr. Mulroney was a student there.

"Joe set up that by-election and created a lot of the province's new movers and shakers," another friend said. "He's the power behind Elmer as well."

Mr. Mulroney did not forget Mr. Stewart, who was appointed to the board of the Atlantic Canada Opportunities Agency and served there for years. A Senate seat may be in the offing. And today Mr. MacKay is minister for both Public Works and the ACOA, which provide two of the country's deepest *patronage*pockets.

So no one should be surprised that as Mr. Buchanan's power wanes, Mr. Stewart's waxes, and more and more of Nova Scotia's most powerful people may be paying a visit to the little cubbyhole over the video store in New Glasgow.

ADDED SEARCH TERMS:

GEOGRAPHIC NAME: Nova Scotia
SUBJECT TERM: political; biography profiles
PERSONAL NAME: Joe Stewart; John Buchanan
ORGANIZATION NAME: Progressive Conservative Party