
Volume II

**Toward
Citizen-Centred
Service
Case Studies**

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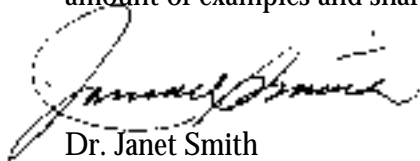
Foreword

Early in the Task Force's work, it became clear that taking the citizen's point of view as a starting point for rethinking government activities and services and for adopting an integrated approach to citizens' needs was breaking relatively new ground. Not surprisingly, we found little documented experience or formalized research to aid our deliberations. Therefore, we undertook an ambitious work program of case studies, discussion papers and enquiries into questions we needed answered to help us rethink the government-citizen relationship in terms of citizen-centred service.

The 34 case studies undertaken by the Task Force resulted from an active search for examples of services built around citizens and their needs. We found relatively few examples of citizen-centred approaches that did not succumb, during implementation, to the relentless forces of territoriality and hierarchical needs. Noteworthy exceptions were Service New Brunswick, Ontario's Clearing the Path (Business Registration Access Program) and Prince Edward Island's new Health and Social Service System. As reflected in the final report, we were able to find, in the case studies, many individual elements of citizen-centred service, such as clusters of services and clients, citizens' involvement, organizations building citizen-centred cultures, and partnering among service providers and communities.

One of the things that the Task Force observed was that significant change toward citizen-centred service usually started with a clear picture of the current state of affairs. Therefore, this volume first presents the citizen's point of view on a number of government services. It then explores a number of real-life partnerships and arrangements, ranging from special arrangements with other sectors, governments and communities. It follows with some examples of operational improvements to services and a survey of services clustered around citizens in a number of other countries. Finally, this volume examines four cases that illustrate the challenge of moving toward a citizen-centred service culture in a government organization and reflects some of the many ongoing efforts in the public service.

The Task Force found these cases helpful in thinking through some of the issues around government services to citizens and exploring some of the numerous innovations and experiments currently underway. It is my hope that these cases will be a starting point for further analysis and that the amount of examples and shared experiences will grow over the next few years.



Dr. Janet Smith
Chair, Task Force on Service Delivery

Introduction

Ultimately government is in the business of selling government, or rather selling “good government.” Citizens must feel confident that the sacrifices they make — paying taxes, obeying laws — contribute to a civil society that reflects their values and needs. Good products and good service are the basics of winning any committed clientele. One way government can do this is by improving how it deals directly with citizens by centring service on them. Another is to hone its skills as a responsive instrument for carrying out government policy, upholding the law and dealing with issues of public concern. This requires flexible thinking to reconcile contending interests in a way that is fair, efficient and that serves the public interest.

Research undertaken by the Task Force suggests that government faces a crisis of public confidence. It has either not done a good enough selling job or the good government it offers falls short of public expectations. High taxes, indifferent levels of service, major budget cuts and apparent impotence in dealing with the “big issues” of the day — unity, jobs and growth, the environment, the debt, etc. — have been undermining the traditional confidence Canadians have in government. They do not think they are getting “value for their tax dollars.” As well, in this emerging “service age,” the public is less willing to tolerate indifferent, let alone poor, service.

Many government organizations have taken up the challenge. A decade of budget restraint, Program Review and debate on the limitations of government have prompted many departments and agencies to rethink what they do and to experiment with new forms of service delivery and governance. This volume presents a number of examples of these innovations. The Task Force seeks to take from these positive experiences lessons that can help others seeking to innovate in their areas of responsibility.

The volume begins with some views from the public on their experiences in dealing with the public service. In some instances, however, these views may not be an accurate reflection of the services provided. In the cases documented in this volume, too little is heard from the people who actually benefit from government innovation. The views presented in the Prologue are a reminder that we are dealing with real people and that government service can make their life a misery or go a long way to helping them satisfy their needs.

The Partnership and Arrangement Section presents a number of examples of innovation conducted by federal, provincial and municipal departments, on their own or in partnership with other entities. They reflect new approaches to doing government business. Some of the cases are vignettes, while others provide a more in-depth look at particular innovations.

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In many departments, there are examples of specific reforms in operations that have resulted in improvements in service delivery. The section on Service Operational Improvements reports on three such examples. These examples are followed by a survey of national and international experiences in “clustering” services for efficiency and better service.

The next section looks at departments undergoing cultural change. The cases show how some departments are working to transform themselves to fulfil their mandates in a new cost-effective and citizen-centred manner.

The volume concludes with some observations on the experiences reported and some of the common general lessons that might be drawn from them.

Prologue: The Citizen's View

Unemployed People

Overview

As more Canadians find themselves out of work, they look to Canada Employment Centres (CECs) not only for their UI cheque, but also for a range of services to meet their unique and ever-changing needs.

Canadians want to get back to work. The array of government services shows a serious commitment to facilitate this process, but the gulf between the unemployed and the jobs they seek is vast.

Among the services offered by CECs around the country are a computerized Job Bank, an Electronic Labour Exchange (ELE), counselling services and a wide variety of informative literature. Provincial and regional governments also offer training and retraining programs, but most of these are only available to those requiring social assistance.

What seems to be a common cry among people looking for work is that they are generally treated as “less thans.” Many still feel the stigma of being unemployed. If you can’t get a job, you’re not part of the system. You’re a nobody. This feeling is reinforced throughout the job search because people looking for jobs tend to get short shrift.

In addition, unemployed people report that services are hard to find. One stressed Canadian looking for work says, “There seems to be no one referral centre where a person can find out everything you need to know. And once you do find a service, either you don’t qualify or the line-ups are terrible.”

One thing that has changed over the years is that the unemployed no longer represent armies of unskilled or seasonal workers. These people are still looking for work, but joining them are unemployed people who never imagined they would be looking for work. Many are educated, many are middle-aged or older, and many are young and disillusioned.

Alan

*Government services attempt to do a lot of things
but they don't seem to get you a job.*

Alan, 38, lost his position as manager of a health care project when provincial funding was cut. Since then, he has run the gamut of services provided by his former employer and other sources. He was given private outplacement counselling as part of his termination package and found it very helpful:

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common cry among
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“less thans.”*

Most employment services are not really service-oriented unless they're private.

“... lots of personal contact, which is missing at the CECs.” Alan learned a lot and bolstered his confidence, but the counselling has not yet helped him get a job.

His former employer also provided him with access to HS TAP, a training-adjustment program especially designed for people in the health-care sector. Handled through community partners, the program was very helpful with a lot of face-to-face contact, counselling, skills assessment and more. Yet it still didn't result in a job.

His experience at a CEC was not very helpful. “The problem is that the centres are so UI-oriented. They're not employment-oriented and they're not service-oriented. There needs to be someone guiding you through. Jobs are about people.”

Alan had also tried to tap some of the jobs advertised through the CEC Job Bank, but found that most were at the entry level and the long line-ups to use the Job Bank were discouraging. “I can spend my time better doing some networking.”

There seem to be two forces at work in the job search game. One is the UI route, which for many is still a symbol of failure. Activities around UI — applying for it, receiving it, taking part in some of its ancillary services — really signify the dead end of the job hunt for many.

And yet, on the other hand, people have to be positive, muster their courage, put their best foot forward and pound the pavement looking for a new job. “You need confidence for that,” Alan says. “And where do you get the support you need?” It is a valid question, given that most employment services are not really service-oriented unless they're private. Alan adds, “With the great push towards service, in business and in health care, it's weird that the UI centres seem to just perform their functions.”

Alan is not unlike countless others who feel they've been shuffled through the system only to find that they're clearly out on a limb. It is a challenge to keep your spirits up when so many doors to the future seem closed.

Dave

I look around the UI office and I can't believe that I'm here. You feel so alone.

A former software developer, Dave, 53, was terminated when the company he worked for was bought by a multinational.

His job was declared redundant. “I’m still in shock,” Dave says. He has been the route of most of the CEC services and feels, “If CEC’s goal is to get people off UI, there needs to be more personal service. The system needs to be more human.”

Dave reports that he found all of the services through his own reading and stresses that, “... not everyone has reading skills or the patience to follow up.”

One of the services he took advantage of was seeing a CEC counsellor, but the experience didn’t help him much. He felt that in spite of the counsellor’s politeness, the goal was to get the interview over with as quickly as possible. Dave asked all the questions and was answered with one-word responses.

Undaunted, he tried a new service called the Electronic Labour Exchange after hearing about it on the radio. “I found it very frustrating. It asks what kind of job you want, then what your education and experience is, and then leaves you there. You have to start all over again for each possible match.”

Dave found much more comfort and better support from the Senior Employment Bureau, staffed with volunteer counsellors. “The people there really want to help and they understand what you’re going through.”

What Dave finds missing most in the system is personal support. He has found a partial solution in an afternoon support group for unemployed people sponsored by a local church. “The group has been a real eye-opener. Now I know that this can happen to anybody.” Group members support each other through every success and failure along the job search trail. They have guest speakers and some socializing. “It’s been a real boon to me,” Dave says.

Dave is not alone in feeling disconnected. It is common to many who are out of the work force and, perhaps, most keenly felt by women who want to re-enter the work force after taking a few years off to raise a family.

Barbara

*I’m not on family benefits. I’m not on UI.
I’m just out of luck.*

A 40-year-old mother of two, Barbara is re-entering the work force after a ten-year break in which she raised her children. While she had a rewarding career as a teacher at a community college before her children came along, she finds there are no jobs for her now. And in terms of government services, she feels she just doesn’t fit.

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In terms of government services, she feels she just doesn’t fit.

“There is no place for me to benefit from government services. I’m completely out of the loop.”

Barbara called the Ontario Training Adjustment Board (OTAB) 1-800 number and found that although there are a lot of services, she qualified for none. After checking the Job Bank at her local CEC, she found that most of the clerical jobs were open only to recipients of UI. She feels that she contributed to UI all the years that she worked before having children, but now the system is penalizing her for staying at home to raise her family.

Barbara tried the ELE but found no jobs on it that fit her profile. With long line-ups, she was discouraged from looking for other possible matches.

On the positive side, Barbara found the Women’s Career Centre to be the most helpful. They provide a weekly afternoon information session and then a group session on either career orientation or job search. After that, individuals may qualify for counselling sessions. However, there are long waiting lists and no child care provided for the afternoon sessions.

Summing up her frustration, she says, “I want a job. I know about résumés and job searches. I’m not sure there’s anything more to learn. It’s the jobs I’m interested in, or maybe counselling to set me in a new direction.”

Barbara really has to rely on her wits and her courage. It’s hard to get to the people who make hiring decisions. It’s hard to know if you need retraining and, if so, in what areas. It’s a game of instinct and confidence, and one where the rules are constantly changing.

Kevin

*After you’ve given out 50 résumés in one day
and been told “We’re not hiring” 50 times, you
just want to hang around your apartment and hide.*

At 21, Kevin has been employed off and on for the two and a half years since he completed high school. All of his jobs have been unskilled, such as kitchen help, stock clerk and construction clean-up. He tries to fit a university course in when his work schedule allows for it, but finds it difficult. He is very familiar with UI and all of CEC’s ancillary services. “Applying for UI is depressing. You sit there in a room for three or four hours with about 100 other people, all with the hope of getting a cheque for less than half your wages.”

He echoes that the process is lacking in a sense of humanity. “The staff are all polite, but basically they just want to know if you’re defrauding the system. You’re just a number.”

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Familiar with computers and their capabilities, Kevin has used the Job Bank with little success. He found the process too slow and also found that there weren't enough local employers on it. He is trying to get access to "Ingenia," an Internet job search which he hopes will be more specific to the local area.

Many of Kevin's friends do better financially on social assistance than on UI, but he adds that the process is even more depressing than UI. "At the Welfare office, the staff is behind a glass wall."

In reviewing his experiences, Kevin reflects the old platitude, "It's who you know." He got every job he's had by knowing a "friend of a friend."

*

When job opportunities are dwindling and business and government are operating under new lean-management philosophies, everyone feels under pressure. It's not that government services don't exist, but they don't seem to be accomplishing the goal of getting people back to work. It is difficult for people to know what services are available and how best to use them. With the introduction of the new employment benefit programs through the proposed employment insurance legislation and the changes to the delivery of employment services, there is hope for change.

Unemployment and the problems associated with it are not going to disappear. It's tough finding work, and it's difficult to provide the specific services that people need. Perhaps Alan reflects the feelings of many: "In the end, it all comes back to the individual. We have to find a job and most of us end up doing it on our own."

Weeks Later

Since talking with us, Barbara has visited another CEC and found the services there very helpful. She attended a workshop, which to her surprise attracted a number of other people like her. Barbara found the workshop on job-search techniques very useful. She was scheduled to meet with an employment counsellor when, through her renewed efforts and networking in her community, she found a three-month contract working at a local university.

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Citizenship Applicants

Wanting to Contribute His Vote: Richard's Story

Overview

Richard and his wife spent a vacation in Canada 17 years ago and fell in love with the country. Soon after, Richard took a position as professor at one of Canada's universities and the couple left their American home. They still love the country and Richard has wanted to become a citizen for some time.

I truly love this country. When my wife and I came here for a vacation in 1978, we fell in love with the natural beauty of the land and the gentleness of the Canadian people. We felt it would be the best place to have a family, to raise our children.

We moved here in 1979 when I accepted a position as a professor at a major university. I also consult internationally, which helps me stay current and keeps my teaching relevant.

About four years ago I began thinking seriously about becoming a Canadian citizen. I don't really have to be a citizen, because as a landed immigrant I can work, I pay taxes and have just about the same rights as a Canadian citizen. But it has bothered me for a long time that I can't vote. I am proud that Canadians take their elections seriously. I know that voter turn-out here is much greater than in the States where I come from. And with so many issues at stake in Canada right now, I really want to vote.

So in 1993 I filled out all the papers and applied to become a citizen. What upset me is that I was told I would be called to stand before a magistrate at any time during a three-month period. I explained that a good part of my work takes place out of the country and that for the foreseeable future there would never be a three-month period in which I could be "on call," so to speak.

I was told by Immigration people that, if I was called and didn't appear, it wouldn't look good for me. I asked if they could narrow the timeframe so that, for example, I could be called in a specific three-week period. But they said that was impossible.

So I decided that I would withdraw my application to become a Canadian until I could see a time free of travelling for at least four or five months. However, this hasn't happened in the two years since I applied.

You would think that the system could be more open in cases like mine. I am an educated person who would make a thoughtful choice in voting, if I were granted citizenship. I have been completely established in my community for a long time. I pay taxes like any other Canadian. A little flexibility could go a long way.

I would be called to stand before a magistrate at any time during a three-month period.

Waiting to Be a Canadian: Shirley's Story

Shirley came to Canada from the Philippines seven years ago. She was sponsored by a family to live with them and care for their three boys. Shirley is now 40 years old. She is a caregiver, housekeeper and mother. Shirley is proud to be a Canadian.

My husband died when the children were young. My boy was only five and my daughter, ten. It was hard for us, especially in the Philippines.

My mother's sister was already in Canada. She said I should come and stay with her. She would help me get started. I had to leave the children with my mother. I never knew it would be so many years before I saw them again!

It took a long time to get my papers ... five years. Some of my friends got their papers faster and they had started after me. The system changes. It is not fair. It cost me a lot of money to become a Canadian!

There was the waiting. Some days I thought I would never get through. I did everything I was told. I had a job. But it took a long time and every year I had to pay more money to keep my file open. Money to get a new medical check up. Don't they know we send our money home to our family? We don't have extra money to pay for new medical papers because the laws have changed. I had to wait another year. That's what they told me.

I remember the line-ups, the early morning line-ups so that I could get the form I needed. I had to get up at 4:30 in the morning to get there and then to work on time. They made us line up outside in the freezing cold only to pick up a form. We didn't even have to talk with anyone!

Services. What services? All I remember was line-ups, cold mornings on Rideau at 6 a.m. with lots of other people waiting in line. Sometimes I would speak with someone. Sometimes I wouldn't. Sometimes I would have to leave to go to work because the lines moved so slowly. Then I would have to come back the next morning and line up again.

The people gave me information, asked me questions, filled out forms and took my money. They didn't care about me. They didn't care that my children weren't with me. I was simply another number and if I was good and didn't bother them, I would eventually be able to proudly say, "I am a Canadian."

They made us line up outside in the freezing cold only to pick up a form.

If you wanted to ask a question about your file or know why things were taking so long, you didn't dare call the people at Immigration. Why, you ask? Because then they would take your file and put it further back in the line. There were always lines and always waiting. I don't think they really care about us.

In my first year I had to do volunteer work every week. That was required. I didn't mind because I liked helping the old people. There was no pay for this work. Does everyone have to volunteer before they can get their papers? I don't know. I was just told that I had to do this and so did my friends.

Finally, I got my landed immigrant status. Now it was time to start the paper-work so my children could come here. There was a lot of waiting, a lot of sadness. They changed the laws and I was told that I would have to wait longer. Don't they care about us?

I never watched romantic or funny movies during those years because then I would cry. I really missed the children. I always watched violent shows and mysteries to make me tough and able to hold on, no matter what happened.

No one cares, only your friends who are going through the same misery. You have to look after each other. You have to be tough.

Today, I am a Canadian and my children are with me. I am glad those years are over for me. Now I can help others who get depressed and sad while they are waiting to become a Canadian.

If you wanted to ask a question about your file, you didn't dare call the people at Immigration. Because then they would take your file and put it further back in the line.

Becoming a Canadian Requires Patience and Time: Marie's Story

Marie came to Canada as a student and the wife of a Canadian. Acquiring her landed immigrant status proceeded smoothly, but when she decided to become a Canadian citizen, the process required much more patience and flexibility.

If you want to be a Canadian citizen, then you have to be patient, persistent and willing to wait. Getting an appointment is the first challenge.

When I decided to apply for my citizenship, I had already been in Canada for a number of years. I was a landed immigrant, married to a Canadian, bilingual, educated and the mother of two Canadian-born children. I hadn't thought about getting my citizenship very much until I wanted to apply for a job. Jobs are for Canadians, first. I also decided that I wanted the right to vote and have a say on issues that affect my life and the future lives of my children.

So, one day towards the end of September, I naively called the citizenship number in the phone book and expected to make an appointment to start the process.

To my surprise, I heard a recording at the other end of the line that said all appointments had been taken for the month and I should phone back. There was no way to speak with anyone to confirm that I had called the correct number and was following the correct procedure to apply for Canadian citizenship.

There was no way to speak with anyone to confirm that I had called the correct number and was following the correct procedure.

I waited a month. I decided to call back closer to the beginning of October, expecting that my chances would be better. I heard the same message! What if I was calling the wrong number? I still didn't know.

November arrived and right away I called. This time I was asked to hold and placed in a waiting line, so at least now I could hope to speak with someone. Finally, a voice came on the line and I was given an appointment to meet with an official in March of the following year!

I wondered how people who needed their citizenship faster coped. I was fortunate that the delay did not affect my life drastically. Thinking back, it was lucky that I could phone any time during the day and any number of times just to get that first appointment. What about the person who did not have easy access to the phone because of work or other reasons?

Before the March appointment, papers came in the mail for me to fill out. They were not too demanding. Then March came and I went for my appointment. I met with someone who only seemed interested in confirming that I was who I said I was in the papers that I had filled out. With a few questions, I was told that I would write a test and have a follow-up interview in June. It was done. I had waited this long to briefly meet the official and get a date set for the test! I went away in disbelief.

When June came, I was nine months pregnant. But I managed to make it to the test and everyone was very helpful. I wrote the test, which was multiple choice and not too difficult. They sat everyone apart to make sure that no one sat close to others who might help them. That was a problem for some whose English was limited. They had hoped that a family member could have helped them.

I was the first to finish and after they had corrected my test, I was interviewed by a judge. I passed and was told that the ceremony would be in August. I wouldn't be here in August so I became a Canadian citizen in September. It was a big ceremony and very formal.

I knew that my life was not going to change very much now that I had my citizenship, but for others that ceremony was a big deal. It was very emotional for them.

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Seniors

Overview

Seniors are not an easy group to serve: their needs are as numerous and different as the individuals who make up this group. Not only do they vary in age, but their levels of education, income and health are also quite diversified. While some seniors are still active and alert, others need more assistance and care. Finding the right tone when communicating with them and providing exactly the right type of service can be difficult. Some are indignant about “being treated as stupid just because they are old” while others proclaim they “will just hang up if it is a machine that answers the phone.” Most seniors, however, welcome efforts to make services more accessible.

One thing is clear for governments designing and delivering services aimed at seniors: this segment of the population is going to increase over the next few years as the baby boomers reach retirement age. Prompted by this knowledge, governments and community organizations have started searching for ways to deliver services in a manner that is both more efficient and more sensitive to the specific needs of seniors. The results are starting to be felt in some areas.

The First Step — Making Seniors Aware of the Services Available

“When my mother-in-law moved back to Ottawa from the States after her husband died, I had no idea where to go to get information about the various services she was going to need. I thought there were some support programs for seniors and financial help they could get, but how and where?”

Laura Down is not an isolated case. Seniors and people helping them with their affairs are often at a loss when they want to find out about the programs and services available. “Lots of seniors are not aware of grants or other supplements to pensions. We see that when we are helping them with their income tax,” reports the Senior Citizens’ Service Centre of Rideau Township.

“Seniors also have difficulties finding out where the services are available. I used to work for the federal government and I still have a hard time keeping track of what department the Canada Pension Plan is in. I doubt whether my sister in Moose Jaw, for example, would know that Income Security Programs is no longer with Health and Welfare,” explains Bill O’Hallaran. “It’s hard to know which office to phone or go to,” he adds, summing up a common frustration among seniors.

Seniors and people helping them with their affairs are often at a loss when they want to find out about the programs and services available.

Are these offices trying to hide from clients?

Laura Down turned to her primary source of information — her phone book. The blue pages were a challenge. “I ended up reading the whole blue pages almost line by line to find some of the phone number I needed. Are these offices trying to hide from clients?”

Research is under way in Manitoba to make the phone book easier to use for finding government numbers. The Quality Service Network is looking for ways, with Manitoba Telephone’s help, to list the programs offered by the various levels of government, by functions (housing, income support, health, etc.) to allow people to find the information they are looking for without needing to know which department and government provide the service. Other improvements are required to make the blue pages usable to seniors. As pointed out by one seniors’ organization, the print needs to be larger and “the contrast has to be at least 65% to be readable by the majority of seniors. It is less than that in the blue pages.”

Making Information about Services More Accessible

The white and yellow pages list a number of organizations dedicated to seniors. This is how Laura Down, after making a number of calls, found out about the local Senior Citizens’ Council. Aware of the difficulties encountered by seniors when they look for information and of the fact that, even when they have this information, they have a hard time retrieving it, the Council publishes a bilingual *Directory of Resources for Seniors*. Updated yearly, the \$4 book is packed with useful information organized under general headings such as finances, health, home support and meal services, seniors’ organizations and funding for programs.

Laura Down later found out from an elderly neighbour that Health Canada’s Seniors’ Secretariat, the federal government unit looking after seniors’ affairs, publishes a similar guide. *The Guide to Federal Programs and Services for Seniors* is mailed to all seniors when they enter “seniorhood” and lists information on the various federal programs and services under headings such as health and fitness, income security/pensions, consumer services.

As the national organization, Helping the Aging, points out, however, “You need to have an address and a social insurance number to receive the guide. “The statistics on poverty suggest that many seniors might not be reached by this information: “Let’s not forget that 18% of males and 48% of females in the 65-to-69 age group have an annual income under \$10,000, when the poverty line is around \$13,000.”

It seems that very few people besides community services professionals, know about Ontario’s network of Community Information Centres (CIC), funded

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jointly by the government, the city and United Way. They publish a *Directory of Community Services*, referred to as “the bible” by professionals, and lease a database of resources. Whether seniors need their driveway shovelled, their late pension cheque located, their grocery shopping done or a visiting nurse, the CIC can tell them where to go. The national seniors’ organization, One Voice, would like to see the database used by all the places where seniors might go for information:

Seniors will ask the city, the police, the phone company, the hospital — any place they can think of — when they need to find out about a service. If the people in these places had the database in front of them, they could answer all the questions very easily.

The CIC points out, however, that some financial and logistical difficulties, such as incompatibility between computer systems and the need to constantly update the database, are slowing down its distribution.

Unlike their children’s generation, seniors are not used to searching for information. “The best tool for circulating information among them remains word of mouth and that can take time. Take the example of direct deposit for pension and old-age security cheques: they did a mega advertising campaign but it still took a long time for seniors to find out about it and accept the concept. In the end, it is word of mouth that worked,” comments one city’s Senior Citizens’ Council.

It is not a reflex for seniors, assuming they can see well enough to use the phone book, to let their fingers do the walking. Some of them would go to look to their local library but, as pointed out by One Voice, illiteracy is a major issue among seniors: “About 64% of seniors cannot handle any kind of reading material and 50% of the totally illiterate people in Canada are seniors.” This makes it difficult for them to get access to information.

Integrating Services Helps Seniors

Five years ago, my father had a stroke and I found myself having to reorganize his life so that he would receive the daily help he needed, as well as some medical services such as physiotherapy. There were many options, but what struck me is that all these services were offered in different places. Everything was fragmented.

Helen DesChamp explored the various options and found out that home support services, including housekeeping, grocery shopping, light home maintenance and meals, are fairly easy to obtain from the regional municipality (the only possible complication being a sometimes long waiting period, as priority is given to the most urgent requests). Additional similar services can be obtained

Unlike their children’s generation, seniors are not used to searching for information.

for a fee from private agencies, and residential needs, should a senior need to move to a long-term-care facility, are looked after by both the provincial and the municipal governments. “I had to talk to so many people, fill in so many forms ...”

Helen DesChamp was amazed to find out that there were different laws, different levels of services and different modes of payment for the three types of facilities: nursing homes, charitable homes and municipal homes.

“We have made good progress since then,” explains a program supervisor in charge of long-term care for the Ontario Ministry of Health. “A new law was passed in 1993 to unify long-term-care facilities and things are much simpler now. The services and the modes of payment are now equivalent and there is a placement co-ordination service in each region,” he adds, which explains why Ron Schneider’s experience was so much more positive:

Everything went smoothly when I started looking for a retirement home. My daughter took me to the co-ordination office and the lady there explained to us what the various options were. She made arrangements for us to visit the two places I was interested in and once I made up my mind on the place I wanted, she put my name on the list and said I should get in before the end of the winter.

Other measures that would greatly simplify clients’ access to services have been studied by the Ontario government for several years. One option proposes that the 1,200 community support organizations presently in operation in the province would be combined under one regional organization co-ordinating access and referring clients to organizations. It would include home-care services, community support and social services, and day programs for seniors. Seniors would be able to deal with one single office instead of four or more. (As of December 1995, no decision has been announced.) In some regions, community support agencies have designed one application form that is being used by all the agencies to simplify the application process.

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Bringing Services under One Roof

Every time I need to go to an appointment, I have to make arrangements with my daughter or my grandson to take me because I still live on our farm and there is no public transportation. It is so frustrating when you find out you also have to go to such-or-such other office, and I hate being a burden for my family like this. Wouldn’t it be possible to have the various offices looking after seniors in one place?

Lois Humbert’s wish is being granted to some seniors: various pilot projects are under way to allow Canadians to access several federal government departments in one building, with one window and one phone number for

each department. The Brandon Infocentre has been receiving rave reviews from seniors who enjoy the convenience of having Revenue Canada, Veterans Affairs and Income Security Programs, among other departments, within ten feet of each other. They find the Infocentre provides faster and more accurate service and many of them enjoy the opportunity to solve their problems face to face with a service agent, although they could also do it over the phone.

Concerns, however, have been expressed by One Voice over the fact that many seniors feel uncomfortable when having to wait for services sitting beside people from very different walks of life, who may look to them like the thief they imagine stealing their wallet on the way out. Care should be taken, they recommend, to separate waiting areas for the various departments as soon as possible after clients pass the entrance door.

Redesigning Income Security Programs: A Huge Step in the Right Direction

The most common complaint seniors have regarding the quality of services is the difficulty they encounter trying to get service: it often seems that there is insufficient staff to deal with all the requests, for both in-person and phone services. Income Security Programs (ISP) is frequently mentioned as one of their worst nightmares: “Every time you try to reach them, you get a busy signal and when you are so lucky to get through, you are put on hold for ever. There is definitely room for improvement in the way they serve their clients,” laments Rita Rapini.

ISP no longer deserves such bad press, having introduced several measures that have resulted in tremendous improvements. To respond to a rapid deterioration of the level of services due to shrinking resources and a rapidly increasing client population, ISP Redesign was launched in 1988. A significant portion of the project deals with quality-of-service issues. Extensive and regular consultations of seniors, national and local seniors’ organizations and front-line staff have been conducted, including surveys and focus groups to first develop a “client service delivery network vision” and then assess performance and progress.

“About once a year, a survey is conducted to assess the overall level of satisfaction, find out why people were in touch with ISP and give them an opportunity to give their feedback regarding the level of services,” says Barbara Howatt, Deputy Project Manager for ISP Redesign. “There has been lots of interaction with seniors’ groups. It is a way to get their reactions, but also to inform them and get them to promote what ISP is doing,” comments Project Manager Dennis Kealey.

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Redesigning the Interactive Voice Response System

He explains the type of process followed for the project, using the example of how telephone services have been redesigned. An Interactive Voice Response (IVR) system has been put in place to handle calls regarding simple, general questions in order to free service agents for more complex cases. Following the protests of a group of seniors against this system, a first series of focus groups was conducted to test the concept. The reactions were positive and participants gave a number of useful suggestions.

A second series of focus groups was organized to test the message and get seniors' input. Again, lots of important suggestions came out of these groups:

- ✓ Inform seniors in advance of the system you are putting in place and how to use it; send them written instructions they can keep by their phone.
- ✓ Have the message read slowly and in a clear loud voice, with a second after the various items.
- ✓ Say at the very beginning that people who have a rotary dial phone or want to talk to a service agent just have to stay on the line and an agent will be with them.
- ✓ Give the option of repeating the options at all times.
- ✓ If you use the * or # buttons, indicate where they are located on the phone.

These suggestions were followed to design the message and most seniors have expressed their satisfaction with the IVR. Although change is always somewhat frightening, especially for this age group, seniors also seem pleased to be treated as intelligent individuals who are able to learn something new. ("When banking machines were first introduced, we felt the same way and now we use them without even thinking," commented several members of the focus groups.) Most of the seniors who prefer to talk to a "real person" are willing to go along with this new technology, as long as they always have the option of getting to talk to a service agent and as long as it is a way to free staff to deal with more complex questions.

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A second pilot project is now under way at the Ottawa telephone centre to test the use of IVR to leave information on changes of addresses. "It started two weeks ago and we received 16 calls the first day. One of them was a tremendous satisfaction for us as it showed the system can really work. It was a 95-year-old lady who was calling to change her address. She followed the instructions and everything went well. The message includes an option to leave comments and she explained that she was not particularly comfortable with this method but, if it worked, it was fine with her. Her change of address was done by the next morning," Barbara Howatt says.

She acknowledges that there will always be people for whom IVR will not work, either because they do not have the right equipment or because of their aptitudes or attitude. She also points out that many seniors are looking for human contact and would be happy to chat for half a day. “Unfortunately, we cannot deliver our services like this. It is not realistic or cost-efficient,” she adds.

Other service improvement measures include the increased automation of the system, training programs for staff, a telephone system making it possible to roll calls over from a busy centre to another one that is less busy in order to minimize the number of abandoned calls, and the electronic hook-up with walk-in centres to allow interviews to be scheduled. “There have been improvements in the quality of services but we are only half-way through the implementation. The full effect will not be seen before another 18 months,” Dennis Kealey reminds us. Barbara Howatt attributes the favourable response to the redesigned services to the fact that clients were involved in the design of services. “It makes a big difference when people are involved. A high-level of consultation helps create a no-surprise environment,” she adds.

There have been improvements in the quality of services but we are only half-way through the implementation.

Steady Improvements

Governments and community organizations are becoming increasingly sensitive and responsive to the needs of seniors, as results are showing. Some of the main obstacles to the efficient delivery of programs and services are being removed. The people at Ottawa’s Seniors’ Employment Bureau are optimistic. They stress that the new technologies needed to handle the growing number of seniors will become an accepted part of their lives by the time baby boomers reach old age.

Small Business

Straight Talk from Small and Medium-Sized Business

Overview

Small and medium-sized business owners and operators have little in common with each other except an entrepreneurial spirit and a willingness to work hard. Their experiences with government vary widely, depending on the size and type of their business. Yet certain themes emerge as their opinions offer some kudos, present many challenges and provide food for thought.

Help for Self-Starters

Many of the people interviewed for this study praised the variety of government services that exist to help individuals get started in small business. An owner of a successful bed-and-breakfast found a good deal of help from her regional Business Centre. “The staff gave me good advice on things I would have to think about and steps I would have to take. We talked about financing and then explained the importance of preparing a business plan.” The Centre also directed her to inexpensive courses designed especially for start-up small business ventures.

A young man looking to start his own small business found it convenient that he could get information from three levels of government at the same location. “I only wish this place was advertised better so that I could have known about it sooner,” he says, adding, “It’s great to be able to use the Centre’s computers to register my business and to access the Internet. I can’t afford my own computer yet so this really helped.”

An established small business owner recalls that one of the most useful pieces of information he received in his early days was a booklet put out by one of the provincial governments and given to him by his accountant. “I didn’t have a clue what a cash flow was and this booklet explained it and showed me how to do one, step by step,” he says.

The staff gave me good advice on things I would have to think about and steps I would have to take.

I only wish this place was advertised better so that I could have known about it sooner.

International Trade Opportunities a Boon

Another area in which government has been praised by small and mid-sized business is international trade. One Canadian exporter says that Canada's generally favourable reputation and profile has helped a lot in Asia. He goes on to explain that it is extremely important for Canada to take an active international trade role to ensure a strong foundation for small business exporters. "A recent Team Canada trade mission I went on was fabulous. It generated great exposure for Canadian companies. Our phones didn't stop ringing all week."

The people at Industry Canada were helpful and on the ball.

A training company was also helped in its search for business opportunities outside of Canada. "Industry Canada organized a mission to Mexico and we were one of the companies that went to explore the potential there. The people at Industry Canada were helpful and on the ball."

Another exporter has found Canadian embassies overseas to be very helpful. "Still today, we find that the Canadian embassy can add real value to our efforts. One very important element is to gain credibility from the good will that our embassies have developed." He explains that Canadian trade commissioners in various parts of the world also help with everything from arranging high-level meetings that are often essential to business success, to organizing important banquets.

However, when it comes to market intelligence, the consulates and embassies often rely on the specific business community for information. The exporter adds, "We're in the business and we're in the field full-time, so we should know more."

Government-assisted financing programs can be crucial to the success or failure of some Canadian exporters' ability to secure foreign business. Many exporters express a strong desire to see the Export Development Corporation become more competitive in its financing programs, as this would help to increase their business significantly.

A Cry for Regulatory Relief

An experienced retailer believes that the role of government in small business is to provide an atmosphere that helps Canada compete globally. Yet he feels that small business is hamstrung by government regulations. The federal government needs to recognize the impact of its huge regulatory burden. He goes on to explain that certain programs exist to help small businesses, such as lower tax rates, but what small business really needs is breathing space from government regulations. For example, small businesses are expected to provide the same level of detail in their accounting as huge firms with large

What small business really needs is breathing space from government regulations.

accounting departments, and this can be almost impossible for a small staff. A spokesperson for the trucking industry, one of the most regulated sectors of our economy, speaks about the complexity of regulations. “We have to deal with at least 15 different departments [of government] just at the federal level, and then there are the provincial and municipal players.”

He speaks of the need for change — not to do away with important safety regulations, but to simplify and make more efficient the way regulations are carried out. Some of the regulations are outdated and need to be changed. “We find that it is an endless job trying to bring about these changes. Many of the outdated regulations cost us money and time which could go back to the shippers if the regulations better reflected today’s business.”

A company owner explains that while government does listen to members of his industry, and even has a sympathetic ear, change is slow in coming. It is important to regulate certain aspects of business, but better ways have to be found for government to work with the industries so that complying with regulations doesn’t completely thwart success.

The Need for Fairness Is Felt in All Sectors

A common theme across all sectors is the need for fairness in how regulations are enforced. A small building contractor complains that he is continually losing contracts to competitors who don’t bother to pay taxes or respect other government regulations. “For these guys,” he says, “The underground economy is booming. I just wish the government would pay more attention to keeping them in line so the honest guys don’t finish last all the time.”

The contractor goes on to complain, “Before the GST, customers never asked me to take cash for jobs. Now everybody does. And they don’t realize that the guys coming in at the lowest price usually don’t have insurance and they’re not paying Workers’ Compensation, CPP or UIC.” He adds that government needs to understand how the underground economy is consumer-driven. Honest contractors are losing jobs because they have to charge more in order to comply with government tax and safety regulations, workers’ compensation, etc. He implores government to find better ways to penalize and deter offenders. As one business owner says, “The underground economy is like a low-grade fever.”

A feeling expressed by a retailer is that the North American Free Trade Agreement (NAFTA) has not helped Canadian businesses or the Canadian economy. The harmonization of standards and regulatory review that should have resulted in a “level playing field” never took place. He feels that, as a result, an American business shipping a product from Ogdensburg, New York, to Ottawa can charge less to the Canadian consumer than the Prescott, Ontario, business can in shipping the same product.

Many of the outdated regulations cost us money and time which could go back to the shippers if the regulations better reflected today’s business.

A common theme across all sectors is the need for fairness in how regulations are enforced.

The transportation industry is plagued by the need for enforcement as well. “Sixty per cent of the trucks you see on the road are private and not all of them follow the rules,” says an owner of a mid-sized trucking fleet. “Trucking is a complicated business and safety is important. Of all the regulations, most are for safety. We need consistent enforcement to get the bad guys off the road. They give us all a bad name.”

He continues, “We also need them [government] to enable us to compete fairly with the United States. Our regulations restrict us while we bend over backwards for the United States. I know the government is working on this, but in the meantime it is hurting our business.”

Efficiency: A Necessary Goal

Business owners talk about the need for reduced complexity and increased efficiency in dealing with government.

Many small and medium-sized business owners talk about the need for reduced complexity and increased efficiency in dealing with government. One mid-sized owner says, “With the significant use of computers in our business, we can be more efficient and we have more information available sooner. So with all the sophistication of technology in our industry, we have surpassed the need for some regulations. For example, our drivers must fill out trip logs to conform with a number of regulations. This is time-consuming and costs us, when, in fact, the log is no longer necessary because all the information is available on computer and could simply be downloaded to the authorities.”

Another director of a management consulting company and supplier to government complains about lack of efficiency causing wasted time and resentment. In one case, the consulting firm was asked to respond to an access-to-information request about a contract. “I had 20 days to respond. When I delivered the letter that had taken me a good half day to prepare, I was told that it was no longer required. I run a small business. I don’t have time to waste. The bureaucrat didn’t even think of letting me know that the request was dead and, in fact, said, ‘I didn’t think of it.’” He stresses that government must learn to respect how businesses operate and respond more effectively.

Government must learn to respect how businesses operate and respond more effectively.

“Contracting with the government can quite often be a challenge for us,” says the president of a small consulting firm. “In an effort to ensure that the process is fair and competitive, the collective cost of preparing the bid can often be greater than the overall value of the contract. We can’t afford to bid on many contracts because of the process.”

She adds, “The government is good at identifying the companies that can deliver the product or service they need, but when the proposal process begins, that’s where we get frustrated. The competitive process encourages secrecy and often little information is provided. Sometimes a department will

have contracted a preferred vendor to prepare the request for proposal and then the same vendor bids on the work. Consequently, proposals are not as good as they could be because you don't want to give away your ideas, especially if you know who is likely to win."

Another supplier to government points to the fact that internal problems hamper the efficient carrying out of a contract. "We find that there are often internal problems that can play themselves out during the contract. Usually there are so many meetings and so many different players involved that it is often difficult to know who is one's client and then whose directions to follow. In these cases, the supplier needs to make certain that her company is working with the right group or person to ensure that they don't get scape-goated for internal problems. This can happen in any contract, and we've found through painful experience that one must be very careful or else a great deal of time and money can be spent without a deliverable. It is very hard for a small business to be productive in an arena where complex games are being played. Government has no sense of the bottom line," she adds.

It seems that in all of the experiences with government described by small and medium-sized businesses, things work best when government knows and understands how the specific business works. In the competitive global market of today, government and business better serve the needs of all Canadians with frank and open two-way communication. When they work together effectively, the ability of any company to run a competitive and profitable enterprise is enhanced.

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Partnerships and Arrangements

With the Private Sector

Commercializing the Air Navigation System, Transport Canada

Overview

This case presents the commercialization of Transport Canada's Air Navigation System (ANS) and its transfer to NAV CANADA, a non-share-capital corporation under Part II of the Canada Corporations Act.

“Commercialization” describes the process of placing a government service or trading entity into a corporate structure to operate along commercial lines.¹ The term “non-share capital” means the enterprise retains any surplus money generated. NAV CANADA prefers this term to “not-for-profit.”

This initiative provides a useful service delivery model because the transfer of ANS to NAV CANADA, and its consequent commercialization, achieve the following:

- Illustrate a government divestiture of service delivery to a commercial enterprise.
- Provide a structure which represents the interests of the client/user and on which all stakeholders are able to agree.
- Address monopoly privilege and the public interest.
- Increase ANS flexibility to meet changing demands and new technology while ensuring safety.
- Result in reduced cost to the taxpayer.

Background

While remarkable advances in aviation have been made over the past 85 years, the fundamentals of flying have not changed. An aircraft climbs into the air from a point on the surface, navigates to its destination (with due regard for the weather and other aircraft), and then returns to a point on the surface.²

Canada's Air Navigation System, one of the world's largest, permits the safe, efficient movement of aircraft from take-off, along in-flight paths to landing. It is comprised of:

1 International Experience of ANS Commercialization. Discussion Paper No. 4, The Study of the Commercialization of the Air Navigation System in Canada. Transport Canada Aviation.

2 Principles and Options for Commercialization. Discussion Paper No. 1, The Study of Commercialization of the Air Navigation System in Canada. Transport Canada Aviation.

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- ✓ An air traffic control system for domestic and international airspace, which controls timing and space for airport take-off and landing operations and for in-flight pathways.
 - ✓ A flight information system providing services such as weather briefings for pilots and airport advisories.
 - ✓ Hundreds of coast-to-coast electronic navigation aids.

These services are delivered through seven area control centres, 45 air traffic control towers, 95 flight service stations, a national radar system and various communications systems. The ANS handles approximately 6.8 million aircraft movements annually. It employs about 6,400 staff, who are represented by nine unions.

The greatest challenge for civil aviation administration is operating and maintaining a safe, efficient air navigation system. This requires acquiring new technology, as well as continually improving and upgrading the ANS infrastructure.³ A few years ago, members of the aviation industry believed the navigation system was not providing an acceptable level of service, despite its safe operation and many successes.

The Client/User Perspective

In the mid-1980s, the government initiated a major downsizing program across the public service, which included a hiring freeze. A 40% increase in air traffic resulted in a shortage of air traffic controllers. Enormous air traffic delays quickly occurred, costing the airline industry tens of millions of dollars.

The government resolved to make no exceptions to the downsizing program. Organizations representing commercial airlines believed this decision demonstrated the government's inflexibility regarding the delivery of critical services.

In addition, the aviation community characterized the ANS as underfunded and hampered by government policy. Of particular concern were slow, costly procurement procedures and inflexible employment practices for staffing, training and labour relations.

The Transport Canada Perspective

By the late 1980s, some Transport Canada (TC) managers believed the ANS should be separate from government. Since 1985, the number of air traffic controllers had been seriously reduced despite a substantial increase in air traffic. As well, other countries had already commercialized their systems.

³ "Keeping Pace", The Study of the Commercialization of the Air Navigation System in Canada. Transport Canada Aviation, 1995.

In 1992, the Ministerial Task Force on Aviation Matters concluded, “We believe as long as the ANS operates within the existing civil service environment, it will continue to lag behind user needs. As well, it is likely to operate at greater expense and with less efficiency than an organization removed from this milieu. This is not the fault of the people who manage and operate the system, for we have been most impressed with their effort and dedication in providing a safe and effective aviation system.”⁴

(Please see Exhibit I — ANS Commercialization Timeline, and Exhibit II — The Players)

The Case for Commercialization

The Client/User Perspective

The airline industry realized the growing federal deficit meant government would increasingly employ “user pay” methods to cover service delivery costs. If users were to pay 100% of the ANS cost, accountability should be shifted to them from government. Commercialization would provide a structure for this new accountability and address the issues of slow, costly procurement and inflexible employment practices. Private sources would fund the system.

The TC Employee Perspective

Staff and unions support commercialization. A newly structured ANS provides for changes in salaries, benefits and job security -- and an expected increase in job satisfaction and morale.

The TC Management Perspective

ANS commercialization is being driven by the client/users of the system, largely commercial airlines. Users believe government downsizing is incompatible with the dynamic needs of the industry.

Stress on the ANS would be reduced in a commercial environment where managers have greater operational freedom and access to revenue, allowing them to respond to changing requirements.

TC’s new role would be to develop policy and legislation, formulate and enforce standards of safety and security, and continue to ensure reasonable service to remote communities and people with disabilities.⁵

⁴ Ministerial Task Force on Aviation - Final Report (Extracts), March 1992.

⁵ Transport Canada’s New Direction and the 1995 Budget, Transport Canada, 28 February 1995, pp. 5, 9 and 13.

The Choice of the Non-Share-Capital Corporation

The Client/User Perspective

To users, the ANS is simply one of many services used by the aviation industry. Users want this service to be as efficient and safe as possible, responsive to their needs, and obtained at the lowest price. Their interests are addressed in a non-share-capital (NSC) corporation, as it uses any surplus generated to lower user fees and improve infrastructure.

The Crown Corporation (CC) option was discarded as being too vulnerable to government policy, control and political pressure.

The Employee Perspective

Unions dislike a for-profit company with individual shareholders, believing profit to be the wrong management motivation behind the provision of ANS services.

Some unions preferred the status quo or a crown corporation while others, primarily the Air Traffic Controllers Association (CATCA), advocated the NSC model. However, all unions stated they could accept an NSC. Arrangements for transfer of union staff to NAV CANADA, as demonstrated by the tripartite memorandum of understanding (MOU), have been developed in full agreement with the directly affected unions. (Please refer to Exhibit II.)

The TC Perspective

TC management initially thought a CC would provide a suitable alternative service delivery model which could *later* be sold or privatized. They believed the risk of changing from a government department to a fully commercialized business would be less if done incrementally. Once the business functioned well, a decision could be made to sell.

TC held wide consultations, during which stakeholders pushed hard to remove the CC step. They feared losing the opportunity to move out of government.

NAV CANADA: Creation, Structure and Resources

Client/users supported a corporation with no shareholders or equity capital, financed 100% by borrowing from capital markets. A coalition formed with several user groups and one of the key unions, CATCA, grew until most of

the aviation industry supported a non-share-capital entity. When the Liberals were elected in 1993, a TC minister was appointed whose beliefs echoed the users’.

NAV CANADA was created out of this coalition. The Board of Directors of NAV CANADA draws its 15 members from client/user groups, labour, and federal appointees who neither hold elected office nor are government employees. Ten board members form a “core” representation: four from the commercial industry, representing most of the revenue of the corporation; one from private aviation; three government appointees; and two from unions. These ten select four independent directors at large.

Currently, the commercial industry directors are choices of the Board of the Air Transport Association of Canada (ATAC), a body with wide representation from the aviation community. The interim chair is the President and Chief Executive Officer of ATAC. The appointment of a NAV CANADA Chief Executive Officer is expected in 1996.

The Board of Directors of NAV CANADA and Transport Canada are negotiating the terms and conditions which will govern the transfer of the ANS from government to NAV CANADA control. The federal government will receive “fair market value” for the ANS and the two parties have agreed to a selling price of \$1.5 billion. In the future, airlines and other users will pay NAV CANADA directly for ANS services. NAV CANADA will fully recover expenses and capital asset acquisition from users, including debt servicing costs and any contingency funds required to manage the corporation’s affairs. The government will not guarantee any debt incurred by NAV CANADA.

The federal government will receive “fair market value” for the ANS.

In 1994–95, ANS expenses exceeded revenues by \$200 million. This shortfall is made up from government appropriations.⁶ However, on November 1, 1995, new fees were charged to international flights which enter Canadian airspace, but neither originate nor terminate in Canada. The Canadian aviation community wishes to go after overflight fees, which are charged by most European countries, Australia and New Zealand.

Overflights represent about a third of ANS activities and will initially add approximately \$150 million a year to NAV CANADA coffers. They will provide a reasonably secure revenue source to help bring NAV CANADA to about 100% cost-recovery when it begins business.

⁶ Air Navigation System (ANS) Commercialization Project, Internal Document, Transport Canada 1995.

Core Issues

Safety

TC will continue to ensure compliance with safety regulations by inspecting, certifying and auditing NAV CANADA operations.

Before commercializing the ANS, all necessary regulations will be in place to maintain high safety standards in the new operating environment. NAV CANADA will have an internal safety management function based on sound quality management practices.⁷ NAV CANADA will also be required to demonstrate that service reductions will not jeopardize safety, and the government can direct it to provide new safety services without compensation. Service providers and safety regulators will be clearly separate.

Labour Relations and Human Resources

Some 6,400 personnel will transfer to NAV CANADA. Labour continues to be actively involved in the consultation process.

TC, NAV CANADA and union representatives have agreed that current collective agreements will move to NAV CANADA with ANS employees. The unions consented to removing the work-force adjustment directive from the collective agreements before they cross to the private entity. The corporation will offer the early retirement incentive and the early departure incentive, just as TC would. With NAV CANADA, employees will be under the Canada Labour Code instead of the Public Service Employment Act, and air traffic controllers will gain the right to strike.

Technology

Becoming an NSC corporation is expected to create a more dynamic corporation that is responsive to changes in technology. Users wish to decommission old technology and install new satellite technology once international standards are obtained and aircraft can be equipped.

As a commercial enterprise, NAV CANADA will use retained surpluses or raise money from market sources to fund technical improvements to the ANS. It will not have to compete for scarce resources from a tight treasury.

Users wish to decommission old technology and install new satellite

⁷ Transport Canada's New Direction and the 1995 Budget, Transport Canada, February 1995, pp. 14 and 40.

Accountability

The government will introduce legislation setting out the powers, duties and obligations of NAV CANADA. It will include an approach to economic regulation which will ensure transparency of information, mandatory consultation, a notice period for changes to user fees or services, and an appeal process for redress of complaints about user charges.⁸

It also includes a requirement to “grandfather” services in the North and remote sites. Any changes to services in these areas will require approval by provinces or territories and/or the Minister of TC. NAV CANADA will hold public consultations before undertaking any service realignments at sites not covered by the northern and remote policy.⁹ Some by-laws, such as those respecting changes to governance and accountability, will require written authorization from the Minister of Transport Canada before changes can be made.

Airport operators and third-party users will be co-located with NAV CANADA personnel, including air traffic controllers at municipal, provincial or federal airport facilities. The legislation will provide NAV CANADA with the commercial freedom to interact with these groups.

Economic Regulation

When supply is dominated by a single provider under monopoly conditions, regulation becomes a concern of public, or social, policy. This concern exists for NAV CANADA, which will function as a single commercial monopoly in the delivery of most ANS services.

The government will provide a legislative regulatory framework to protect consumers from potential monopoly abuse without unnecessary regulatory intervention and cost.¹⁰ It will also ensure transparency of information, mandatory consultation, a notice period for changes to user fees or services, and an appeal process for redress of complaints about charges.¹¹

When supply is dominated by a single provider under monopoly conditions, regulation becomes a concern of public, or social, policy.

⁸ News Release: Agreement-in-Principle Reached for Transfer of Air Navigation System, Government of Canada, 8 December 1995.

⁹ Ibid

¹⁰ The Need for Economic Regulation of a Commercial Air Navigation Organization. Discussion Paper No. 3, The Study of the Commercialization of the ANS in Canada. Transport Canada Aviation, 1994. Executive Summary.

¹¹ News Release: Agreement-in-Principle Reached for Transfer of Air Navigation System, Government of Canada, 8 December 1995.

The Transition Process

The earliest possible target transfer date is April 1, 1996, given that legislation must be proclaimed before the transfer can be authorized. NAV CANADA must also get job offers to employees.

On December 8, 1995, TC and NAV CANADA completed an agreement-in-principle on the terms of the transition, including an Employee Transfer Agreement. A major part of these terms, it will ease the transition for ANS employees. Working conditions, benefits and pensions will be identical or similar to those with TC, making unions better able to sell the commercialized entity to employees and ease the transitional process.

Lessons Learned

- ✓ Political will is essential, regardless of the department or function. The Minister of TC placed the commercialization of the ANS on the political agenda.
- ✓ A ministerial deadline is a real motivator. The Minister has said if agreement isn't reached in time, negotiations will stop and other options will be pursued. Meeting deadlines requires working excessive hours, leading to exhaustion.
- ✓ A secure revenue source, approaching 100% of outlays, is essential in selling the ANS as a going concern.
- ✓ From the beginning, an open, inclusive and comprehensive consultation process enabled all parties to reach crucial agreements.
- ✓ An effective board of directors representative of stakeholders is key to transfer negotiations and ensure the credibility of the new entity.
- ✓ The difficulty lies in reconciling the need for confidentiality with the need to keep employees informed.¹²
- ✓ Identify paying customers and other key stakeholders who will influence how the entity will operate.
- ✓ Rely on outside, independent business people, who are experienced in large transactions and deal-making, when undertaking a large commercialization process with departmental personnel.
- ✓ Central agencies allowed the ANS initiative a fair amount of freedom. However, it would be useful if these agencies had general guidelines covering sensitive issues such as human resources. Without such clear guidance, inconsistencies occur in messages sent to unions and stakeholders.¹³
- ✓ Recognize the difficulty of reconciling government social and economic policies, such as services to the North, with specific commercialization objectives.¹⁴

Recognize the difficulty of reconciling government social and economic policies with specific commercialization objectives.

¹² Commercialization of the ANS, Briefing Notes, Transport Canada.

¹³ Ibid.

¹⁴ Ibid.

Summation

Commercializing the ANS is an excellent example of an alternative service delivery innovation. Government does not need to own or operate the ANS to ensure that the public interest is met. It can use legislation, regulation, transfer agreements, financial arrangements and other means,¹⁵ while divesting itself of major operational responsibilities and costs, including capital assets, contract obligations and personnel. In addition, a payment of \$1.5 billion will be forthcoming for ANS assets and \$200 million in tax appropriations will no longer be necessary. Not least, the model meets important objectives for each major stakeholder.

Government objectives of a reduced civil service and a lessening of demand on the tax base are met without increased unemployment or a reduction in the quality of service. On the contrary, employees can enjoy greater career potential, management can exercise greater flexibility, and service to users will be improved while ensuring safety. The model will also increase the ANS's ability to respond to changing demands and new technologies.

NAV CANADA has been whole-heartedly accepted by the aviation industry. It is representative of stakeholders, and the industry will have meaningful input into the use of ANS revenues, the setting of fees, long-term expenditures and service standards.

Overall costs are expected to be reduced within two to three years as private sector management principles take hold, subsidies are phased out and regulations streamlined. The travelling public should also benefit from eventual reductions in delays and costs to airlines.¹⁶

Employees can enjoy greater career potential, management can exercise greater flexibility, and service to users will be improved while ensuring safety.

Exhibit I — ANS Commercialization Timeline

1985	Government begins a major downsizing initiative, which includes a hiring freeze. Air traffic increases by 40%.
November 1991	The Air Transport Association of Canada makes a formal proposal to TC to commercialize air traffic control. ¹⁷
March 1992	The Ministerial Task Force on Aviation recommends ministerial review of an independent status for the ANS.
November 1993	ATAC, CALPA, CATCA and CBAA submit a proposal to the Minister of TC, recommending creation of a not-for-profit utility corporation responsible for all ANS operations in Canada. ¹⁸
February 1994	TC is directed to study ANS commercialization. At about this time, the ANS Commercialization Steering Committee, comprising federal government interests, is formed.
April 1994	The ANS Commercialization Advisory Committee of Stakeholders is established.
August 1994	Canada-wide consultations begin.
November 1994	Six principal users and all affected unions demonstrated support for commercialization in a letter to the Minister of TC.
February 1995	The budget announces that commercialization of the ANS will proceed. The news release states that an interim board of directors is to be appointed to negotiate the terms of transfer to a not-for-profit corporation, and legislation is to be drafted and introduced into Parliament in fall 1995. Consultations are completed, with remarkable consensus achieved among government, business and labour on a proposal to transfer the ANS to a NFP corporation with user representation. ¹⁹
June to December 1995	Government and NAV CANADA negotiations.
September 1995	The signing of the tripartite MOU on employment issues related to the ANS commercialization.
November 1995	Final government review of negotiated agreement, including economic regulatory regime.
November 1, 1995	Overflight charges in place, to be collected by the British Civil Aviation Authority.
December 8, 1995	Announcement of agreement in principle to sell the ANS to NAV CANADA for \$1.5 billion.
December 1995 to February 1996	Legislative process continues. New safety regulations scheduled for publication in the <i>Canada Gazette</i> in December or January.
April 1, 1996	Operation of the ANS by NAV CANADA begins.

¹⁷ How to Spin Off Air Traffic Control, R.W. Poole Jr. The Reason Foundation, Policy Study 166, Los Angeles, August 1993.

¹⁸ Air Navigation Services, A Better Way. A Proposal. ATAC, CALPA, CATCA, CBAA. September 1993.

¹⁹ Transport Canada's New Direction and the 1995 Budget: Transport Canada, February 1995.

Exhibit II — Commercializing the ANS — The Players

ANS Commercialization Steering Committee

A consultation forum with senior TC officials and senior representatives from central agencies and federal departments with which the Aviation Group works closely.

Transport Canada:

Assistant Deputy Ministers:

Aviation (Chair), Policy and Co-ordination, Personnel, Review, Airports.

Directors General:

Public Affairs, Financial Management, Air Navigation System, Aviation Regulation, System Safety.
Project Manager, ANS Commercialization.

Central Agencies:

Privy Council Office, Department of Finance, Treasury Board Secretariat.

Other Federal Organizations:

National Defence, Atmospheric Environment Service.

The Commercialization Advisory Committee

Senior review forum representing the aviation community.

Membership from industry, user groups and employee associations.

Chair: ADM, Aviation.

ATAC	Air Transport Association of Canada
CBAA	Canadian Business Aircraft Association
CALPA	Canadian Airline Pilots Association
COPA	Canadian Owners and Pilots Association
AQTA	Association québécoise des transporteurs aériens
AGAQ	L'Association des gens de l'air du Québec
AIAC	Aerospace Industries Association of Canada
TSB	Transportation Safety Board of Canada
CAC	Canadian Airports Council

The Affected Unions

AOGA	Aircraft Operations Group Association
CAPRO	Canadian Assoc. of Professional Radio Operators
IBEW	International Brotherhood of Electrical Workers
PIPSC	Professional Institute of the Public Service of Canada
UCTE	Union of Canadian Transport Employees
APSFA	Association of Public Service Financial Administrators
CATCA	Canadian Air Traffic Control Association
PSAC	Public Service Alliance of Canada
SSEA	Social Science Employees Association

All the unions signed the tripartite MOU on employment issues related to ANS commercialization with TC and NAV CANADA in September 1995.²⁰

²⁰ ANS Commercialization Project, B-2, B-3.

National Capital Commission Employee Takeover Corporations

Overview

In the fall of 1994, all federal departments and agencies undertook a program review as part of the national deficit reduction program. In order to meet its target reduction of \$21.4 million, or approximately 24% of its appropriations, the National Capital Commission (NCC) laid out a plan to divest land, reduce programs and reduce payroll through commercialization.

The NCC's Strategic Action Plan was prepared for program review and accepted in the February 27, 1995, federal budget. The plan outlines the commercialization of all NCC property and land management functions, with attendant reductions in support and administration over a three-year period, beginning April 1, 1995. It will affect about half the NCC workforce throughout the corporation.

The Commission's executive management decided to commercialize through Employee Takeover Corporations (ETC), thereby preserving the NCC's mandate and responsibility to manage and maintain the physical Capital.

This approach mitigates the impact of layoffs on the local economy, contributes to the diversification of the National Capital Region's economic base, preserves the expertise and experience of NCC employees, and reduces the cost of the NCC program to the federal government.

*Preserving the
NCC's mandate and
responsibility to manage
and maintain the
physical Capital.*

The NCC's Employee Takeover Corporations

- ✓ A service delivery model intended to address dramatic reductions in appropriations while continuing to deliver the core mandate and preserve government employee expertise.
- ✓ The management of complex human resource issues over prolonged downsizing.
- ✓ The issues faced by an organization charting new territory through the implementation of a new service model in the absence of a standardized government framework and/or previous examples.

Background

The National Capital Commission is a Schedule III, Part I, crown corporation, and is a legal entity separate from the Government of Canada. It receives parliamentary appropriations to augment its revenue-generating activities and offset its expenses (78%:22%, respectively). Although it performs its daily operations at arm's length from government, it is subject to the Financial Administration Act and up to 40 other federal acts and regulations. The Commission is a separate employer and is accountable to Parliament through the Minister of Canadian Heritage. Its Board of Directors represents all parts of Canada. The NCC submits a corporate plan each February, and produces a corporate plan summary and an annual report for public consumption each June.

The Commission and its predecessors were created to ensure a Canadian Capital worthy of its role. The National Capital Commission, created in 1958, put into place most of the elements of the Gréber Plan commissioned by Prime Minister William Lyon Mackenzie King. As a result, the parkways, the Greenbelt, Gatineau Park and the urban open spaces took form over the following 30 years. Until the early 1980s, the NCC was a land-focused organization, concentrating on creating and developing the physical Capital. In 1981, a gradual shift emerged towards defining a purpose for the NCC's land holdings with a more overt link to its role in Canadian unity. The 1958 National Capital Act was amended to formally recognize this role in 1988. The NCC's expanded mandate and role received further approbation in 1992-93 with the move from Public Works Canada to the Canadian Heritage portfolio.

Mission and Mandate

The NCC's mission is to promote the National Capital Region (NCR) as a source of pride and unity for all Canadians. Its mandate is to make the Capital a meeting place for Canadians, to support national reconciliation, to highlight and communicate the Canadian national identity, and to safeguard and preserve the Capital's physical assets.¹

Responsibilities

- Prepare plans for and assist in the development, conservation and improvement of the NCR.
- Organize, sponsor and/or promote public activities and cultural events in the NCR.

¹ Corporate Plan Summary, 1995/96 - 1999/2000. National Capital Commission, p. 2.

-
- Co-ordinate government and departmental policies and programs concerning public activities and events related to the NCR.²
 - Optimize the land portfolio for maximum revenue return and minimum cost.

Operational Sectors

- **Planning the NCR:** This sector plans, designs and guides the physical development and use of federal lands.
- **Real Estate Management and Development:** This sector manages and protects NCC's property assets on behalf of Canada.
- **Promoting and Animating the Capital:** This sector presents the Capital as a stage to encourage Canadians to experience Canada's heritage, culture and achievements.³

Support Sector

Corporate Services: This sector provides the NCC's centralized services (finance, human resources, strategic/corporate planning, information management, procurement, materiel management, access to information and privacy, legal, audit, etc.).

Budget and Staffing Cutbacks

Budget Reductions 1985 to 1994

In the mid-1980s, the NCC began to experience annual budgetary reductions. Programs and marginal activities were cut, land was sold and 250 staff positions were abolished. An overall corporate strategy was required to absorb the reductions. As well, the unity mandate, introduced in 1981, was unfunded. By 1994, the Commission had lost almost 40% of its purchasing power.

Funding Pressures in 1994

The NCC has three parliamentary votes: operating, capital, and a budget for property tax payments. The summary of the Real Asset Management (RAM) strategy provides insight into why the capital budget was not available to meet the program review cuts. The tax budget is a fixed and legal obligation. There was no flexibility other than in the operating budget, 60% of which is salaries.

Real Asset Management Strategy

In 1989–90, the Commission undertook a complete study of its land and built-property holdings, costing every aspect of owning and managing its inventory. The result was the Real Asset Management strategy, which was approved by Treasury Board (TB) in 1991. Five years of implementing this strategy helped the Commission balance its budget, but it was evident that this area could not be heavily cut.

² Ibid, p. 2

³ Ibid, pp. 4 and 12.

The NCC needed to develop a corporate strategy when it began to experience annual budgetary reductions in the mid-1980s.

The Commission has always had a structured land-use planning hierarchy which begins, at the highest level, with the Federal Land Use Plan (a framework for all federal property within the National Capital Region), and ends with site-specific plans which guide the rehabilitation and development of Commission lands. In between, there are master plans (Gatineau Park, Greenbelt) and sector plans (Lac des Fees). The NCC also defined the key land holdings required to carry out its mandate through the National Interest Land Mass (NILM), which was approved by TB in 1988.

The RAM strategy is complementary to land-use planning. It was conceived to rationalize land holdings, increase revenue, decrease costs and link the land-use planning functions (e.g., official plan zoning applications) to market transactions and divestitures.

The Real Asset Management Strategy

1. Set standards for land maintenance in various zones of the Capital and determined optimum unit costs for various tasks.
2. Produced condition reports on built properties and civil structures, and determined the size and shape of the backlog of asset rehabilitation work. Identified an eight-year capital works program and funding strategy to catch up on the rehabilitation backlog (together with plans to divest, develop and devolve assets), thereby reducing the rehabilitation need over time.
3. Studied every NCC holding to determine the original purpose of acquisition, the current use, the proposed vocation, interim use and final disposition.
4. Refined the National Interest Land Mass as that group of holdings which must be held on behalf of Canadians in perpetuity.
5. Identified land and other assets (traders) which could be used as a balance sheet with local governments to further the NCC's mandate goals.
6. Identified municipal-like assets to be devolved to local governments based on use by the local population and because they are contiguous to regional road systems; and the ideal window of opportunity, given lifecycle and other considerations.
7. Identified a list of Non-National Interest Lands to be divested at market value.
8. Identified a list of National Interest Lands to be acquired within a stipulated priority sequence.
9. Established portfolio management principles in the management of both built and land assets.
10. Called for a formal lifecycle process to be established within the NCC for land and built assets.
11. Identified development plans for key assets to put out to the private sector (e.g. Chambers).

Once Treasury Board approved the RAM strategy in 1991, the Commission began to concentrate on its implementation and to work through the unfunded backlog of rehabilitation work on its capital assets. TB worked with the NCC to reprofile its budgets and augment its capital funding to support the asset rehabilitation program.

From 1991 to 1994, the Commission stabilized its programs; rationalized land holdings; integrated land use planning with other jurisdictions within the National Capital Region; brought the asset rehabilitation backlog under control through a program of capital works, divestiture, development and devolution; and increased revenue through market rents, sponsorships, partnerships and user fees. Innovative arrangements with local governments helped consolidate the National Interest Land Mass, allowing the trade of federal assets in order to finish parts of the Gréber Plan (e.g., the parkway network). For years, dwindling federal budgets had made completion of the Gréber Plan seem unlikely.

At the same time, a structured program of workforce recommitment training and corporate training was instituted. This program included training in coaching, productivity and leadership skills, and technology.

Program Review 1994

In 1994, the federal government's program review offered a further opportunity, within new guidelines, to examine the Commission's holdings, programs and workforce. It questioned whether the federal government was responsible for a function and what alternative delivery means could achieve the same or better ends.

The key elements of the NCC's Program Review Strategic Action Plan are the Real Asset Management Strategy, the National Programming and Marketing Plan, and the Employee Takeover Corporation initiative — all underpinned by an innovative Human Resource Renewal Program.

Despite the cost-cutting and revenue-enhancing programs, no single or collective strategy could produce the 24% appropriation reduction envisaged in the program review.

Employee Takeover Corporations

In the summer of 1994, the Commission took a bold step. In the four short weeks it took to produce the NCC's Strategic Action Plan, the corporation was forever changed.

In 1994, the federal government's program review offered a further opportunity, within new guidelines, to examine the Commission's holdings, programs and workforce.

Rather than look for the required 5% to 8% cut, the executive determined that the real-asset management function comprised the largest portion of the NCC's budget, and that salaries comprised almost 60% of the operating budget. Coupled with the inflexibility of substantial fixed costs (i.e., grants in lieu of taxes, utilities, rent, etc.), all indicators pointed to the realty sector as the only place to make heavy cuts. This would also allow downsizing in the support and administrative sectors.

The executive decided its mandate and key land holdings would remain intact but service delivery would be re-engineered.

After much soul-searching, the executive decided its mandate and key land holdings would remain intact but service delivery would be re-engineered. The required cuts would come from the operations budget through contracts tendered to, and negotiated with, employee-based private sector corporations. By privatizing the property and land management functions, the Commission could eliminate the support functions (warehousing, shops, nursery, greenhouses, fleet management, etc.), and a significant part of the administrative overhead (materiel management, hourly payroll, 70% of accounts receivable/ payable, etc.). The plan will cut the NCC's workforce in half, with little perceptible change in service to the public.

The reductions amounted to cuts of 24% of the NCC's appropriations. This strategic planning approach yields optimum reductions, not a minimum goal. The executive is committed to the approach, having conceived and defined it, and studied the risks involved.

The NCC Chairman advised his employees of these decisions the day after the federal budget of February 28, 1995. The federal government's requirement for discretion between the September 1994 date of the Strategic Action Plan and February 28 made it more difficult to manage the human resource and labour aspects of this pervasive organizational change. However, that discretion allowed the government to examine all the program review plans for potential conflict before formulating the budget.

The NCC's Employee Takeover Corporation (ETC) initiative, which respects Treasury Board guidelines, has a set of values, a proposal call process, an independent evaluation committee and mandatory criteria which ensure that the companies being formed are held and controlled by former NCC employees. The core issues, key success factors, lessons learned and summary portions of this case study reflect the main issues and solutions related to the NCC's ETC experience. The attached appendices provide supporting documentation on issues such as the proposal call process.

The Union Challenge

Following the NCC's change in status to separate employer, the Public Service Alliance of Canada (PSAC) was certified as bargaining agent for all its employees in January 1995. On February 3, PSAC served notice to bargain. On February 28, the federal budget confirmed the NCC's downsizing plan and on March 1, the NCC Chairman told his staff their future.

On March 24, PSAC filed two complaints with the Public Service Staff Relations Board (PSSRB), alleging anti-union animus on the part of the NCC in its downsizing plan and contravention of the Public Service Staff Relations Act. These allegations turned on whether the March 1 announcements made by the NCC constituted a fundamental change in the terms and conditions of employment while collective agreement negotiations were underway, and whether the NCC had targeted unionized workers in its reduction plans. The Commission agreed to put in place a no lay-off policy until the PSSRB made its decision, in exchange for continuing its ETC proposal call process.

On October 16, 1995, the PSSRB decision was rendered in favour of the NCC, whose case hinged on its ability to demonstrate that the budget reductions were directly related to deficit reduction. The NCC's evidence proved that a "prior pattern of the employment relationship" did include layoffs.

The Current Situation

The Commission has completed phases one and two of its ETC proposal call process and is in contract discussions with six would-be ETCs. A program submission to Treasury Board, outlining all aspects of the ETC process, received approval on December 17, 1995. A submission for the six contracts was put before TB ministers in February.

Two packages were orphaned in the process as their proponents did not qualify in the detailed proposal stage. Property Management and Leasing were tendered to the private sector the week of January 15, 1995, and work is continuing on the Gatineau Park package with plans to tender it to the private sector this fall.

Core Issues

Part A: The Process Must Be above Reproach

The NCC ETC proposal call process was designed to achieve a number of things. It must ensure that the work being offered was available to all NCC employees; that the process was fair, equitable and consistent with commonly used government regulations; that it was at arm's length from the operational Vice Presidents, the General Manager and the Chairman; that an independent

The Commission has completed phases one and two of its ETC proposal call process and is in contract discussions with six would-be ETCs.

committee of experts judged the proposals received from ETCs; that specifications were written so that a novice entrepreneur could bid; and that every type of support was provided to the proponents at each stage of the process so they could bid in an informed manner.

1. **The Directed Contract** Central to the ETC concept is the fact that the budding corporation will receive a directed contract from the government. The contract length is based on an estimate of how long it will take the ETC to stabilize as a business, to diversify its client base, and to adjust to private sector market and business demands. Once the initial period is over, the work will be tendered competitively on the open market.
2. **Specifications** The specifications for the ETC proposal call must be written to provide not only the necessary information but also to ensure that proponents who are unfamiliar with this bidding process understand their rights and obligations.

The detailed proposal call documents are broken into three distinct sections:

- The mandatory requirements which, if not met, disqualify the bid.
 - The legal obligations, which the NCC suggested a lawyer review for the ETC.
 - The business plan, which was drawn up by a private sector accounting firm to guide the proponents through the bid requirements so no disqualifications would occur because of misunderstood specifications.
3. **Mandatory Requirements** The NCC's mandatory requirements include:
 - 51% of the ETC's shares must be owned by former NCC employees for the duration of the directed contract.
 - 51% or more of the workforce must consist of former NCC employees for one year.
 - The principals/owners must own at least 33% + 1% of the available shares.
 - All ETC employees may acquire and retain voting shares and participate in ETC profits.
 - Current NCC operating costs must be reduced by 20% to 25%.
 - The maximum number of contracts available to one ETC is one large and/or two small.
 4. **Independent Experts** The expressions of interest (Phase One) and detailed proposal call (Phase Two) were evaluated by an independent jury of experts: a lawyer from the National Capital Region, a Vancouver real-estate developer, and a Toronto-based consultant who has experience with ETCs. They evaluated the proposals based on several criteria and their own expertise and experience; they interviewed the proponents; and they produced board reports recommending the viable ETCs. The NCC's

The expressions of interest (Phase One) and detailed proposal call (Phase Two) were evaluated by an independent jury of experts.

Executive Management Committee (EMC) could accept or reject the recommendation, but could not reverse or alter it in any way. The EMC accepted the jury's recommendations that six ETCs were qualified to enter into contract discussions with the Commission and two were rejected.

5. **Financial Support** During the detailed proposal process, the proponents were given financial support from the NCC. For large proposals, the proponents received up to \$10,000, and smaller proposals received up to \$5,000 to pay for lawyers and accountants.

These figures represent a portion of the real cost associated with hiring such expertise. The NCC's decision to do this was crucial to the success of the proposal call process. The corporation wanted to even the playing field to ensure that the ETCs got advice and guidance to complete their bid and to understand their obligations and rights throughout the process. Without this intervention, the NCC might encounter difficulty in enforcing its ETC contracts, as recent case law indicates that the two parties to an agreement must reasonably be expected to have equal value and power.

6. **Banking Institutions** The NCC discussed the ETC initiative with the "big five" banking institutions. This may have helped ETCs to get an audience with their bankers, although the NCC did not offer collateral or other guarantees. The ETC business plan had to stand on its own merits. One of the NCC's risk management criteria was a promise of funding from a reputable banking institution.
7. **Closed Sale** ETCs will be allowed to participate in a "closed sale" to acquire the equipment and materiel they require — from NCC stocks, should they wish. The closed sale is similar to the NCC's twice-yearly auction, except it will not be open to the general public. The value of assets is established using methods long employed by the Commission to ensure that it is divesting of its used assets at a fair price. As well, a cash-and-carry outlet will make available new and used NCC assets and materiel at fair market value. This approach helps the ETCs with their start-up costs by reducing the need for upfront capital without subsidizing them, and it helps the NCC to divest itself of large assets.
8. **Ongoing Dialogue** An ongoing dialogue with the Chief of Procurement throughout the process helped proponents get answers to their many questions (several hundreds of questions were answered, in writing, during the 60-day proposal period). Formal addenda to the proposal call documents were issued for clarification and adjustment if an element of the NCC's specifications inadvertently ran counter to the overall corporate goals and values of the exercise. The ETC proponents showed considerable business acumen throughout the process.

The value of assets is established using methods long employed by the Commission to ensure that it is divesting of its used assets at a fair price.

Part B: Trade Law Consideration

The NCC's land management functions are exempt from the North American Free Trade Agreement, but the property management functions are not. Executive management chose to include that property function in the ETC process in order that it be equitable to all employees in the real-asset management sector, because it is not a very large package of work, and because the NCC building portfolio is difficult to manage. The problem became moot when the property management ETCs did not qualify in the detailed proposal stage.

Initially, the Agreement on Interprovincial Trade looked problematic, but the Department of Justice recently issued a notice which appears to accommodate the ETC process.

Part C: Accountabilities

The General Manager, Chairman and Executive Management Committee made the program review decisions and submitted the Strategic Action Plan to the government.

The Vice President of Strategic Planning and Information Management (SPIM), a staff position, was named as the manager of the NCC's entire Program Review process to ensure objectivity and to guarantee arm's length status for the rest of the Executive Management Committee.

The Program Review Implementation (PRI) Group, which includes about 10 NCC staff from all levels of the organization and vice presidents, manages the implementation on a daily basis.

The group meets weekly for six to eight hours to discuss operational decisions. It also determines policy, direction, controls and audit trails, and examines organizational issues and structures related to Program Review implementation, particularly as these apply to the ETCs. The Junior PRIs — the working level of the group — meet frequently to implement the complex strategy. The full EMC approves policy decisions and receives regular updates from the VP of SPIM on behalf of the implementation group.

Part D: Human Resource Management

Human resource issues are at the heart of the ETC strategy. The NCC made a sincere commitment to treat employees in an equitable and humane manner, as reflected in a clear and transparent communication plan, through support to the ETC process for the proponents, and through information updates for the staff. Further, they provided outplacement services and job-finding support to all affected employees (reverse job fairs, electronic

Human resource issues are at the heart of the ETC strategy.

employment board, job centre, counselling, financial advice, guidance, up to \$2,000 for retraining, and formal outplacement services).

The NCC, as a separate employer, has its own version of the government's Early Departure Incentive. The corporation negotiated with Treasury Board for the same benefits as were available to civil servants. The NCC agreed that its overall buyout package would not exceed the benefits given to public servants. The NCC's original four-year Strategic Action Plan allowed the corporation to pay its own way, including all downsizing costs, because the financial plan called for more layoffs each year to cover the cost of the next year's departures. The government reduced the timeframe to three years, thereby reducing the amount of money available for buyouts, but offered \$5.9 million to help cover the corporation's shortfall.

The NCC also negotiated for the Early Retirement Incentive because the corporation meets the criteria of a "most affected" organization, and because its employees pay into the same pension fund as do public servants. Treasury Board eventually agreed, thereby helping the NCC to downsize as people volunteered to retire early.

The Treasury Board guideline on Employee Takeover Corporations states that the principals/owners of ETCs not receive a buyout package on departure; they must resign in order to be eligible for an ETC contract. However, NCC workers who get a job with an ETC will still receive a buyout because they may not be offered comparable jobs. Rates of pay, pension and other benefits may not be within the means of a start-up ETC, and workers may lose income. The ETCs will not pick up all NCC employees, and in order to reach the 25% economy factor built into the NCC's proposal call, they will have to find efficiencies in every area.

Key Success Factors in the ETC Experience

1. Corporate Leadership

The organization needs the right leader at the right time. This person must set the course, take decisive action and hold the tiller steady. The leader must ensure there is an appropriate balance between support to, and viability of, the ETCs. He or she must put the right combination of talent into the transition and implementation teams, and must talk to staff at regular intervals so the organization knows the strategy is real and progressing.

2. Choices

Although it is possible to commercialize almost any function within an organization, success depends on the choices made and the amount of instability the organization can sustain. The organization should consider its

Although it is possible to commercialize almost any function within an organization, success depends on the choices made and the amount of instability the organization can sustain.

core competencies, and the initial and ancillary impacts of functions chosen. For example, does a function chosen for commercialization have a direct impact on a core competency and is that risk too high? Is there a logical sequencing to commercialization decisions? Is the ETC model most advantageous, or would outright privatization or contracting to the private sector better meet the goals?

The principle of treating people humanely must be posited early in the downsizing process.

3. Humane Treatment of Employees

The principle of treating people humanely must be posited early in the downsizing process. Management must walk the talk, follow through with promises and obligations, be consistent and err on the side of the employee. Central to the success of managing the “survivors” is the manner in which their colleagues are treated during the downsizing period. Survivor trust, loyalty and productivity are critical to the organization’s stability.

4. Strategy Framework

The executive management group must have a strategy framework in place, state their value system and make difficult decisions quickly, based on operational, financial and human factors.

5. Staff Communication

The strategy must be disseminated to all staff at the earliest possible moment. Although executive managers determine the future mandate and structure of an organization, the senior and middle managers who will implement it must be involved early in the process. The organization must “hyper-communicate” throughout the process to dispel misunderstandings and to ensure compliance with and enthusiasm for the chosen strategy.

6. Union Relations

Unions should be involved in the process as early as possible.

7. Defensible Process

A clear, auditable process of strategy implementation must be in place. In the ETC model, this must include tendering and evaluation of the proposed ETC contracts which follow existing contracting regulations and which are above reproach. In designing and following this process, one must always consider the social and economic factors, as well as the stated objectives.

8. Proposal Call Documentation

Care must be taken to tailor the proposal call process and documentation to guide novice entrepreneurs through a very complex set of legal and technical requirements.

9. Independent Panel of Experts

It is crucial to keep the proposal call process at arm's length from the operations managers and the CEO/CAO. Once the organization has set out mandatory criteria, technical specifications and a business plan format, a group of independent experts can evaluate the proposals and apply their private sector expertise in the areas of business and banking standards. The panel must recommend which ETC teams should proceed to the contract discussion stage. Organizational experts then conduct the contract discussions as they would with any private sector tender call; there can be no illusion of subjectivity. The people who are going to manage the contract for the organization must discuss their expectations with the ETC proponents in order to sign the contract.

It is crucial to keep the proposal call process at arm's length from the operations managers and the CEO/CAO.

10. Proponent Support

It is imperative that novice entrepreneurs receive reasonable help and support on all fronts. They need clear, uncomplicated specifications and advice on their responsibilities and obligations; they need a reasonable amount of time off to complete their proposals; they need professional accounting and legal advice during the bidding process; and they need the understanding and support of their supervisors while they go through the process (alternative work schedules, etc.).

Employees need human resource management support during a major downsizing to help them through the transition (e.g. job-finding, résumé support, legal/personal financial advice, job fairs, etc.).

Lessons Learned

- ✓ **Working with Central Agencies** It is very important for organizations embarking on a downsizing process through the ETC model to have a mutually supportive, flexible and positive relationship with Treasury Board. The process requires many policy discussions and support from the senior ranks of central agencies.
The organization should determine its strategy, organize its implementation plan and present it to TB, together with case evidence of the value of the approach. It is not useful to ask permission from the Board each step of the way. Even within fairly prescriptive guidelines, each situation is different and requires a case-by-case approach with the central agencies.
- ✓ **PSSRB Decision** This decision could be useful to other government organizations because it validates the program review exercise. However, the NCC is a crown corporation which was in a collective bargaining stance at the time and therefore may have been in a unique position.

-
- ✓ **Stabilization** Even if all phases and aspects of a massive downsizing plan are carried out on time and as planned, it is difficult to evaluate the secondary effect of the exercise on the people who conceived it, who implement it, and who are affected by it. Stress-related illness may proliferate. There is usually a brain drain of people with top skills who are not affected, but who dislike the discontinuity and want a more stable environment. Guilt, remorse and other strong emotions prevail, and the final toll is hard to predict.

Summation

The NCC has reached contract negotiations with six ETCs from its original goal of putting eight packages of work into the private sector through employee companies, making it one of the most advanced organizations in the federal government delivery model.

The NCC has avoided many pitfalls associated with ETCs by defining a clear model and process and adhering to it. As yet, there is no standard model for government. There is no question that simple contracting out to the private sector would achieve some of the goals established for ETCs, such as the provision of the same service level at reduced cost. However, contracting to the private sector cannot meet the “softer” social goals of the ETC model, e.g., maintaining government expertise; finding jobs for displaced workers; diversifying the employment base of the region in which the ETC is founded; and mitigating the ancillary economic impacts of a large, single-skilled group of unemployed workers.

From a human resource perspective, the ETC is not a panacea for budding entrepreneurs as statistically, less than 10% of the population is suited to entrepreneurial pursuits. Basically, an ETC satisfies that spirit within the people who form, fund and manage the ETC. The majority of those affected just want to stay employed.

The NCC’s ETC experience has provided work for approximately 45% of its “first wave” workforce. As such, it can be judged to have met the goals set by NCC executive management as it developed its strategy.

The issue of ETC competition with the private sector is an important one. In the National Capital Region, a group of business people from diverse backgrounds have bonded together to help ease the effects of federal government downsizing. The Regional Economic Diversification Opportunities (REDO) group reasons that, since the NCR is the hardest hit area in the country, the private sector will suffer from the fallout if they do not actively seek to integrate former public servants into the business community. A recent REDO paper tabled with Treasury Board indicates that

The NCC’s ETC experience has provided work for approximately 45% of its first wave workforce.

the business community considers the ETC model viable and acceptable. Their report offers suggestions to the evolving Employee Takeover Corporation policy currently being drafted by Treasury Board.

A Final Word on Balance

The success or failure of the NCC's ETCs will be determined by others.

The final chapter will be written after the first year or two of operation, after the first competitive contracting experience or after one of the ETCs grows successfully or fails. It is important for those who will evaluate the exercise to look for the balance between favouritism and viability. Without a rigorous process, mandatory criteria and independent evaluation, the NCC could not have judged the level of risk involved with the ETC model, nor could the corporation have withstood public scrutiny. Without a certain amount of guidance, counselling, employment advice, funding for expert support, bidders' conferences, site meetings, hundreds of questions answered, and consistent written communication throughout, the ETC proponents could not have prevailed.

The NCC attempted to strike the ideal balance between favouritism and viability in order to protect the corporation and the federal government from risk, while helping the ETCs begin their private sector careers.

The final chapter will be written after the first year or two of operation, after the first competitive contracting experience or after one of the ETCs grows successfully or fails.

Vancouver Airport: Making the Most of Local Autonomy and Authority

Overview

Why should profitable government-run operations be transferred to private-sector interests? Because, under the more flexible rules and creative approaches possible with private management, these enterprises can become more efficient, more profitable and more responsive to their clients. At the same time, they can remain a lucrative source of government revenues, a responsible corporate citizen and a secure employment base for the community. The Vancouver International Airport is a case in point.

Background

In 1988, the federal government developed Fundamental Principles for the Creation and Operation of Canadian Airport Authorities to prepare to transfer four airports — in Vancouver, Calgary, Edmonton and Montreal — to not-for-profit private sector interests. Negotiations were conducted with the Vancouver International Airport Advisory Group, supported in part by the Department of Western Economic Diversification; they were concluded successfully in July 1992.

The transfer of Vancouver International Airport involved approximately 250 public servants and a negotiated lease arrangement requiring the new Authority to pay the Government of Canada a base rent for the use of the airport, which remains the property of the federal government, and a sliding scale of additional rent based on the revenue generated by the airport.

Responsiveness to Client Concerns

They know they are dealing with the people who can make the decision.

— Frank O'Neill
Senior Vice-President, External Services

Making the Most of Local Autonomy and Authority

The Vancouver International Airport Authority demonstrates that profitable government-run operations transferred to private-sector interests can become more efficient and more profitable. At the same time, they can remain a lucrative source of government revenues, a responsible corporate citizen and a secure employment base for the community. The result can be private enterprise — in the public interest.

The case study suggest the following guidelines for creating an alternative service delivery model:

- ✓ Removing government-imposed constraints can make consultations and negotiations with client groups more meaningful.
- ✓ Private enterprises can take advantage of new flexibility in managing their business partnerships.
- ✓ Streamlined and localized decision-making can help improve operations and profitability.
- ✓ By treating improvements to assets as investments instead of costs, management has additional and critical flexibility in a profitable enterprise.
- ✓ With an appropriate ground lease arrangement, efficiency and revenue gains can benefit the Canadian public.
- ✓ Invest in your most important assets.
- ✓ Take a win-win approach to union-management negotiations if possible.
- ✓ Work for public policies that will support your efforts.
- ✓ Build on your comparative advantage.

We have business partnerships; this is not a landlord-tenant relationship as it was in the past.

We have business partnerships, with Transport Canada, the airlines and the public; this is not a landlord-tenant relationship as it was in the past.

— Richard Koroscil
Director, Airport Operations

The new airport Authority's board of directors includes representatives of the accounting, legal and other professions, the private sector, the cities of Richmond and Vancouver, and the Greater Vancouver Regional District. They must ensure that the airport is run with business acumen and in a way that is responsive to the needs of the region's people and industries. Airport management believes that this model is much more responsive to the community. The Director of Operations notes that people are interested in how their local airport is run and want to have input to major decisions.

The Authority has continued the work of local citizen committees established by Transport Canada to monitor noise levels around the airport and to address environmental concerns. While the Authority also consults with the public, the airlines and the vendors who lease space in the terminal — as did Transport Canada when it managed the facility — it is now able to do so with an independence and flexibility that was not available to the former government managers.

For example, when Transport Canada consulted with the airlines on the possibility of building a new terminal, Treasury Board's user-pay/user-say philosophy required Transport officials to have all airlines approve the plans. This meant that the department had to accede to last-minute demands by the airlines. Frank O'Neill, the Authority's Senior Vice President, External Services, notes that this meant the airport's managers could not always make rational business decisions: now the Authority's clients know they deal directly with the decision-makers. The autonomy makes the processes of consultation and negotiation meaningful and important.

Like any airport administration, the Authority negotiates the fees charged to airlines and to vendors located in the terminal buildings. The airlines have responded well to fee levels, perhaps because they now know that the fees stay in Vancouver. The vendors have also responded well to the requirement of selling their goods and services at street value, rather than at the inflated rates usually charged by airport vendors; they must also meet quality standards. In return, they are able to obtain longer leases than before, and access an expanding clientele.

Streamlined Decision-Making

Local authority gives a private enterprise the vigour to pursue projects that are important to the community.

— Frank O’Neill

It is much easier to get things done now. We don’t have to spend months and years justifying each action and decision.’

— Richard Koroscil

It is much easier to get things done now.

We don’t have to spend months and years justifying each action and decision.

The Authority is implementing a major building program to increase and improve its operations and is consulting with the airlines and the public in the process. One major improvement — the addition of a third runway — had been planned about 15 years before the Authority came on the scene, a time period typically required for such an undertaking.

The Authority completed the planning for a new terminal in record time. The terminal was needed five years ago, but constraints on government expenditures meant that Transport Canada could not build according to need. As a government-run operation, the Airport had not been able to seek bank financing to improve the facilities. Instead, the investment would have been considered an expense to be financed by public borrowing. In times of fiscal restraint, this is clearly a hard sell in government. Private bankers, in contrast, had to be convinced only that the expansion would enhance profitability in an organization that could afford to repay its lenders.

Vancouver’s new terminal will be larger than Terminal 3 in Toronto but cost \$200 million less. It will be completed by summer 1996, a rate much faster than Toronto’s. The Operations director, a former public servant, feels that the quick decision-making and action on the new terminal were possible because “It is much easier to get things done now. We don’t have to spend months and years justifying each action and decision.” In the past, expenditure decisions on an airport expansion and improvement would have been balanced by regional equity concerns that could involve processes and interests outside the region: Why should Vancouver be upgraded if Toronto or Montreal or Calgary are not? The decision is now based on conditions in Vancouver alone, and is made by the Authority’s management and Board of Directors. Decisions must be acceptable to the Board, be sound business actions and responsive to the needs and preferences of the community.

In the design of the new terminal, the Authority adopted the concept of a common-use facility for airline ticket counters, instead of the dedicated counters installed in airports across the country. The innovative design will provide the same level of service in 20-30% less space.

*We've made a
commitment to end
user fees in seven years,
when our loans are
paid off.*

The Authority is also planning improvements to the existing terminal to bring it up to Code for fire and earthquake protection, and to remove asbestos. This \$150-million investment is another expense that government could not afford.

Creative Financing — By the Authority and the Government of Canada

We've made a commitment to end user fees in seven years, when our loans are paid off.

— Gordon Lancaster, C.A.

Senior Vice-President and Chief Financial Officer

The Vancouver Airport Authority is making lots of money. While profits began improving significantly in the last year of Transport Canada administration, the steep rise is gaining strength under private-sector operations. The trend is evident in the airport's operating surplus and revenue per passenger, as described below.

A Steadily Improving Bottom Line

Vancouver International Airport's bottom line can be determined by subtracting its operating and other expenses from its gross revenue. Under both public and private administrations, the airport has paid fees to Transport Canada; these fees are added to the net earnings to obtain an adjusted surplus. Adjusting the publicly run airport's net surplus by adding the fees paid to Transport Canada for air traffic control services and for regional and national management services yields an adjusted surplus of \$33 million for 1990 and \$40 million for 1991. Similarly, adding the Authority's ground lease fees to its earnings from operations yields an adjusted surplus of \$48 million for each of 1992 and 1993, and \$53 million for 1994.

More Efficient Operations

Calculation of the airport's revenue per enplaned and deplaned passenger shows a similar pattern: the airport earned \$6.74 per passenger in 1990 and \$8.15 in 1991. Under the Authority, this revenue climbed to \$8.67 in 1992, \$8.50 in 1993 and \$8.89 in 1994. This measure demonstrates whether operations are becoming more or less efficient by controlling for the impact on gross revenues of Vancouver's steady increase in passenger traffic.

As a not-for-profit corporation, the Authority is able to plough its earnings back into operations and airport improvements. In addition, the Government of Canada benefits from the \$32 million a year — which will grow as the airport's revenues grow — paid by the Authority under the negotiated lease arrangements. The Chief Financial Officer estimates that the sliding-scale

arrangement will result in hundreds of millions of dollars being paid to the federal government over the next several years.

The Banks Finance and the Users Pay

The new corporate structure has given the Authority much more flexibility in financing the airport expansion. The Authority obtained a standard construction loan for part of the construction cost and a second bank loan for the balance. It may also be able to gain long-term financing for its plans by being rated, as a utility would be, on the Canadian bond market.

The Authority introduced user fees to finance the new terminal. All air travellers pay a \$5 fee for travel in the province, \$10 for travel within North America, and \$15 for each trip elsewhere in the world. These fees generated about \$32 million in 1994. Although they had been explained to the public in advance of their introduction, they brought howls of complaint. Indeed, during the first six months after their introduction, the Authority's senior managers were on call until midnight each day to respond to customer complaints. As the Authority has consistently explained that the money was being used only to expand and improve the facility, complaints have decreased to about 0.005% of the travelling public.

The new corporate structure has given the Authority much more flexibility in financing the airport expansion.

Why Are All Those People so Happy?

It's exciting now. It used to be just a job.

— Ron Gilroy

Local President

Public Service Alliance of Canada

We can promote from within or hire from outside; you don't get ahead now because you've been here a long time, you get ahead by hard work.

— Richard Koroscil

When approximately 250 Transport Canada employees transferred into the newly established Vancouver International Airport Authority, they had guarantees of two years without layoffs and fringe benefits comparable to those they enjoyed in the government. Three years later, they have substantially higher salaries, more extensive benefits and better training. The Authority is able to determine how much of its own revenues should be allocated to pay salaries and benefits; it is not tied to a national austerity policy or to a bargaining process managed by another government department in Ottawa. Instead, it was able to pay its employees market-rate salaries, comparable to industrial wages in the region. These wage rates are considered more appropriate to the cost of living in British Columbia's lower mainland.

We can promote from within or hire from outside; you don't get ahead now because you've been here a long time, you get ahead by hard work.

The former public servants also have more colleagues; the airport now employs about 285 people, a net increase of about 75 employees. And 41 fire fighters were transferred to the Richmond Fire Department, doing the same work for the airport at much better pay.

The President of the Public Service Alliance of Canada (PSAC) local says that the evident success of the airport and the sense that their jobs are secure has contributed greatly to people's satisfaction with working for the Authority. So has the Authority's professional management. Union-management relations were aided greatly after the 17 contracts formerly administered by PSAC were consolidated, through difficult negotiations, into a single four-year contract for all of the Authority's unionized workers. The union is satisfied that it was able to negotiate much better pay scales for its members than the frozen rates they received as public servants.

The union and management discuss problems as they arise, in formal consultative processes. They are also able to flag issues likely to be the subject of negotiations in the next contract round, scheduled for 1997. The union is focussing on a win-win negotiating style for these everyday matters and hopes that increased responsibility can be delegated from union headquarters to the local to determine the preferred working conditions for local members. The union supports management efforts to move toward multi-task trades personnel, to the extent that the training required to enable workers to be proficient in more than one trade makes each worker more valuable to the Authority and therefore more secure in his or her job. It is also asking for a performance review process that will focus on training and career development.

Can We Do This Elsewhere?

Smaller airports will have to develop their real-estate potential as well as air traffic to do well. Abbotsford Airport makes money this way; so do Nanaimo and Edmonton Municipal.

— Gordon Lancaster

The people who are so happy with conditions at the Vancouver International Airport Authority are also well aware that it is easy to be happy when one is making money and in a secure job. They acknowledge that smaller airports aren't reaping the same advantages from Canada's "Open Skies" policy and don't have the geographic advantage of being the gateway to the burgeoning Pacific Rim.

In an example of innovation to build on the inherent strengths of the region, the Vancouver International Airport Authority worked to have Canadian policy revised in a way that would benefit the airport as the gateway to and from the Pacific Rim. Working with representatives of the airline industry and officials from Citizenship and Immigration Canada, the Authority was successful in having visa requirements lifted for Koreans visiting Canada. This led to increased passenger traffic through Vancouver for people travelling from Korea to Canada and the United States.

The Chief Financial Officer points out that there are many ways for airports to make money. He suggests that other airports can benefit from being privatized if they find a profitable niche for themselves by being the air base for courier companies — for example, for just-in-time delivery of medical shipments and pharmaceuticals — or for other manufacturing and aircraft servicing.

Gordon Lancaster cites the example of Abbotsford Airport, which has become the base for Conair water-bombers, the pre-eminent provider of planes used in fighting forest fires. The revised conditions set by the Government of Canada for airport transfers will enable other airports to make money by such creative arrangements. Vancouver is constrained from doing so because of the high fees that would be payable to the federal government on alternative uses of airport lands, a set-up that was established for the first round of airport privatizations to protect airport lands from unreasonable and inappropriate development.

Frank O'Neill cautions that not every Canadian airport will be commercially viable. He considers that Canada probably has too many commercial airports and that some will be unable to survive on their operating revenues. He notes that the hinterland has more limited opportunities and that not every small airport will be able to find a profitable operating niche.

Lessons Learned

- ✓ By removing government-imposed constraints on consultations and negotiations, these processes take on additional meaning and significance in privately run operations.
- ✓ Private enterprises can take advantage of new flexibility in managing their business partnerships. Private sector operations can introduce potentially negative requirements, such as street pricing requirements for vendors, and make them positives by offering other benefits in return.
- ✓ Consider the impact of freeing operations from 'political' concerns that can constrain actions in government-run enterprises. Streamlined and localized decision making can help improve operations and profitability.

Smaller airports will have to develop their real-estate potential as well as air traffic to do well.

By treating improvements to assets as investments instead of costs, management has additional and critical flexibility in a profitable enterprise.

- ✓ Efficiency and revenue gains can benefit the Canadian public. Through effective negotiations, the government can reap benefits for all Canadians even as a newly privatized enterprise makes a large profit.
- ✓ Invest in your most important assets. Invest in people by negotiating appropriate wage scales, and by offering training to increase workers' satisfaction and their value to the enterprise.
- ✓ Take a win-win approach to union-management negotiations if possible. While both sides must and will negotiate for their best interests, union and management can be partners in building a successful and profitable enterprise.
- ✓ Work for public policies that will support your efforts. Work aggressively to effect change in domestic and international policy that will help build your client base.
- ✓ Build on your comparative advantage. Find a profitable niche and exploit it by attracting new business that will benefit the airport and the community.

Conclusion

Private-sector management, governed by a board of directors that is responsive to the community and by operational principles that protect the public interest, can make profitable government enterprises more efficient. With provisions to compensate the Canadian government for its investment in the enterprise, that profitability can translate into increased revenues for the federal government. The result can be private enterprise in the public interest.

Forintek Canada Corporation

A Case Study in Federal-Provincial-Private Sector Partnerships

Overview

In 1979, the Eastern and Western Wood Products Laboratories of the Canadian Forest Service (CFS) were privatized. The federal government invited the provinces and the private sector to help underwrite a new, not-for-profit organization — Forintek Canada Corp. — which would carry on the work CFS had done in-house. Today, Forintek is recognized world-wide as a centre of excellence in forest and wood products research. It operates state-of-the-art research facilities in Vancouver and Sainte-Foy, Quebec, with satellite centres in Edmonton and at Carleton University in Ottawa. With a staff of 130 scientists, engineers and technologists, Forintek delivers high-technology services in both official languages to wood products manufacturers across Canada and to the federal and provincial governments.

In 1994, the wood products industry directly employed approximately 242,500 people (indirect employment is estimated to provide a further 727,000 jobs), shipped goods worth \$46.9 billion and added \$29.3 billion to Canada's balance of trade. Traditionally, the industry relied on the quality and abundance of the Canadian fibre supply to maintain a dominant position in world markets. For the past decade, however, product and process innovation have become key to competitive success. In 1995, Forintek's \$15-million National Research Program accounted for nearly 60% of the industry's basic research and development work.

The Rationale for the Forintek Partnership

Forintek brings together a critical mass of technical and scientific talent. Few, if any, companies could maintain an R&D establishment of this size; nor does any single government require so large a research capacity. However, the research partnership generates significant economies of scale which allow the partners to draw benefits substantially in excess of their contributions.

Forintek Canada Corp.

- ✓ Forintek is a unique partnership which involves the federal government, six provincial governments and 150 private companies.
- ✓ The partnership delivers "private services" to corporate members and a range of "public services" to/on behalf of multiple federal and provincial government departments.
- ✓ The partnership has delivered value for money to the partners.
- ✓ The Forintek story holds useful lessons about privatizing government research facilities.

Over the long term, partnerships are sustained by delivering results which the partners value. A 1994 evaluation study commissioned by CFS clearly demonstrated that Forintek has met this test. It concluded, for example, that Forintek's research efforts have produced "several hundred million dollars in public and private benefits over the past decade" and recommended that "notwithstanding current government fiscal restraints, federal funding support for Forintek should be maintained."

The study also tried to gauge Forintek's performance from an industry perspective and found that more than 9 in 10 clients indicated they were either very (59%) or somewhat (37%) satisfied with Forintek's services. Further evidence of Forintek's ability to deliver results to the wood products industry is in its growing membership base and the successful implementation of a 35% fee increase in 1995.

There has been no formal evaluation of provincial government satisfaction with the Forintek partnership. However, their active participation in decision-making structures as directors and members of the National Research Program Committee and the five technical advisory committees, and the substantial capital contributions of B.C. and Quebec (more than \$17 million) toward new laboratory facilities indicate that the provinces are getting what they need out of the partnership.

Wood Products Research: A Public Service?

At first glance, the connection between wood products research and "public service" may seem remote. However, when the end use of the research is taken into account, the public service dimension becomes quite clear. Governments use Forintek to pursue a number of public policy goals, including public safety, economic development, access to international markets and environmental protection.

Under its funding agreement with the CFS, Forintek is held accountable to discharge a range of legislative responsibilities established under the Natural Resources and Forestry Acts and to address other government priorities. For example, Forintek:

- Provides Canadian trade officials with the expert technical backing they require to negotiate trade agreements (e.g., the Canada-U.S. Free Trade Agreement and the North American Free Trade Agreement) and to defend Canadian interests in trade disputes, which may threaten export sales worth hundreds of millions of dollars.
- Develops, submits and defends the scientific test data required to achieve certification for Canadian wood products under foreign building codes (e.g., Japan and the U.S.A.), thus opening multi-billion dollar export markets.

Governments use Forintek to pursue a number of public policy goals.

-
- Establishes performance criteria for wood products under the Canadian and provincial building codes to ensure public safety and the quality of the building stock.
 - Addresses federal and provincial industrial development priorities by transferring new technology to small and medium-sized enterprises.
 - Assists wood products manufacturers to minimize waste and maximize value-added, thereby reducing pressure on the forest stock.
 - Developed a leading-edge environmental assessment technology which gives governments the data necessary to align building codes, procurement and other policies with Canada’s overall environmental priorities.

For examples of specific Forintek activities in support of government priorities, see Appendix I.

Many of Forintek’s public service activities also deliver benefits to Forintek’s member companies and may address provincial government priorities (e.g., industrial development, support to small business through technical services and training programs, consumer protection and environmental sustainability). This convergence of federal, provincial and private sector interests underlies the Forintek partnership and drives the National Research Program. The three partners share in both the costs and benefits.

For examples of typical member benefits of Forintek activities, see Appendix II.

The Decision to Privatize: Rocky Beginnings (1979–84)

In 1978, with its deficit pushing \$13 billion, the federal government launched a \$2-billion expenditure reduction program that would trim 5,000 people from the federal payroll. One line item in the announcement proclaimed the government’s intention to “privatize Ottawa and Vancouver forest product development laboratories with supporting federal contributions, if necessary.”

The plan called for a \$4-million federal contribution in the expectation that the provinces and wood products industry would finance the remainder of the new Forintek Canada Corp.’s \$7.3-million research budget.

The caveat “if necessary” proved to be not only prophetic, but seemed also to reflect a lack of strategic forethought about the whole exercise. There were no solid commitments from the provinces or industry to top up the federal contributions, nor did the seven months between the announcement and launch date afford sufficient time to deal with important issues such as the status of the 250 employees, tenure rights or the transfer of pension credits.

Many of Forintek’s public service activities also deliver benefits to Forintek’s member companies and may address provincial government priorities.

The federal government's initial sortie into privatization had the trappings of a technocratic exercise, planned at the centre by officials with little first-hand knowledge of the forest sector or the challenges of running a scientific research establishment. While privatization appeared to have some support in the private sector and the forest research community, there was no consensus on how it should proceed. Moreover, formal consultation with the proposed partners does not appear to have begun until after the announcement was made. This set the new organization on a rocky course.

Forintek's founding Board of Directors sought to fund the "partnership" through continuing federal contributions equivalent to roughly half of the total research budget, with the provinces and industry chipping in 25% each. Ottawa responded with a \$4-million annual commitment through to 1984. Forest-dependent British Columbia committed to yearly support of \$1.5 million. However, other provinces and, notably, the industry stayed largely on the sidelines. Less than \$1 million was raised from the major companies represented on Forintek's Board of Directors. The company scrambled to make up the shortfall through a combination of contract research and cost-cutting. However, staff levels fell, morale declined and there were no funds available to upgrade obsolete capital equipment.

The Lessons of Hindsight

A number of factors contributed to Forintek's difficult transition from public to private ownership. Of these, two conceptual oversights appear to have been critical.

First, federal planners failed to account for the "commodity culture" of the wood products industry. Its success had been built on the quality and abundance of the Canadian fibre stock which let it pump low value-added products into a world market with a seemingly insatiable appetite for wood. There was no R&D tradition in the industry and hence little reason to expect that industry leaders would rally to the cause.

Second, there appears to have been little consideration given to the notoriously cyclical nature of the wood products market. While buoyant markets greeted Forintek in 1979, two years later the industry was mired in its worst recession ever. In this climate, the industry's lukewarm response to Forintek was understandable.

These planning errors were compounded by problems related to Forintek's culture and the background and attitudes of its staff. With privatization came the requirement to address the needs and deliver value to private sector members. However, having just turned in their CFS badges, Forintek personnel were understandably more attuned to government research

With privatization came the requirement to address the needs and deliver value to private sector members.

priorities than to innovations aimed at the bottom line. This orientation did little to overcome inherent industry scepticism about the value of R&D or the potential contribution which Forintek could make to their operations.

Perhaps the greatest weakness was a lack of prior exposure of key personnel to the rigours of the marketplace. As one former employee confided:

When Forintek was privatized, senior management was as mystified as the staff on how to run a private organization. A lot of misery could have been avoided by getting a strong management team in place for the transition. The necessary skills and experience were probably not available in government.

With some experience in privatization and a more intimate understanding of the wood products sector, federal officials might have acted differently or moderated their expectations about industry support for Forintek during the early years. With its five-year funding commitment soon to expire, Ottawa served notice that it would pull the plug on Forintek if the industry failed to step up its contribution. Still, by 1983, despite some notable achievements on the research front, the hoped-for 25% industry contribution was still a long way off. The government's first experiment with privatization appeared to be on its last legs.

Laying the Foundation for Partnership

Fortunately, a number of factors began to converge in 1984 which offered Forintek a new lease on life. First, the building products market began to show some signs of recovery, but new competitors from Brazil, the U.S. south east and New Zealand, were beginning to appear on the scene and challenge the dominant position of Canadian wood producers. In addition, new product innovations were beginning to compete with the Canadian mainstays of plywood and dimension lumber. More ominously still, a number of Canadian wood producers began to experience fibre shortages. The traditional source of competitive advantage was disappearing.

By 1984, harvest restrictions and other conservation measures imposed by provincial governments were limiting access to prime stands of old-growth forest. However, Canadian mills, designed for a now-bygone era, could not profitably exploit the smaller and different species of trees that were now available. A technological transformation was required and more of the industry began to recognize a clear rationale for investing in basic product and process research and development.

The stage was now set for Forintek to become a relevant player in the wood products industry.

Perhaps the greatest weakness was a lack of prior exposure of key personnel to the rigours of the marketplace.

A number of factors began to converge in 1984 which offered Forintek a new lease on life.

With a new CEO at the helm, it took steps to capitalize on a more favourable business environment. First, a membership fee structure based on production volume was established so that members profiting most from Forintek innovations bore a greater proportion of developmental costs. Second, the research program was refocused on transferring new technology to help members cope with changes in the fibre supply. Finally, Forintek management began to engineer a much-needed change in the corporate culture. Research staff were pried out of the labs and put into the field, conducting technical audits, training employees in the use of new technology and custom-designing solutions to problems.

Further re-engineering was required to solidify the partnership and equip it to manage potentially difficult federal-provincial and regional tensions.

On the strength of this new orientation, membership increased and, in fiscal year 1984-85, the industry met its 25% funding commitment and helped to lever additional provincial funds into the research program. Although Forintek had turned an important corner, further re-engineering was required to solidify the partnership and equip it to manage potentially difficult federal-provincial and regional tensions.

Two organizational developments were particularly critical. The first was to reorganize the eastern and western operating divisions so they focused on different product sectors and reflected the significant differences in the forest profile and fibre supply, thereby meeting technology requirements in the two regions. A second innovation was to institute an advisory process with the mandate to define what research was important and why it was important, and to make project choices in line with those priorities. These decision-making committees included industry representatives, as well as federal and provincial government officials. The committees gave each partner an opportunity to shape Forintek's research agenda and secure an adequate return on their investment. This process was the foundation for the National Research Program Committee and technical advisory committees established in 1991.

By 1988, the Forintek partnership had evolved enormously from the arranged marriage which the federal government had engineered a decade earlier. In that year, the partners jointly financed a new world-class laboratory facility in Vancouver. The \$22-million cost was borne by the federal government (\$13.5 million from the Department of Western Economic Diversification), the B.C. government (\$9.5 million) and by the B.C.-based Forintek members (\$3 million).

In 1994, the transformation from a federally owned concern to a functioning three-way partnership was completed with the closure of Forintek's Ottawa facility and the opening of a new state-of-the-art laboratory in Sainte-Foy, Quebec. Here, too, the project was jointly financed by an \$8.1-million federal contribution, matched by the Government of Quebec, and a \$2-million investment from Quebec-based wood producers.

Planning for the Future of the Partnership

The Forintek partnership must continue adapting to meet the changing needs and financial capacities of its members and government backers.

As Canadian wood producers face growing competition and the available fibre stream changes in character, process innovation and product development will become even more key to the industry's success. Forintek must rise to this challenge with greater emphasis on the longer term research needs of industry and expanded member-service capacity at the mill level. At the same time, it must continue to address the trade, environmental and industrial development agendas of its federal and provincial government investors. To meet these needs, the Forintek Board has called for an increase in the National Research Program budget from \$15 million in 1995 to roughly \$20 million by 2002.

In view of the difficult fiscal realities, particularly in the federal public sector, Forintek has proposed a financial restructuring that will see industry contributions rise to 50% of total research spending by 2002, with the federal and provincial governments each contributing 25%. In absolute terms, the plan would see the federal contribution frozen at roughly \$5 million per year, the provincial contribution rising to roughly \$5 million per year, and the industry share more than doubling to \$10 million from its 1995 level of \$3.7 million.

Above all, to allocate research funds strategically on projects that will sustain the wood products industry in the next century, the partners must plan together to generate a stable income stream. This will require important changes in approach by both public and private sector backers.

Member contributions must shift away from being based exclusively on production volume toward a combination of production value and volume basis to reflect the fact that innovation now drives product quality, as opposed to quantity. Forintek must redouble its efforts to recruit new members and to increase member fees to levels consistent with the higher returns generated by R&D investments in today's wood products market.

Governments, too, must change their approach to funding the partnership within the context of their deficit reduction strategies. Where funding is delivered through a single department while benefits flow to several portfolios, a consortium approach may be necessary to permit long-term funding commitments. Furthermore, while investments in Forintek are appropriated as Grants and Contributions, expenditure managers must recognize the tangible services which flow to governments.

Forintek must continue to address the trade, environmental, and industrial development agendas of its federal and provincial government investors.

Governments must play a more active role in shaping Forintek's research priorities.

Governments must play a more active role in shaping Forintek's research priorities and allocate the necessary human resources to participate in managing the partnership. If they are silent partners and simply say, "If industry is happy, then we are happy," funding may be viewed as an industrial subsidy, making funding levels vulnerable to review by central agencies which are not direct recipients of services from the partnership.

Tests for Privatization

The federal and provincial governments maintain a wide range of facilities conducting research in fields as different as agriculture, construction methods and materials, health care and pharmaceuticals, and transportation safety, to name but a few. Some of these facilities serve purely internal government interests, while others are involved in work with broad commercial application. Indeed, they may conduct contract research which is purely commercial in nature.

Where there is a shared interest in research outputs, the partnership model for privatizing research facilities may offer governments an opportunity to deliver technology-intensive services to the public at a reduced cost to the taxpayer. Cost advantages are likely to accrue from scale economies and the greater flexibility in allocating human and capital resources which private sector managers enjoy compared to their public sector counterparts.

At a minimum, three tests must be met if the Forintek-style partnership model is to offer a viable option for privatizing government research facilities:

At a minimum, three tests must be met if the Forintek-style partnership model is to offer a viable option for privatizing government research facilities.

1. There must be a clear, enduring rationale for each potential partner's involvement in the partnership. In the case of government, research outputs will ideally be tied to specific continuing policy objectives such as environmental protection, public health and safety, etc. In other words, there must be a strong policy interest in the research activities. At the same time, potential private partners must embrace research and development as a critical element in competitive success. In other words, there is a strong commercial interest in the research activities.
2. In order to generate economies of scale and scope, the research needs of potential partners must significantly overlap or complement each other.
3. Each potential partner's research needs (determined by policy or commercial interests) must be sufficiently flexible to permit power sharing. Post-privatization, no single partner will be able to dominate the setting of research priorities. In both government and the private sector, managers may well have good reasons for wanting to maintain exclusive control over research activities.

Lessons Learned

If these minimum conditions are met, the partnership model may offer a viable option for privatization, and government planners may wish to acknowledge the following lessons drawn from Forintek's experience since 1979.

- ✓ The government's intent in privatization must be clear, consistent and transparent to the business community. Privatization should not be used to disguise an off-loading or cost-reduction exercise.
- ✓ The government should articulate the rationale for continuing to underwrite a portion of the post-privatization operating costs in the context of its responsibility for building the national technological infrastructure (core competencies). In addition, the government should clearly state its expectations for the partnership and define the tangible benefits which various departments are to receive in return for continuing financial support.
- ✓ If the partnership provides services that impact on more than one government department's mandate, each should commit to underwriting a share of the partnership costs. As well, line departments must ensure that central agencies view contributions as a service delivery cost rather than a transfer to industry.
- ✓ Planners must recognize that the priorities and operating culture of government research facilities inevitably reflect the needs of the owner and the interests of staff. Therefore, a strategy to change the culture of the organization must be part and parcel of the privatization process and should begin well before the transfer of ownership occurs.
- ✓ Planners must recognize that the key assets in any research facility are the scientific and technical staff who work there. They must be consulted before any formal announcement, and the privatization strategy must specifically address human resource issues including tenure and career planning, compensation, pensions and union representation.
- ✓ Planners must recognize that external recruitment may be required to build a management team that can operate comfortably in a market-driven environment. An objective, comprehensive analysis of management strengths and weaknesses should be undertaken and problem areas addressed prior to privatization.
- ✓ Expectations about private sector participation in the partnership should be confirmed through industry surveys and other market research techniques, in addition to a comprehensive consultative process prior to any announcement. A clear rationale for the long-term financial commitments of all partners must be established.

The government's intent in privatization must be clear, consistent and transparent to the business community.

Planners must recognize that external recruitment may be required to build a management team that can operate comfortably in a market-driven environment.

Decision-making structures must give all partners the opportunity to explain and pursue their needs.

- ✓ In timing the launch of a partnership venture, planners must consider the general economic outlook and state of the business cycle in the target industry sector. It may be advisable to establish a contingency fund to stabilize cash-flow during the start-up period.
- ✓ From the beginning, mechanisms must be in place to give each partner a hand in shaping the partnership's research agenda. Decision-making structures must give all partners the opportunity to explain and pursue their needs.

Appendix I

Some Forintek Activities in Support of Government Priorities

The Pinewood Nematode Case

Policy Objective

To protect access to the European market for Canadian “green” lumber exports.

The Challenge

The Europeans consider Pinewood Nematode PWN as a potential threat to their coniferous forests and, in 1990, having detected PWN in some Canadian lumber shipments, the European Union (EU) took regulatory action requiring all lumber imports to undergo an expensive kiln-drying process. This action constituted a non-tariff barrier and initiated a trade dispute between Canada and the EU.

The Forintek Response

Forintek worked with Canadian trade officials to engage the EU in a joint research program aimed at finding a more cost-effective remedy for PWN than the kiln-drying process. The parties agreed that while the research was underway, the market would remain open to Canadian shipments of green lumber.

Within two years the researchers, led by Forintek, developed a heat treatment system which eradicated PWN from lumber shipments at a 75% cost advantage over conventional kiln-drying methods. Forintek rapidly transferred the technology to the Canadian industry.

Economic Impact

During the two-year research project, the European market was kept open to \$700 million of Canadian softwood lumber exports, thereby sustaining employment and profitability, as well as federal and provincial tax revenues in the Canadian wood products industry.

In addition, the heat treatment process has generated ongoing savings estimated at \$30 million per year for Canadian exporters compared to the expensive, kiln-drying method of addressing the PWN hazard.

Forintek worked with Canadian trade officials to engage the EU in a joint research program.

The Development of Building Codes and Standards

Policy Objectives

- To open new export markets for Canadian wood products to sustain employment and profitability.
- To ensure safe and appropriate building materials and practices in Canada.

The Challenge

In Canada and around the world, the construction of residential and commercial buildings is heavily regulated. In order to ship products into these different jurisdictions, building product manufacturers must furnish objective scientific data which demonstrate compliance with physical performance criteria established under their relevant building codes and standards.

Performance standards play a vital role in ensuring safe building practices which are appropriate to local conditions. In some instances, however, governments may use building codes and standards as a non-tariff barrier to protect domestic producers of building materials. In the wood products sector, Canada-U.S. and Canada-Japan trade disputes have focused on standards issues.

The greatest untapped market opportunities for Canadian wood producers lie in the area of structural products. In North America alone, the structural materials market is worth nearly \$10 billion per year, although wood's share is less than 15%.

The Forintek Response

Under its funding agreement with the Government of Canada, Forintek is accountable for a research program aimed at securing acceptance for Canadian wood products under foreign building codes. In addition, Forintek staff participate in meetings of the Canadian Standards Association (CSA), the National Building Code of Canada (NBCC), International Standards Organization (ISO), the European Standards Centre (CEN), the American Society for Testing Materials, the Underwriters Laboratory (UL) and other organizations. Their role in these organizations is to ensure that Canadian wood products receive fair treatment and that data furnished by Forintek lead to acceptance of Canadian products.

Forintek also provides the technical support which Canadian trade officials need to support Canadian interests in trade disputes which focus on wood products. In 1995, for example, Forintek staff were involved in resolving a dispute under the Canada-U.S. Free Trade Agreement relating to the performance of Canadian plywood.

The greatest untapped market opportunities for Canadian wood producers lie in the area of structural products.

Economic/Policy Impact

- Forintek researchers have established performance specifications for wood products (plywood and dimensional timber) under earthquake and hurricane conditions. This has led to initial acceptance under the Japanese building code and broader acceptance under U.S. building codes, thereby opening potential billion-dollar markets for Canadian exporters.
- Forintek researchers have recently established comprehensive performance information for design-rated Oriented Strand Board (OSB). This permits the use of OSB in structural assemblies such as roofs and floor systems. The market potential for structural OSB applications is estimated at \$5.6 billion in the U.S. alone. As a result, a significant expansion of Canada's OSB capacity is now underway, generating substantial new employment.
- Forintek researchers have determined the fire-resistance capacity for a wide range of wood products. This has created foreign and domestic marketing opportunities and established critical fire-safety standards under the Canadian building code. This work not only supports employment growth; it also saves lives!

Encouraging Sustainable Development

Policy Objectives

- To improve the utilization of Canada's forest resources through better forest management practices, improved fibre recovery rates and increased value-added activities.
- To demonstrate Canada's commitment to sustainable development of its natural resource and support compliance with international environmental commitments.

The Challenge

Canada faces mounting pressure, at home and internationally, to ensure that forest resources are exploited in an environmentally sustainable fashion. This creates a particular challenge for the provincial governments who, as owners of the forest, must balance environmental concerns with the job and wealth creation potential of the forest industry.

Canada faces mounting pressure, at home and internationally, to ensure that forest resources are exploited in an environmentally sustainable fashion.

Provincial actions to limit timber harvests or to set aside prime old-growth forest in parks and other protected areas have a direct impact on the wood products sector. Not only do fibre inputs become more expensive, the overall nature and quality of the fibre stream changes. Mills geared to processing large-diameter logs from prime species (e.g., Douglas fir) require significant re-engineering and new technology to profitably exploit secondary species of smaller diameter.

The federal government has a less direct involvement in sustainable resource development since its ownership of natural resources is limited to the Yukon and Northwest Territories. However, it has accepted a leadership role in promoting sustainable development practices and has made international environmental commitments (e.g., the Rio Treaty, the Montreal Protocol) to limit total Canadian emissions of greenhouse gases.

The Forintek Response

There is a clear environmental component to most research activities undertaken by Forintek. Much of the new technology it develops and disseminates to members (e.g., small kerf technology, and improved log management and drying procedures) has direct, positive environmental side-effects such as waste minimization and energy conservation.

Policy Impact

Forintek research helps the wood product industry adjust to provincial government policies which affect the fibre supply. The industry looks to Forintek for technological innovations which allow it to profitably exploit younger, lower quality fibre inputs. Thus, by investing in Forintek, provincial governments can partially reconcile environmental and industrial development agendas.

Forintek's work in the area of codes and standards also has a strong environmental spin-off. By helping to establish markets for products which use waste materials and inferior species (e.g., Oriented Strand Board, glulam beams, various veneer products, etc.) the industry can improve its overall fibre recovery rate and squeeze additional value out of every tree harvested.

Some Forintek projects have a specific environmental objective. In 1995, for example, Forintek unveiled an important breakthrough in environmental assessment technology known as ATHENA™. This is a computer model which allows architects and engineers to use wood, steel and concrete-based building materials in their most environmentally friendly combinations. ATHENA also provides governments with the information required to pursue environmental objectives through building codes, procurement and other policy and regulatory instruments.

The industry looks to Forintek for technological innovations which allow it to profitably exploit younger, lower quality fibre inputs.

Appendix II

Typical Benefits That Forintek Delivers to Member-Companies

1. The opportunity to set the direction of specific research projects.
2. The opportunity to guide specific research programs through participation in the five technical advisory committees.
3. Access to world-wide information base on process and product development through Forintek's staff and library facilities.
4. Preferred access to expert staff for technical advice, trouble-shooting and problem-solving on a confidential basis.
5. Preferential rates for proprietary work (e.g., evaluation of equipment acquisitions, research contracts).
6. Full and timely access to all technical results from the research program.
7. The opportunity to leverage human and capital resources and share risks.
8. Privileged access to training, seminars and technical fact-finding missions.
9. Preferred access to Forintek's facilities and equipment.
10. Royalty-free access to Forintek technology.

Some examples of technology transfer which produce bottom line benefits for Forintek members:

- **Thin-Kerf Saw Guides**

Thin-kerf technology improves lumber recovery, increases the production of wood chips which can be pulped and reduces waste sawdust.

Forintek developed and installed high performance thin-kerf saw guides for trials at an Alberta mill. Trials showed the potential profit improvement to be \$10 per Mbf. For an average mill, the profit increase would be in the order of \$400,000 per year.

- **Log Yard Management System**

Improved log storage practices, chiefly the monitoring of log-moisture content, increases the production of oriented strandboard (OSB) and results in improved product quality and lower costs.

An 18-month trial of Forintek's log yard management system at an Alberta mill reveals potential cost savings of \$5-10 per 1,000 sq. ft. of production.

If major OSB mills in Alberta adopted this system, over \$3.0 million per year in additional pre-tax revenue would be generated.

- **Kiln-Drying Procedures**

Forintek researchers developed new techniques to reduce product degradation, particularly through warping, and to improve energy-efficiency for mills which kiln-dry their lumber.

The information was disseminated through a seminar for mill operators and additional technical advice by Forintek staff. A survey showed that grade recovery improvements of 1% were common in mills which applied the new techniques. One mill reported recovery improvement of more than 10% after upgrading its kilns and applying Forintek's recommended drying strategies and schedules.

Mills which took advantage of the seminar program reported total additional lumber revenue of \$1.5 million per year.

Delegated Administrative Organizations in Alberta

Overview

In downsizing, governments generally remove functions, cut funding for them or privatize the function. The objective is always the same: to reduce public expenditures.

The Alberta government has chosen a third option: Delegated Administrative Organizations (DAOs). These are private-sector entities that provide services for a fee while remaining under the policy control of government. Unlike crown corporations or other government agencies, the DAO funds itself. Sixty percent of the directors of a DAO are appointed by the stakeholders, compared with crown corporations, where 50% or more of the board is appointed by government.

Unlike crown corporations or other government agencies, the DAO funds itself.

Case Description

There is no single model for a DAO, although they all have several features in common. A DAO is a legal entity, self-funded through the fees it charges for services. Funds accruing to a DAO are not available to government. They operate as administrative and management organizations run by boards of directors under bylaws that are acceptable to government. The bylaws cover the duties to be performed by the DAO, the fee structure and other day-to-day operational requirements. Since they remain under the policy control of government, they are not a form of self-regulation.

Delegated Administrative Organizations

DAOs reduce the cost of providing certain services while allowing governments to remain responsible for public policy. Since delegated responsibilities can be modified -- or even, in an emergency, retracted -- governments remain in charge. They retain the right to vary regulations and to monitor program and service delivery.

Government/DAO Interface

The relationship between a government and a DAO varies from case to case. It is usually established by an Order in Council (or a Ministerial Order authorized by an Order in Council), a delegation agreement and/or in the bylaws. These instruments detail how policy is to be developed and define the roles, responsibilities and powers of the organization.

The DAO is meant not to replace advisory bodies, but rather to use their expertise and knowledge. The government retains the right to monitor the DAO's performance and to conduct formal audits at the program and policy levels.

Creating a DAO

In Alberta, DAOs are established in collaboration with stakeholders, who usually set up a support group that plays a lead role in the process. If the Minister supports the initiative, a project team is formed within the department. Together, the support group and the team develop a prototype DAO, which is then the subject of consultations with all interested parties. A final model is developed and presented to the Minister as a proposal. If accepted, the Minister then seeks approval in principle from the Cabinet to establish the DAO as a legal entity.

Human Resources

The DAO's Board of Directors determines what programs will be delivered, and how. It may deliver programs directly, contract a portion of the work to outside agencies, or combine the options. In any case, the Department of Labour encourages DAOs to use the expertise and special skills of existing government employees. The DAO could take most, some or none of existing provincial government staff. According to Robin Ford, Deputy Minister of Labour, Alberta has created twice as many employment opportunities outside government as it has abolished within government.¹

The Department of Labour encourages DAOs to use the expertise and special skills of existing government employees.

Examples²

Alberta Boilers Safety Association

The boiler and pressure vessel industry, which comprises a significant part of the Alberta economy, developed a DAO proposal to address a shortfall between the services government provided and those required by the industry (e.g., detailed, on-time inspections and plan approvals). The Association is registered as a not-for-profit society and operates under a delegation agreement and regulation at no cost to the government.

Petroleum Tank Management Association

This DAO was launched as a result of government concern about how to regulate, without resources, the large number of underground and aboveground fuel storage tanks in Alberta.

Many of these tanks have been abandoned. Environmental issues related to site and soil restoration, as well as the potential for major lawsuits, encouraged industry to assume financial and operational responsibility with powers delegated from the departments of Labour and the Environment.

Public Safety Inspections

The responsibility for building, fire and other inspections was moved from the provincial level to accredited municipalities, which may in turn contract the service out to an accredited agency. Accreditation to either the municipality or an agency is provided by a council consisting of representatives from the municipality, industry, unions and education. The council operates at arm's length from government.

Pensions

The administration of pensions has been turned over to a DAO — in this case, a corporation managed by a board of directors. Membership of the board is balanced between the pension industry and pension-holders.

Propane Inspections

All responsibilities related to the inspection of, and service to, propane gas users in Alberta has been delegated to the Propane Gas Association. At first, the Association supervised only the conversion of vehicles from gasoline to propane use, but these responsibilities were later expanded.

Lessons Learned

- ✓ Outside groups can deliver some services in a more relevant and cost-effective way than governments.
- ✓ Governments do not have to relinquish policy and quality control when they delegate the day-to-day delivery of traditional government services to DAOs.
- ✓ DAOs allow government to cut costs while maintaining or improving the delivery of essential services.

Governments do not have to relinquish policy and quality control when they delegate the day-to-day delivery of traditional government services to DAOs.

ARET (Accelerated Reduction/ Elimination of Toxics)

Background

By the end of the 1980s, the effort to control toxic pollution was bogging down. Thousands of man-made chemicals were loose in the world and testing them all for environmental impact was virtually impossible. Yet it was just that — chemical testing — that was required to regulate them.

Actually, there are two bottlenecks in the regulatory process. First, scientists have to screen toxic chemical compounds for adverse environmental and health effects, a huge and expensive undertaking. Second, they have to assess the risks associated with having this or that many parts per million in the environment.

The Canadian Environmental Protection Act (CEPA) is an example. It is based on compiling a priority substances list; scheduling substances as “CEPA toxic” after a scientific risk assessment; and taking regulatory action once a substance has been so scheduled. The first priority list of 44 substances was created and 25 of them were certified as CEPA toxic. However, as of 1994, only four had been regulated.¹

It seemed like toxics regulation had come to an impasse. New industrial chemicals were coming on stream all the time and it was taking too long to screen them. Everybody was fed up, including the public, labour, environmental groups, industry and, if the truth be told, government too.

There had to be a better way.

A New Direction — ARET Is Born...

Late in 1990, 22 industry executives and environmental leaders met in what was called the New Directions Group. Among other things, they came up with two proposals to simplify the toxics issue: let industry and government agree to identify the most dangerous toxic substances *by consensus*, and then develop a co-operative strategy to reduce their use or phase them out without regulations.

The New Directions Group came up with two proposals to simplify the toxics issue.

¹ They are polychlorinated dibenzodioxins and dibenzofurans, pulp-mill effluent and 1,1,1-trichloroethane.

The federal Minister of Environment created the Accelerated Reduction/Elimination of Toxics (ARET) Committee to move the idea forward. Members came from health and professional groups; industry associations; federal and provincial governments, and environment and labour organizations.

By early 1992, the Committee had issued a “Strategic Plan and Decision-Making Framework.” It called for industry, government and non-governmental organizations (NGOs) to co-operate in “*voluntary* action on toxic substances.” This was a singular achievement considering the natural animus that existed between some of the members.

...And Nearly Dies Twice

Shortly after this, senior management at Environment felt the Committee, by pushing the idea of voluntarism, had done its work. They were set to recommend that the Committee be terminated. However, the Minister remained so enthusiastic that this recommendation was dropped before it was raised.

Work continued on an action plan to reduce toxic emissions but the Committee nearly came apart a year and a half later, riven by differences between the NGOs and labour on one side, and industry associations on the other. Six NGOs³ pulled out in September 1993. The Canadian Labour Congress issued a press release accusing the government of abdicating its responsibility to protect the environment, but the others left without making a great fuss.

While different people interpret this departure in different ways, the main factor was probably NGO disappointment that pesticides (which fall under the *Pesticide Control Act*) were not included in the list of targeted substances. As well, the Committee was now leaning toward a completely voluntary approach to reducing emissions without a legislative backup,⁴ as the NGOs wanted. Also, the Committee could not agree that some substances should be banned from industrial use, as opposed to reducing or eliminating them from emissions.

If ARET can produce a significant reduction in the emissions of toxic substances voluntarily, that would yield an enormous saving over the regulatory route.

Whatever the proper weights of these factors, the NGOs knew early on that they would not be able to endorse the ARET program as it was shaping up. To their credit, they delayed their departure to help compile the ARET lists — a most important and difficult step. With this done, an ARET Secretariat was created and lodged within Environment Canada.

3. They were Pollution Probe, the Canadian Labour Congress, the Toxics Watch Society of Alberta, the West Coast Environmental Law Association, Great Lakes United and Union québécoise pour la conservation de la nature.

4. Other voluntary initiatives than encourage the reduction or elimination of toxic emissions include sector-focused programs in Ontario, an initiative by the chemical industry, and the Canadian Manufacturers' Association's Performance Program. Voluntary toxic reduction programs of one kind or another exist in Australia, Japan and the Netherlands.

Remarkably, ARET stayed on track, surviving not only the departure of the NGOs but a change of government one month later in October 1993. The new Minister continued the ARET program despite verbal opposition from the NGOs. By March 1994, ARET issued a “challenge” to industry to cooperate in a voluntary effort to reduce/eliminate emissions of toxic substances, identified on the basis of “good science and common sense.”

ARET was making an end run around the two major impediments in the regulatory approach: screening and risk assessment.

Importance of This Case as a Service Delivery Model

If ARET can produce a significant reduction in the emissions of toxic substances voluntarily, that would yield an enormous saving over the regulatory route. Just screening the substances on ARET’s lists — only 13 of which are now *even partially* regulated — would require an estimated 200 high-priced person-years. Drafting the regulations and enforcing them would require hundreds more person-years.

How ARET Works

Stakeholders in ARET, including environmental groups and industry associations, developed a list of 101 substances⁵ and substance groups, based on their toxicity (i.e., their harmful effects on human, animal or plant life) their persistence in the environment, and/or their propensity to bioaccumulate. The list is broken down into five subgroups⁶, which reflect the degree of consensus achieved on whether the substances actually meet all three criteria.

ARET then challenged selected organizations, including companies, institutions and government facilities, to identify their emissions of ARET toxics and to make a public commitment to achieve specific reductions by a set date. The vision is to virtually eliminate emissions of the 14 substances that appear on the A1 list, with a short-term target of 90% reduction by the year 2000. For other ARET substances, the target is a 50% cutback by 2000.

If ARET can produce a significant reduction in the emissions of toxic substances voluntarily, that would yield an enormous saving over the regulatory route.

⁵ Substances were selected from the CESARS (Chemical Evaluation Search and Retrieval System) database of about 2,000 chemicals, maintained by the Ontario Ministry of Environment and Energy and the Michigan Department of Natural Resources. The list was developed by consensus. Of the 25 substances declared toxic under the *Canadian Environmental Protection Act*, 17 are on the ARET list. About half of the ARET substances are on the National Pollutant Release Inventory (NPRI) reporting list. With the exception of pesticides, all of the substances on the IJC’s 11 Critical Water Pollutants, and Ontario’s Candidate Substances for Bans, Phaseouts or Reductions, are included on the ARET list.

⁶ The five groups are: A1 - consensus on all three criteria; A2, two substances on which consensus was not achieved; B1, consensus that the substances met toxicity and bioaccumulation criteria; B2, consensus on persistence and toxicity criteria; B3, consensus on the toxicity criterion only. ARET’s vision is the virtual elimination of discharges of A1 substances, and a reduction in discharges of substances on the B1 and B2 lists to harmless levels. ARET members were unable to agree on reduction targets for the two substances on list A2. Only 13 of the 101 substances are partially regulated under CEPA.

Companies can choose any year after 1987 as their baseline. If they choose a year other than 1993, however, they are asked to also provide information on the quantities they emitted in 1993. That's so ARET can always answer the question, "What have you done for me lately?"

Action to Date

In the latest *ARET Update, an Addendum to Environmental Leaders 1*, the Secretariat reported (December 1995) that the number of participating organizations had grown from an initial 200 to 270. They include government departments and companies in eight sectors: pulp and paper; mining and smelting; steel; chemicals; oil, gas and petroleum; aluminum; chemical specialties; and electric utilities. However, only 164 companies and six government departments had filed action plans. Eight more are committed to do so in the near future.

Sixty-eight percent of the members of participating industry associations are in ARET, including 97% of the chemical sector and more than 60% of the pulp and paper, and mining and smelting sectors.

ARET companies have so far reduced their emissions by a total of 10,888 tonnes from the baseline. If met, their commitments would eliminate another 9,843 tonnes between 1993 and the year 2000. As of right now, the companies will have reduced their emissions by nearly 70% from the baseline. Companies have already surpassed ARET's target of a 50% reduction of substances on the B lists.

Staffing and Reports

In 1993, the Secretariat comprised two secondees, an engineer from industry and an EX-1 from Industry Canada, along with a part-time secretary. In 1995, two engineering students were hired for the summer. Since September 1995, the secretariat has been operated by the full-time EX-1 and a part-time secretary. ARET publishes summaries of action plans at least once a year. Emission reductions are broken down by facility, substance and sector. Among other things, the reports list contacts who are answerable for their claimed reductions.

The latest ARET Update reported that the number of participating organizations had grown from an initial 200 to 270.

Assessments of ARET

Supporters argue that ARET has proved itself and then some. A few say the jury is still out.⁷ The dubious ones note that the reductions of 10.9 tonnes to date are mostly the result of actions that took place *before* ARET was formed — some are the result of changes in industrial processes that were not necessarily driven by environmental concern. As well, reductions are based on the most advantageous baseline years, chosen by the companies themselves — understandably — to deliver the best public relations punch. Finally, there are a number of free riders, companies that have so far refused to reduce the amount of toxics they emit or submit action plans to do so.

It should be noted that ARET's universe is not the total universe of emissions, but it is probably a good approximation. In a recent comparison of 49 substances that they both reported on, ARET's statistics accounted for 83% of the totals reported to the National Pollutant Release Inventory (NPRI), which is the most complete such listing available.

Nevertheless, the commitment by ARET participants to reduce their combined emissions by a further 9.8 tonnes is a significant undertaking. This number will doubtless improve with each iteration of the ARET statistics — more companies will take up the ARET challenge and the technology of measuring emissions will become more certain.⁸ As well, industry associations are pressuring free riders to submit emission reduction plans.

ARET receives high marks from academia. William Leiss said: "It is arguably the case that this single exercise has achieved a greater amount of actual environmental and health protection than all of the Part II activities under CEPA during the same period."⁹

It should be noted that ARET's universe is not the total universe of emissions, but it is probably a good approximation.

⁷ As with any such program, there are caveats about the ARET process. For example, ARET toxics are based on their intrinsic properties, not on the quantities released, so no inference can be made of "relative risk." Only five of the ARET substances account for about 70% of total emission reductions. It should also be noted that Environment Canada has many other issues to contend with besides toxics, including the clean-up of contaminated sites, energy and water conservation, solid waste reduction and spill prevention.

⁸ Estimating emissions is not an exact science. A variety of analytical tools are used, based on direct periodic monitoring, sampling protocols, extrapolation and mass balance calculations, etc.

⁹ Mr. Leiss is Eco-Research Chair in Environmental Policy and Director of the Environmental Policy Unit, School of Policy Studies, at Queen's University, Kingston. The speech was delivered to the 4th annual Bell Canada Papers Conference in November 1995.

Verification and Accountability

(Transcript of an imaginary interview with a wily old bureaucrat [WOB])

- Task Force: You can drive a truck through ARET.
WOB: Sure. But as the CEO of a large corporation, would you sign off on having reduced emissions when, in fact, you haven't?
- Task Force: Some may.
WOB: If you suspect a company of lying about its performance you can call them on it. The companies prepare progress reports on emissions. Anybody — an NGO, a private citizen, a government — can obtain this information and blow the whistle.
- Task Force: Has any environmental group ever done that?
WOB: No.
- Task Force: Is ARET an alternative to regulation?
WOB: Absolutely not; it's a complement. We are very clear about that. Government has to have a stick in the closet.
- Task Force: What's in it for the companies?
WOB: By participating in an open and non-prescriptive process, they can reduce or eliminate their emissions in a flexible, cost-effective way.
- Task Force: What are the weaknesses in ARET?
WOB: It has not been successful in obtaining the cooperation of provinces and federal government departments. Also, there are too many "free riders," companies that emit toxics but have refused to take any action to reduce them. As well, there a few emitters within the ARET program that have failed to produce action plans.
- Task Force: We are talking about some nasty chemicals here. Why shouldn't governments just ban them?
WOB: That's the problem — you can't prove *how* dangerous they are. One scientist says this; another, that. You have to deal with uncertainty. So, if you tell a company to stop doing something it has been doing for years, it is going to call in the lawyers and they will challenge your science, your policy, your motives, your methods. . . forever.

Task Force: Not if the environmental damage is obvious [WOB pulls a wry face], not if the emissions are really dangerous to human health [WOB sighs], not if the regulations are airtight [WOB looks at ceiling].

WOB: Right.

Lessons Learned

- ✓ More things may be wrought by voluntarily than are dreamed of in government management theory.
- ✓ A small independent group, not directly associated with government, can cut corners and get things done quickly.
- ✓ Some battles require warfare; others do not. A sensible rule is to take the low-hanging fruit first and (to mix a metaphor) go for the tough nuts later.
- ✓ Industry wants credit for working toward a better world; use that to lever their cooperation in achieving departmental objectives.

Partnerships and Arrangements

With Other Government
Departments, Governments
and Communities

Service New Brunswick

Overview

Service New Brunswick (SNB) is an integration of several provincial departments' customer services. By bringing 60 services under one roof with one staff, an SNB centre can be more customer-focused and efficiently run.

In 1991, the Minister of Finance embarked on a provincial consultation process. He heard the same story everywhere — offer better services at less cost. Concomitantly, a task force interviewed 100 customers in order to understand their problems in getting government services. What they found was not flattering. Customers believed that the government was not user-friendly and didn't promote business.

In response, the province set up two pilot offices of Service New Brunswick, in Woodstock and Caraquet. These centres were to provide one-stop integrated services (e.g., the same clerk could help you register a vehicle or get an electrical permit). The pilot projects were so well received that in mid-November, SNB centres opened in Moncton and Saint John.

Case Description

Instead of the usual format, this study uses a question-and-answer format. The respondents' answers are drawn from interviews with SNB officials and customers. No one person literally stated the quoted answers.

(1) How are accountability and authority handled? (e.g., Is there one line manager? Does such a manager report to one of the participating departments? etc.)

Line authority rests within SNB. Functional or program authority remains attached to the originating department. For example, a driving licence examiner has a daily reporting relationship to SNB. The Transportation department retains its authority to change the nature of the exam or standards for passing an exam and to train the examiner.

Service New Brunswick

- ✓ Successful, truly integrated service delivery.
- ✓ Rewriting of legislation to reduce regulation and support integrated services.
- ✓ Practical advice from the designers and doers.
- ✓ This is what we all want to do — they did it.

It's been said that a servant of two masters is a free person! At SNB, each centre supervisor completes the performance appraisal on staff. Authority to hire and fire is vested in SNB (although specialized skills are still assessed by the functional department). If a customer complains about an employee, there is no long loop back through the functional department. The immediate supervisor at SNB takes the complaint to the employee and deals directly with it.

If one keeps line authority in the functional departments, failure is certain.

If one keeps line authority in the functional departments, failure is certain. There will be no integration of services and very little customer service.

(2) What was the content (topic outline) of the classroom-based training program for all pilot project staff?

There were five components:

- team-building,
- customer service,
- technical systems,
- programs and service procedures,
- general government.

The biggest component was programs and service procedures, jointly conducted by all of the functional departments. In addition, the SNB staff were given a phone number of an expert in each functional department. They could call this person if they were confused about any requirements. Unfortunately, such backup resources are available only from 8:30 a.m. to 4:30 p.m., Monday to Friday. The centres are open evenings and Saturdays. If SNB staff can't solve a problem after 4:30 p.m., they call the customer the next day with the answer.

Technical training was the next largest component. The point-of-sale system is very important because any revenues collected have to be allocated back to the functional departments. We wanted this to work properly from the beginning.

(3) What measures of effectiveness do you have?

We have two major service standards:

- customer waiting time will not exceed 10 minutes,
- serving time will not exceed five minutes.

Each centre now has an advisory committee of local taxpayers that acts as a barometer on our service and suggests areas of expansion.

We called 600 homes in each region and asked questions about reliability (getting it right the first time), courtesy and politeness. Each centre now has an advisory committee of local taxpayers that acts as a barometer on our service and suggests areas of expansion. There are customer comment cards on all counters. We encourage customers to fill them out. Supervisors observe staff and offer feedback on their performance. Finally, we have team meetings and discuss our performance and how to make it even better.

(4) Was there a change of leadership during the initiative?

Yes, ministers changed. But Cabinet was consistently behind the effort, as were the Premier and Executive Council. Also, the top administrators remained the same.

(5) Do you have now, or plan to have in the near future, incentive systems for employees?

These are being looked at. For now, we have no financial incentives. We do have a host of non-monetary incentives such as individual and group recognition. Probably most important is that staff see they are making a difference, that they are helping to improve government service.

On this last point, did you ever walk into a business shop and just feel the satisfaction and excitement? I can't tell you what it is, but it's real just the same. And it's wildly contagious. It rubs off on customers and back again on to staff.

(6) What plans do you have for service delivery through private sector franchises?

Our standards call for no more than 30 minutes of travel for any taxpayer to get service. If we had 13 centres and some franchises, 95% of the province would meet this standard. If we franchise more, we will have to ensure that the franchisee's staff can meet our performance standards. With a network of electronic kiosks and the provincial call centre, we can cover close to 100% of the province.

(7) Have there been any jobs lost in the conversion to SNB locations?

In 1994, we thought we could show a 200-person cutback after all SNB centres were open. But now, with some electronic services, we see even greater cost savings. We expect this number to be achieved through voluntary turnover and retirement.

(8) What were the critical success factors in getting SNB up and running?

- A hard head and an equally hard heart. When someone says it can't be done, you must say it can be done.
- A short development time. Six to 12 months to open a centre is long enough. Any longer and there isn't enough momentum to make it happen.
- Top leadership and support. This includes elected officials and administrators. A poll showed that 45% of New Brunswick residents said they disliked the civil service. What did the leaders have to lose by supporting change?
- Good staff and good training. Super staff aren't necessary. There are plenty of good staff who want to be involved. Give them good training and support and they will be super.
- Customer service comes first. Whenever we have to make a decision, we stop and ask, "What will benefit the customer most?" When everyone from top to bottom is asking that, you've got a winner.

Our standards call for no more than 30 minutes of travel for any taxpayer to get service.

(9) What pitfalls did you encounter?

The usual turf protection, both passive and active. The old reward system for administrators was based on full-time equivalents (FTEs) and number of offices. Now efficiency measures are used. It took awhile for some to change to this new system. We started with a win-win voluntary approach to share resources. After that round, mandatory reallocation of resources was necessary to finish the final 25% of the job. We call it a corporate approach.

(10) What is the best thing about SNB?

Customer feedback. We are customer-oriented..

(11) What would a customer say about SNB?

Here are some comments of people who visited Woodstock last week:

Well, the first four months were very frustrating. I once waited over 15 minutes. The staff were trained but not facile with all the programs and procedures. Frankly, I thought it was going to be a bust. But the last two years have been spectacular. In that time I have never waited over two minutes. Oh, maybe at tax time it was five minutes. And the service is great. One stop, no matter what I need. And the hours are great, too. They're close to my retail hours. What a concept, eh? You know some of the SNB staff are the same people I used to deal with before SNB. Well, at least they look the same and have the same name. But what a difference in attitude and performance. I don't know how they did it. In the old days, customer service had nothing to do with the department business. If no one came through the door that would be just fine with staff. Now they say, maybe we should shift some hours around. Close two hours earlier on Thursday night and open a half-hour earlier each morning. I don't know how they did it but I sure like it. I hope they expand.

*In the old days,
customer service had
nothing to do with the
department business.*

(12) If you could change one thing about SNB, what would it be?

Invest more in customer service information systems. I'd like to look at my PC three to four times a week as if I were reading the stock market. "Let's see, Caraquet at 94% satisfied, up 1% since Monday. Very good."

(13) Based on your experience, what should the federal government do regarding client service?

We actually met and talked this one over before talking to you. By the way, thanks for the opportunity to make some directed suggestions. We'd like to help. Here goes:

- Start with how the customer wants to be served — a little empathy and some interviews are all that are needed.

- You must have strong backing from senior administrators and elected officials. This commitment must be made in spite of the budget and other crises. It should be a top priority.
- Look at service connections: what services go together from the customer’s perspective. For example, a customer asks how she can get a copy of her birth certificate, but what she really needs is a passport. Make packages available so she can achieve her goal. The customer has one problem, but we break it into parts and think we’re serving them.
- Know that you can have both better service and lower cost.
- Pick some demonstrable projects that have a good prognosis for success. Do it in bite-size chunks. Don’t go into big cities. Start small where you can win and learn some hard lessons. Start by serving 20,000 clients, not 100,000.
- Partner with a province or municipality that wants to improve service. Don’t listen to what they say they want — have they invested in customer service? That’s the key to whether they are committed to it. Select three or four such partners.
- Talk about the concept of one-stop shopping and customer service before you try to divide up who pays for what. All levels of government should win. Remember better service and lower cost.

Start small where you can win and learn some hard lessons.

(14) In your opinion, are there any areas of the federal government that shouldn’t or couldn’t implement a client service initiative?

No. It is not an option. Not being customer oriented is unacceptable for a government.

(15) Is there anything else we should know?

Like the commercial says, *“Just Do It.”*

Don’t Look Now, But Your Attitude Is Showing

The following are two sets of apocryphal answers; one based on the efforts and attitudes of Service New Brunswick, the other on the author’s eclectic experiences with government bureaucracies and the works of Franz Kafka. Can you guess what the questions are?

Existence-Based Department

“It can’t be done. We can’t change.”

“It’s tough to find good people.”

“I’m not giving you any of my resources.”

Service-Based Department

“It has to be done. We must change.”

“The civil service is full of good people, especially on the front lines.”

“Let’s look at what you can close and what those cost savings would be. You could transfer most, but not all, of that to us. You win and we win.”

"I have been promoted based on the growth of my department."

"After an initial round of win-win voluntary budget transfer, the politicians will have to take a corporate approach and order the remaining twenty-five percent of the necessary reallocation."

"Historically, departments set up their operations without consulting any other departments. This continues even today."

"We have created a monster. The typical citizen sees government as a monolith — not three levels and many departments."

"I know what services my department provides."

"If you are a citizen and wake up tomorrow wanting to do some thing, chances are very good that you are in for a 'daymare'."

"From my department you would probably need a permit to handle propane."

"To open a travel trailer business you need 39 total permits from all levels and departments of government. No one (except a competitor) can tell you what they are. You have to wait to be fined by an inspector before you can find out what you are missing. And the permits all come up for renewal and inspection at different times. You spend more time dealing with the 'government' than with your suppliers."

"It's just too big to tackle."

"We started with a government-wide mandate to eliminate 25% of regulation legislation. Each department had to propose what should be eliminated."

"We have to be careful we don't get ahead of the politicians on this."

"Our elected leaders realized that citizens wanted and needed regulations in the '60s. In the '90s they want and need deregulation."

"I don't know who would field questions in the House of Commons over an integrated service initiative."

"It doesn't matter which Minister gets the initiative in his/her portfolio. Assign it anywhere. It only matters that the Minister sees customer service as the first priority of good government."

"My minister is the most important person I deal with."

"My Minister is important. My superiors are important. I'm important. But we all realize that the customer is the most important."

"Are you saying I am to blame for bad service? Do you think I wake up in the morning and say, 'I wonder who I can inconvenience today'?"

"I know some feathers were ruffled when we showed how bad our service was. But no one was blamed. It was the system that was wrong. However, failing to help change the system — now that's blameworthy."

Lessons Learned

- ✓ It is possible to cut costs *and* improve service.
- ✓ Start small. Pick sites that have a high probability of success.
- ✓ Do it quickly. SNB pilots was up and running within six months. They estimate 12 months is the outside limit on sustaining a major change effort without at least one pilot project working.
- ✓ Look for partners among local levels of government that have invested in government service. Talk is cheap. Look at their financial record.
- ✓ Don't accept excuses from bureaucrats — the monster can change.
- ✓ Start with a win-win approach. Use the carrot, but don't neglect the stick. Mandate the stragglers to change.
- ✓ Think like a customer. Don't just say the words "customer service." Act it. Get everyone from the minister to the counter staff committed to serving customers. It is, after all, the reason governments came into being!

