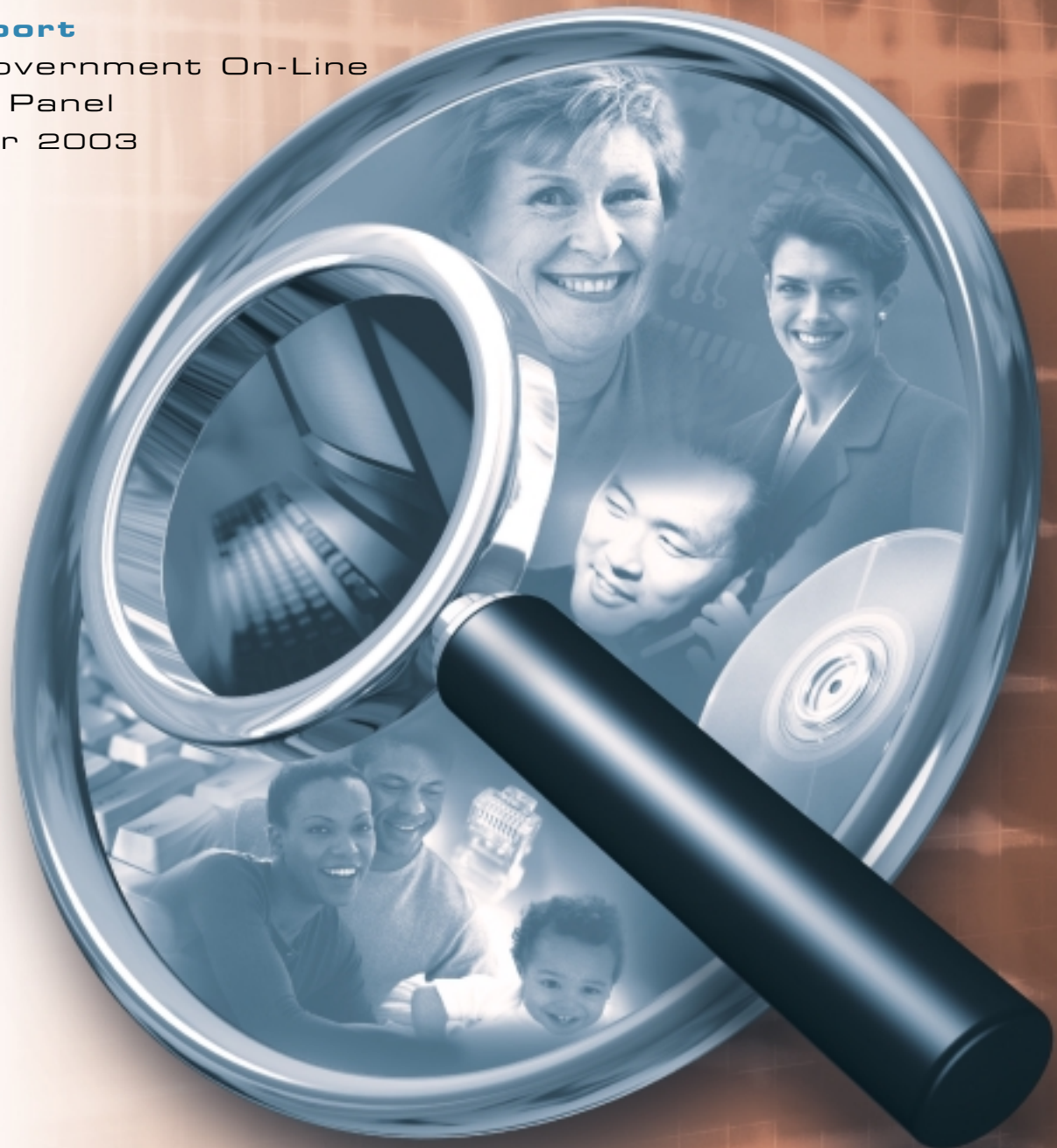


Connecting with Canadians: *Pursuing Service Transformation*

Final Report

of the Government On-Line
Advisory Panel
December 2003







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Pursuing Service Transformation

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Advisory Panel*

TO THE PRESIDENT OF THE TREASURY BOARD OF CANADA
DECEMBER 2003

TABLE OF CONTENTS

Executive Summary	5
I. Introduction	9
II. Making a Difference: A Vision of Service Transformation	12
(a) <i>GOL and beyond: Taking service to the next level</i>	12
(b) <i>Lessons from other organizations</i>	14
(c) <i>Service transformation scenarios</i>	17
(d) <i>Pursuing service transformation</i>	20
III. Key Challenges: Why Government Must Transform	22
(a) <i>Meeting increasing service demands and changing citizen needs</i>	22
(b) <i>Working together to serve Canadians</i>	26
(c) <i>Laying the foundations for long-term prosperity</i>	28
(d) <i>Renewing government's relevance</i>	30
IV. Pursuing Service Transformation: Conclusions and Recommendations	32
1. <i>Leadership, Management, and Governance</i>	33
2. <i>Implementation Strategies</i>	33
3. <i>Public Service Engagement</i>	34
4. <i>Communication and Marketing</i>	34



*Pursuing Service
Transformation ▶▶▶*

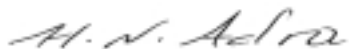
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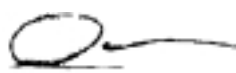
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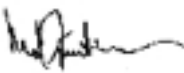
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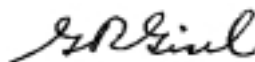
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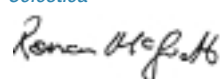
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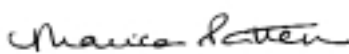
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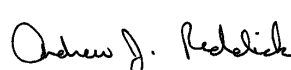
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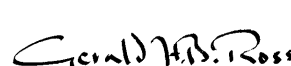
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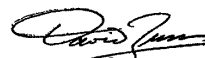
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EXECUTIVE SUMMARY

In the 1999 Speech from the Throne, the federal government announced its intention to become a model user of information technology and the Internet, and set the goal of *"being known around the world as the government most connected to its citizens, with Canadians able to access all government information and services on-line at the time and place of their choosing."*

The Government On-Line Advisory Panel (GOLAP) was established in September 2001 with a mandate to advise the President of the Treasury Board on a wide range of issues related to this objective.

In our Second Report, *Transforming Government to Serve Canadians Better (December 2002)*, we urged the government of Canada to take immediate action to change the way it operates, in order to meet the increasing demands and changing needs of Canadians for government services.

The changes we envisage are part of the overall task of government renewal, which has several distinct challenges:

- engaging citizens more fully in governance processes, not just at election time, but throughout the governance cycle that runs from policy formulation to program planning, service delivery, and performance evaluation;
- revitalizing Parliament, so that MPs are better informed about the issues they face and participate more effectively in policy-making and administrative oversight;
- transforming government services with the active involvement of all stakeholders;
- reforming the inner workings of government in order to improve the efficiency of internal services;
- recruiting, developing and retaining public servants with the knowledge, skills and abilities required to transform the public service into an innovative, citizen-focused organization.

A successful response to each of these challenges is necessary to renew the federal government. We concluded that our panel could add the most value to the renewal process if we focused our recommendations on the area we know best – service transformation.

Adopting a client-driven approach is the key to service transformation, whether in the public, private or voluntary sector. In our Second Report we recommended that the federal government should commit to citizen-centric service as an urgent priority, and transform its organizational "silos" into an integrated, multi-channel, multi-service delivery network operating across programs, departments and jurisdictions.

One year later, we cannot overstate how important it is for the federal government to hear, understand and act on these recommendations.

If the federal government transforms its services along the lines we recommend, it will improve the efficiency of its operations and provide higher

quality services to Canadian citizens and businesses. Canada will be branded internationally as a service leader, and positioned to compete effectively for skilled immigrants and new investments.

If the federal government does not transform its services, they will deteriorate in the face of rising demands resulting from demographic, economic and social trends. As services deteriorate, government will lose its relevance to Canadians.

To renew the relevance of government by connecting it with the needs of Canadians, the federal government must do four things in the area of service transformation.

1. LEADERSHIP, MANAGEMENT AND GOVERNANCE

Our experience tells us that it will be impossible for the federal government to transform its services without strong leadership from the very highest levels of the government and public service.

We therefore recommend that the Prime Minister should:

- *assume responsibility for leading the federal government's service transformation initiative, or assign this responsibility to the Deputy Prime Minister;*
- *ensure that this responsibility includes the authority to plan, reallocate, control and monitor the use of human, financial and material service delivery resources in all federal government departments and agencies;*

- *mandate a central agency of the public service to support all aspects of the service transformation initiative;*
- *ensure that service transformation objectives are included in the annual management contracts of Deputy Ministers, and that they are held accountable for achieving these objectives by the Clerk of the Privy Council;*
- *ensure that service transformation objectives are reported to Parliament, and that Parliament has the ways and means necessary to hold the government as a whole, and individual Ministers as appropriate, accountable for the achievement of these objectives.*

2. IMPLEMENTATION STRATEGIES

The Government On-Line (GOL) initiative has enhanced the delivery of the most commonly-used federal government services by making them available on-line. The uptake of these services, the demonstrated satisfaction of users, and Canada's acknowledged leadership in e-government have validated the government's approach to on-line service delivery.

Beyond these achievements, GOL has laid the foundations for service transformation by segmenting the services provided to key client groups and developing a common service platform for all federal departments and agencies.

The federal government must build on the success of GOL by implementing an integrated service delivery network that offers a similar quality of service over the Internet, on the phone, in person or through the mail, and which operates seamlessly across



different programs, departments and orders of government. A key part of this challenge is to transform the internal services that are provided within the federal government.

We therefore recommend that the federal government should:

- *review the current public and internal service delivery responsibilities and resources of all federal government departments and agencies in relation to the needs of its different client groups;*
- *develop a long-term plan for transforming the federal government's public and internal services over the next 5 to 10 years by rationalizing responsibilities, reorganizing operations, and reallocating resources among the departments and agencies involved in serving the needs of each one of these client groups, in order to break down the barriers that currently exist between these departments and agencies;*
- *as part of this plan, identify high priority service areas where transformation will deliver the greatest benefits to Canadians by improving the efficiency and increasing the effectiveness of federal government services;*
- *develop a common approach to service transformation, based on a common technical platform, that would be implemented in all service areas and by all federal government departments and agencies;*
- *as part of this common approach, ensure that all federal government services are accessible through a single service "window" that may be opened on-line, over the phone, in person, or through the mail, and that clients have*

access to similar information at comparable levels of quality, regardless of the channel chosen;

- *validate this common approach through service transformation pilot projects;*
- *monitor the implementation of the service transformation plan and allocate new resources as required to transform services in high priority areas.*

3. PUBLIC SERVICE ENGAGEMENT

To successfully transform its services, the federal government must fully engage the members of the public service in the initiative, so that they are committed to its success and become active partners in its implementation.

To foster this commitment, the federal government must communicate the need for service transformation to its employees, along with the opportunities it presents to serve Canadians better. It must ensure that the public service has the capacity to deliver existing services in new ways and to innovate in response to Canadians' changing needs. It must create incentives to improve the efficiency and effectiveness of service delivery, and reward success in service transformation.

We therefore recommend that the service transformation initiative should:

- *include as a central objective, the revitalization of the public service, so that it becomes an innovative, citizen-centred organization whose members are committed to the goal of service*

transformation and have the capacity to continuously improve the quality and efficiency of the services they provide;

- *identify the barriers to achieving this objective and take all necessary measures to ensure that the federal government recruits, develops, rewards, and retains public servants with the knowledge, skills and abilities required to transform the services they provide, whether directly to Canadian citizens, communities, businesses, and non-Canadians, or internally;*
- *establish a centre of expertise in service transformation to monitor the progress made by government departments and agencies and to provide advice and assistance in developing and implementing service transformation strategies and programs.*

4. COMMUNICATION AND MARKETING

The onus for achieving service transformation clearly falls on the shoulders of the government and the public service. However, the success of the initiative depends on the active involvement and support of four other stakeholder groups – Members of Parliament, Canadian citizens, Canadian businesses, and the media.

The federal government's initiative must ensure that these groups are fully informed about the challenges and opportunities presented by service transformation, and that they are able to contribute to its success. This initiative must be led by the Prime Minister.

We therefore recommend that the service transformation initiative, supported by a government-wide communications and marketing strategy, should include:

- *targeted communication plans designed to ensure that Members of Parliament, Canadian citizens, businesses and the media are informed about the rationale for the service transformation initiative, as well as its goals, scope and methods;*
- *a marketing plan designed to ensure that federal government clients, particularly among the general public, are encouraged to become active partners in the service transformation initiative, through incentives to adopt more efficient communication channels wherever possible;*
- *two-way communication mechanisms that provide Parliamentarians, citizens and businesses with opportunities to provide feedback on the service transformation initiative, and to suggest measures that will help improve the design and delivery of federal government services.*



I INTRODUCTION

In the 1999 Speech from the Throne, the federal government announced its intention to become a model user of information technology and the Internet, and set the goal of *"being known around the world as the government most connected to its citizens, with Canadians able to access all government information services on-line at the time and place of their choosing."*

The Government On-Line Advisory Panel (GOLAP) was established in September 2001 with a mandate to advise the President of the Treasury Board on a wide range of issues related to this objective.

Although GOLAP members come from different professional backgrounds in the academic, high-tech, private and voluntary sectors, we have three things in common:

- with some notable exceptions, we are not experts in government;
- many of us, however, have considerable experience and expertise in how organizations can use information and communications technologies (ICTs) to change the way they do business, in order to provide better service to their clients or members;
- regardless of background, all of us are passionately committed to helping the federal government improve the service it provides to Canadian citizens and businesses.

We quickly came to the conclusion that the GOL initiative is about much more than putting federal government services on-line. As we stated in our First Report of April 2002,

"...we have been struck by the sweeping potential of this initiative both for the direct changes it is starting to bring and as a catalyst for far broader indirect change. Because this initiative, in its essence, involves changing the ways Canadians communicate with each other and their government, it has the potential to change – and in largely unpredictable ways – the most basic relationships that underpin our society. [...] All of this implies that government must be not simply restructured but reconceived to accommodate, but just as important to anticipate, the waves of change that will erode traditional relationships even as new ones are created."

These waves of change are being generated by profound shifts in the structure of our economy and society. These shifts are transforming relationships between Canadians, and between Canada and the rest of the world.

All developed countries, including Canada, are moving from an era in which their economies were based on the advantages they enjoyed as a result of their natural endowments in agriculture, resources and manufacturing, to an era in which their economies are primarily based on the generation

and application of knowledge to improve innovation, productivity and competitiveness in all economic sectors, particularly in the burgeoning services sector.

Information and communication technologies (ICTs) and the Internet have been key enablers in the transition from the agricultural-industrial to the information-knowledge era. As well as making it possible to create new industrial sectors and to transform existing structures, ICTs have helped break down the barriers that formerly separated different countries, peoples and cultures.

Like other organizations in the private and voluntary sectors, government must be transformed to serve the needs of Canadians in this new environment. It will quickly lose its relevance if it clings to opaque, slow-moving, overly-hierarchical industrial-age structures and processes – while the rest of the world fast-forwards into new ways of working, living and communicating based on global networks that deliver results with a speed, quality, scope and scale previously unattainable, and often unimaginable.

Renewing government for this new environment is a complex, multi-dimensional challenge that is currently the subject of widespread analysis, discussion and debate. It includes:

- engaging citizens more fully in governance processes, not just at election time, but throughout the governance cycle that runs from policy formulation to program planning, service delivery, and performance evaluation;
- revitalizing Parliament, so that MPs are better informed about issues facing them, and participate more effectively in policy-making and administrative oversight;
- transforming government services by committing to a user-centric approach and actively involving Parliamentarians, public servants and the general public in the service transformation process;
- reforming the inner workings of government in order to improve the efficiency of internal services;
- recruiting, developing and retaining public servants with the knowledge, skills and abilities required to transform the public service into an innovative, citizen-focused organization.

While recognizing that a successful response to each one of these challenges is necessary to transform government as a whole, we concluded that our panel could add the most value to the current debate about government renewal if we focused our report and recommendations on the area we know best – service transformation and the organizational changes needed to achieve it.

From this perspective, we welcomed the federal government's 2002 decision to integrate its Government On-Line and Service Improvement Initiatives under a single responsibility centre, since this will facilitate a truly "citizen-centric" initiative focused on identifying the needs of Canadians and on using technology to meet them.



The discussions we have held over the past two years with Ministers, the Chief Information Officer, other senior government officials, and independent experts have helped us to appreciate the complexity of the challenges facing the federal government as it moves forward with its on-line service delivery and service improvement initiatives.

Our collective experience suggests that to respond successfully to these challenges, the federal government must be guided by a compelling vision – a vision of how its services could be delivered differently in a world being reshaped by information and communications technologies (ICTs) – a vision of why these services must be transformed, to serve the needs of Canadians better now and in the future.

In our Second Report, *Transforming Government to Serve Canadians Better*, we tried to give a sense of the vision we believe is needed when we said that:

"Government On-Line is but a part of a much broader issue – the total transformation of how governments organize to provide services and information in the future both to the users of their services as well as for their own internal operations."

The key to service transformation – whether in the public, private or voluntary sector – is to put the client first, and to focus organizational resources on identifying and serving the specific needs of individual clients or groups of clients as efficiently and effectively as possible, while taking maximum advantage of the transformative potential of ICTs.

Following its publication, we had an opportunity to discuss our Second Report with the President of the Treasury Board, her colleagues in Cabinet, Officers of Parliament, Deputy Ministers, and GOL Leads from different government departments and agencies.

We found that all of these audiences were interested in our views and generally receptive to our recommendations. However, we are not certain that we succeeded in fully communicating the magnitude of the challenge facing the federal government, the importance of a successful response, or the sense of urgency that should underlie the government's service transformation initiative.

In our final report, we therefore decided not to break new ground but instead to go into greater depth on the themes addressed in our previous reports, by giving answers to the following questions:

- What will be different for Canadian citizens, communities, and businesses when government services have been transformed?
- What are the key challenges facing the government as it seeks to transform its services?
- What should the government do to respond to these challenges?

The following three chapters address each of these questions in turn.

II MAKING A DIFFERENCE: *A Vision of Service Transformation*

A. GOL AND BEYOND:

Taking service to the next level

The federal government's 1999 commitment to ensuring that Canadians would be able to access all government services on-line at a time and place of their choosing set the foundations for the Government On-Line initiative.

The government stated that it intended to accomplish its goal by 2005. In fact, many of the major objectives of GOL have already been achieved, and the program is well on its way to a successful completion by the target date. In particular:

- all government departments and agencies have web sites with a common "look and feel";
- the Government of Canada website (canada.gc.ca) provides one-click access to three main service gateways, which link services provided by different departments and agencies to Canadians, communities, non-Canadians, and Canadian businesses;
- within each of these three main gateways, the services provided by different departments and agencies are further grouped according to audience (such as aboriginal people, children,

persons with disabilities, seniors, youth) or topic (including consumer information, culture, economy, health, justice, taxes);

- some key transactional services are now available on-line (Canadians can now file their income tax returns);
- a secure channel has been developed to protect the privacy of users and ensure the confidentiality of financial and other transactions, and will be fully implemented as a common service platform by 2005;
- by 2005, 135 of the federal government's most commonly used information and transactional services will be on-line, including 88 for Canadian citizens, 39 for Canadian businesses, and 8 for international clients.

Canadians have responded well to GOL service offerings. A recent study by Ekos Research Associates on Canadians and technology found that there is rising familiarity, comfort and confidence in government's use of technology, that the Internet is now well established as the second most common channel for contacting government after the phone, and that websites are fast becoming the starting point for many citizens in their dealings with the federal government.



GOL is a good beginning – but it is only the first step in service transformation.

This study also found that exposure to GOL services has a significant impact on citizens' broader view of government. For example, Canadians who have used Netfile to file their income tax returns are

considerably more positive in their overall outlook towards government service delivery than those who continue to use more traditional means.

Government On-Line: 2003, the 2nd Annual Report on GOL, provides a detailed overview of the progress of the initiative and gives examples of some of the successes it has achieved. For example:

- The on-line Job Bank, which is the largest web-based network of job postings that are available to Canadians, provides access to over 46,000 jobs at any one time with up to 2000 new jobs posted every day. Ninety-nine percent of Canadians looking at these postings do so on-line, and the site recorded more than 66 million visits in 2002.
- When the Job Bank service was launched, it was predicted that only 10% of all job openings would be posted electronically, even though postings are free for employers. By December 2002, however, almost 60% of all openings were being posted electronically.
- The Electronic Labour Exchange (ELE) is a way for job seekers and businesses to find one another. ELE uses electronic checklists to match work to people and people to work. Job seekers complete a quick and easy on-line checklist in order to advertise their

skills. Businesses use these descriptions of skills, education, and experience to find someone who matches their job descriptions. Currently, 150,000 employers and job-seekers have registered to use ELE; at least one-quarter of registrants are able to find matches that may lead to employment.

The following are other examples of GOL success stories:

- The Canada Customs and Revenue Agency's "My Account" service, which provides secure access to tax statements and the ability to update personal tax returns, scored an 87% client satisfaction rating with its first 100,000 contacts.
- Employment Insurance on-line has processed 650,000 requests on-line since it was launched in the summer of 2002.
- In May 2003, the Web Record of Employment (ROE) went on-line. So far over 49,000 transactions have been successfully completed.

In our Second Report, we recommended that the federal government should build on the achievements of the GOL and Service Improvement Initiatives in order to transform its services so that they:

- are tailored to the specific needs of individual citizens or groups of citizens (citizen-centric service);

- draw on the resources of all relevant government departments and agencies at the federal, provincial and municipal levels (a whole-of-government approach);
- are accessible through a single service "window" which may be opened on-line, over the phone, through the mail, face-to-face, or even in a combination of ways – as increasingly citizens are using multiple channels to contact the government – at the user's choosing (one-stop shopping and a multi-channel, multi-service approach);
- provide the client with access to all the information related to a specific service that

If this gap persists, government will increasingly fail to meet the service expectations of Canadians.

is available through these different channels, at comparable quality levels regardless of the service window chosen (an integrated service delivery network).

In the sections that follow, we have sought to flesh out this vision by describing what the transformation of government services would mean in concrete terms, and by demonstrating how transformed services would differ from those that currently exist.

B. LESSONS FROM OTHER ORGANIZATIONS

Many Canadians have already experienced service transformation in their dealings with private sector and not-for-profit organizations.

If we look at the government's service delivery capabilities and performance in relation to these organizations, we can see that on every major client service dimension, there are gaps between the service provided to Canadians by government, and the best practices of service leaders in the private and not-for-profit sectors. This is the case whether we compare factors such as ease of access at a time and place of the client's choosing, choice of service channel, customization of service, anticipation of need, speed of response, control of service quality, assessment of client satisfaction, or post-service follow-up.

We recognize that government service providers have different objectives than private sector service providers, that they operate under different constraints, and that the challenges they face are in many ways more complex. Nevertheless, we believe that government can learn important lessons from private and other non-governmental service providers and apply these lessons to improve the delivery of public services.



In the private sector, a client-driven approach to the design, organization, management and delivery of services has been facilitated by the development of electronic networks that seamlessly integrate the different stages of product development and service delivery processes, by connecting all the different people and functions involved in providing a service in a common virtual space, wherever they are located.

As Box 1 illustrates, many private companies have used these networks to create the kind of integrated, multi-channel, multi-service network we recommended to the federal government in our previous report.

**Box 1: Organizational Transformation –
the Case of IBM**

IBM underwent a significant transformation between 1992 and 2001 that centralized distributed functions and created shared services across business units.

For example, the number of financial data centres was dropped from 68 to 8, key applications decreased in number from 145 to 55, and the days for accounting close dropped from 18 to 7.

As a result, expenses for this business component decreased from \$2.1 billion, or 3.2 percent of revenue, to \$1.5 billion, or 1.5 percent of revenue. Similarly, IBM reduced its overall number of CIOs from 128 unit and geographic CIOs to one corporate CIO, its host data centres from 155 to 11, the number of Web hosting centres from 80 to 7, and the number of total applications from 16,000 to 5,200.

Source: IBM Canada

We believe that there is enormous potential for government to adopt a similar approach to providing client-centric service that integrates the contributions of different departments and agencies, in order to provide improved service to Canadians at a lower cost to taxpayers.

Box 2 illustrates one such opportunity that was identified by comparing the operation of federal government call centres with global leading practice in the public and private sectors.

The case studies presented in these boxes also illustrate the potential of integrated networks to greatly improve the efficiency of internal services, thereby reducing costs and freeing up resources to serve the needs of external clients.

An internal study by the Treasury Board Secretariat has estimated that there are significant opportunities for the federal government to improve the efficiency of its operations by implementing common ICT platforms and common standards for information management, as a basis for streamlining financial, material, human resource, logistical and other internal service applications across departments and agencies. Box 3 summarizes the results of this study.

In the section that follows, we will present a set of "what if" scenarios that have been developed through the Government On-Line and Service Improvement initiatives to illustrate what would be different if government services were truly transformed.

In presenting these scenarios, we are mindful of the fact that the federal government provides many different kinds of services, and that it faces very different challenges and constraints in different service areas. For example, it may be relatively easy to transform information services.

Transactional services are more difficult, particularly those that involve the exchange of money or personal information. The development of policy, the application of laws and regulations, and the adjudication of disputes are more difficult still.



**Box 2: Federal Government Call Centres –
An Opportunity for Service Transformation?**

An internal study of 24 federal government departments and agencies that was done in 2001 found that they were operating 130 different call centres, served by 5000 workstations and employing up to 6000 agents at peak periods, at a total cost of \$180 M per year.

The study found that there was no consistency in the operation of these different call centres and a broad range of service standards.

A subsequent review of the study's findings by an independent consulting firm, which benchmarked the operations of federal government call centres against global public and private sector leading practice, concluded that there was a need for better technology integration, improved training and workforce management, and opportunities for improved efficiency and effectiveness through focused consolidation of small centres into larger units.

Source: Treasury Board Secretariat

Box 3: Potential Savings on Internal Services

SERVICE	COST	POTENTIAL BENEFITS	POTENTIAL ANNUAL SAVINGS	POTENTIAL % SAVINGS
Distributed Computing	\$1.9B	<ul style="list-style-type: none"> Government Employee ID Sustainability Common Helpdesk Enhanced Availability 	\$200M - \$300M	10%-15%
Midrange Computing	\$3.0B	<ul style="list-style-type: none"> Security Leveraged Procurement Asset Management 	\$50M - \$100M	17%-33%
Telecom & eGov Services	\$0.7B	<ul style="list-style-type: none"> Security Portal Services Process Maturity (Integration Centres) 	\$50M - \$150M	7%-21%
Common Administrative Services (HR, Financial, Material)	\$2.0B	<ul style="list-style-type: none"> Cost Savings Sustainability Process Maturity Organizational & Policy Flexibility 	\$300M - \$400M	15%-20%

Source: Treasury Board Secretariat



C. SERVICE TRANSFORMATION SCENARIOS

Senior Scenario

The Scenario

Louise, a recently retired 65 year old teacher, who used the Internet in her work, is interested in volunteering. She is also caring for her mother and has Power of Attorney for her mother's finances, health and personal care.



What if...

A full range of personalized, harmonized, interjurisdictional service offerings for seniors was available on-line, in-person and by telephone so that, depending on channel preference, it would be easy to:

Log on to the seniors portal at canada.gc.ca to:

- receive an on-line 65th birth card informing her that her Canada Pension Plan and Old Age Security will be deposited into her bank account, with confirmation of her account number and the name of her designated beneficiary;
- determine the impact of her reduced income on income sensitive benefits – such as Guaranteed Income Supplement, the Goods and Services Tax credit, subsidized housing assessment and property tax credit;
- speak on-line at any time with an information and referral assistant in order to clarify questions.

Call 1-800 0 Canada to access her mother's profile information with support from an on-line service delivery agent to:

- arrange a date and time for a visit by a provincial home care worker;
- reserve a ride with the municipal Wheel Transit service to attend a medical appointment.

Visit a Service Canada office to:

- connect with an exchange service for potential volunteers in the community;
- meet weekly with a peer support group for caregivers of elderly parents.

Skilled Immigrant Scenario

The Scenario

Ende, a 32 year old with a Ph.D. in computer science and 7 years experience with a multinational corporation, would like to immigrate to Canada.



What if...

When he telephones the Canadian embassy in his country to ask about career opportunities in Canada, entry requirements, and whether his academic and professional credentials will be accepted by Canadian employers:

- his inquiry is routed to a call centre where a client service agent creates an electronic profile and gives him a client ID number;
- he then logs onto canada.gc.ca immigrants' portal to access information about job opportunities in his field, immigration and professional certification requirements, and information on moving to and living in Canada;
- after reviewing this information, he fills out the online points calculator, which confirms that he is eligible to immigrate to Canada and automatically sends immigration forms to his email account which he completes and returns, along with an e-payment.

His client service agent calls him back to thank him for his interest in immigrating to Canada, to explain the next steps in the process, and to answer any further questions.

Ende is sent regular email updates on his immigration status. He is successful in his application and after living in Canada for two years is automatically sent an application for Canadian citizenship.



Volunteer Scenario

The Scenario

Ken, an enthusiastic paddler, and Marie, an experienced volunteer worker, have agreed to organize a dragon boat tournament to raise funds for a homeless persons' organization.



What if...

When Marie discovers that Dragons Unlimited, the volunteer group organizing the tournament, has no legal status, she logs on to the Canadian volunteer portal at the canada.gc.ca website. To get one-click access to the forms for incorporating a not-for-profit organization and registering with Canada Customs and Revenue Agency (CCRA) to obtain tax exempt status.

Marie completes and submits the forms electronically, and receives instant confirmation of the registration. Using the same on-line cluster of services, she applies to the federal and provincial governments for funding. Within a week, the amount needed to help with the cost of the tournament is electronically deposited in the organization's newly-opened bank account.

In the meantime, Ken has logged on to the host city's web site to reserve facilities for the dragon boat races at the municipal marina. During the same session, he applies for and receives a licence to sell beer during the tournament. He pays for these services on-line using his personal credit card, and sets up an electronic reminder to recover the cost.

Back at the canada.gc.ca volunteers' portal, Ken finds a range of information to help him with logistical arrangements for the tournament, including tips on arranging inter-provincial travel for the teams, preparing tax receipts for companies and individuals sponsoring the tournament and meeting boating safety requirements, as well as a link to the Red Cross site for information on how to organize first aid at the event.

D. PURSUING SERVICE TRANSFORMATION

Transforming the services it provides to Canadian citizens, businesses, communities, and non-Canadians will be an enormous challenge for the federal government, which annually spends almost 40 % of Canada's Gross Domestic Product (GDP).

Our experience demonstrates that it will be impossible for the federal government to transform its services without strong leadership from the very highest levels of the government and public service. We recognize that there are great differences in scale, scope and complexity between the operations of the government and those of private and voluntary sector organizations. However, in our judgment these differences make it essential that there be central leadership, management and governance of the service transformation initiative, ideally by the Prime Minister.

Service transformation will clearly require significant changes to the organizational structures and working processes of the public service. It will also require new knowledge, skills and abilities on the part of public servants. Every effort will have to be made to hire, develop and retain people with the capacity to transform services. Beyond this, service transformation will require a profound change in the culture of the public service, so that it becomes an organization better focused on identifying and serving the needs of its "clients" – Canadian citizens, businesses, communities, and non-Canadians – and which encourages, recognizes and rewards innovation.

To successfully transform its services, the federal government must fully engage the members of the public service in the initiative, so that they are committed to its success and become active partners in its implementation. In order to foster this sense of commitment, the federal government must communicate the need for service transformation to its employees, along with the opportunities it presents to serve Canadians better. It must ensure that the public service has the capacity to deliver existing services in new ways, and to innovate in response to the changing needs of Canadians. It must maintain an ongoing dialogue with front line personnel, listen to their feedback, and adjust its overall transformation strategy in light of their experience. It must create incentives to improve the efficiency and effectiveness of service delivery, and reward success in service transformation.

The transformation of the federal public service is a massive challenge, but there is no better time to undertake it than now. The Public Policy Forum recently estimated that up to 20% of the public service will retire within the next few years. This will undoubtedly create problems because of the loss of corporate memory that is likely to result. However, since much of this memory relates to traditional ways of providing government services, the coming "changing of the guard" provides an ideal opportunity to bring fresh blood into the public service in the form of young people who are open and, in many cases already accustomed, to new ways of working. The opportunity to combine service transformation with generational change should not be missed.



The onus for pursuing service transformation clearly falls on the shoulders of the government and the public service. However, the success of the initiative we are recommending will depend on the active involvement and support of four other stakeholder groups – Members of Parliament, citizens, businesses and the media. The federal government must ensure that these stakeholder groups are fully informed about the challenges and opportunities presented by service transformation, and that they are able to contribute to its development and implementation.

Engaging these stakeholders will require a professional, government-wide, communications and marketing strategy. This strategy should be led by the service transformation champion. It should be based on solid research on the interests, needs, motivations and behaviours of government service users. It should identify key market segments, and target their needs with customized service offerings. Finally, the strategy should set measurable objectives, track performance, monitor progress, and adjust the service transformation initiative in light of experience.

III KEY CHALLENGES: *Why Government Must Transform*

Service transformation, although it is an enormous and difficult task, is the only viable option.

Either...

The federal government transforms its services, improving the efficiency of its operations and providing higher quality services designed to meet the rapidly changing needs of Canadian citizens, communities, and businesses.

Canada will thus be branded internationally as a service leader, and will be positioned to compete effectively for skilled immigrants and new investments.

Or...

If the federal government does not transform its services, they will deteriorate in the face of rising demands being driven by demographic, economic and social trends. This will deprive Canadian citizens, communities, and businesses of the benefits they need to prosper, and will undermine Canada's international competitiveness.

In this section, we will explore the need for service transformation in terms of four key challenges:

- responding to the rising demands and changing needs resulting from demographic, economic and social trends while maintaining a sound fiscal framework;

- integrating the services of different departments and agencies in order to eliminate duplication, streamline requirements and deliver services to citizens as if they were the product of a single organization;
- maintaining and strengthening the foundations for Canada's long-term prosperity in the face of increasing global competition;
- restoring the relevance of government to Canadian citizens.

A. MEETING INCREASING SERVICE DEMANDS AND CHANGING CITIZEN NEEDS

The basic reason government services must be transformed is to better serve the needs of Canadian citizens, communities, businesses and voluntary organizations, as well as the needs of non-Canadians who are interested in Canada as a place to visit, do business, study or live.

If it continues to do business as usual, the federal government will not have the capacity to respond to the rising demand and changing service needs that will be generated by economic and social forces in each of these different service segments, in the short, medium and long terms.



Examples of key trends and impacts include:

The aging population

- The number of people aged 65 and over is expected to double from nearly 4 million in 2000 to almost 8 million by 2026. By 2051, the population of seniors could reach between 9 and 10 million, and account for one-quarter of Canada's total population.
- The number of working people per senior will fall. Currently, there are five working people for each senior. By 2026, there will be only three.

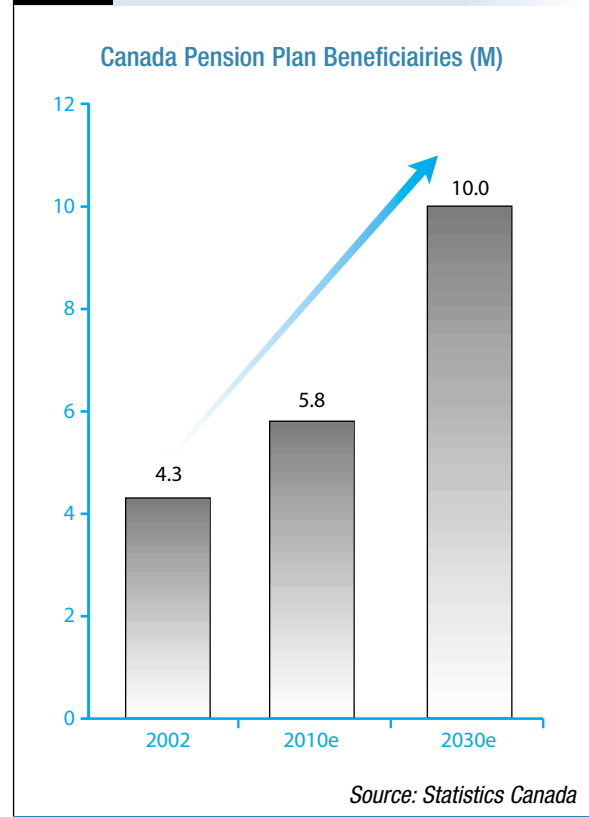
Unless these services are transformed, government will not be able to meet the demand for services.

From these trends, it is clear that the demand for pensions, old age security, health care and other government services to seniors will rise sharply, at the same time as the pool of human and financial resources available to deliver these services shrinks.

Increasing skill requirements

- From 1991 to 2001, the number of people in the labour force increased by almost 10%, to 15.6 million.
- Almost one-half of this growth occurred in highly skilled occupations that normally require university qualifications.
- In contrast, low skilled occupations requiring high school or less accounted for only one-quarter of the increase.
- By 2001, 15% of the labour force was within 10 years of retirement age. By 2011 labour shortages are expected in some occupations as the Baby Boomers begin to retire in great numbers.

Box 4: Impact of the Aging Population



- Canada is increasingly turning to immigration as a source of skills and knowledge. Immigrants accounted for almost 70% of the growth of the labour force during the period 1991-2001.

From these trends it is clear that there will be increasing demand for government services to support students, to upgrade skills in all economic sectors, to integrate immigrants into the Canadian labour force, and to support people who are temporarily without work, particularly those who lack the skills for available jobs.

Unless these services are transformed in a way that results in a significant increase in the productivity of the Canadian work force, so as to offset the declining ratio of workers to dependents, the effects of the aging population will be exacerbated, and it will be very difficult for Canada to maintain its position in the knowledge-based economy.

HRDC estimates that it responds to 50 million phone calls every year. But even with all the resources at its disposal, estimates that it is unable to answer another 30 million.

The impact of these trends – and the urgency of service transformation – becomes clear if we examine the case of Human Resources Development Canada (HRDC), the federal department responsible for providing many of the services most in demand by seniors, students and workers.

HRDC has a large budget – about \$70 billion, 95% of which is paid directly to Canadians through the Canada Pension Plan, Employment Insurance, and other programs. As Box 5 illustrates, the department also carries an enormous workload, and has a very large infrastructure for providing services in person and over the phone.

If one of the largest, best-resourced departments of the federal government is only able to respond to 60% of its calls at current demand levels, what will happen when demands increase in the years and decades to come?

Box 5: Demand and Supply of HRDC Services

HRDC annually processes:

- 100 million pension payment transactions;
- 25 million biweekly Employment Insurance reports, 45% of which are currently submitted on paper through the mail;
- 8 million Records of Employment submitted by employers – in triplicate;
- 2.8 million applications for insurance benefits;
- 500,000 Old Age Security applications;
- 485,000 Canada Pension Plan applications;
- 400,000 student loans.

More than 25,000 HRDC employees provide these services through 320 Human Resources Centres, 229 Service Canada sites, over 120 processing centres, and 26 call centres that operate over 1200 different 1-800 numbers.

Source: Human Resources Development Canada

As the HRDC example so tellingly illustrates, the services Canadians need from government are bound to deteriorate under demographic, economic and social pressures – unless they are transformed.

These same pressures also call attention to the need to transform the way government serves the voluntary sector.



This sector plays a very important role in helping to serve the needs of Canadians. More than 900,000 people work for pay in this sector, and they often use government on-line services. Statistics Canada also estimates that more than one-quarter of the Canadian population does volunteer work, and that volunteers contributed a total of just over 1 billion hours of work in 2000. This is the equivalent of an additional 549,000 full-time, year-round jobs. In addition, more than 90% of Canadians aged 15 and over made financial donations to voluntary organizations, for a total contribution of about \$5 billion.

The voluntary sector is composed of different types of organizations, including registered charities and a rapidly expanding number of not-for-profit organizations. Voluntary organizations are active in many different areas of life. Some provide social assistance. Others organize cultural and leisure activities. Still others are involved in governance activities at every level, from local to global.

In many cases, voluntary organizations are partners of government departments and agencies, funded in whole or in part to help deliver public services. A recent survey of voluntary organizations in Ontario found that they had been adversely affected by the measures taken at the federal and provincial levels during the 1990s to control government spending.

This study found that money is not the only issue. It stated that:

"Many organizations report less interaction with government representatives and a deterioration of their relationship with most provincial and federal government funders in recent years. Their long-standing sense of partnership and dialogue with funders has clearly been weakened. They now report that they operate in the dark, without adequately understanding how new government policies are developed or apply to them. This greatly impedes their ability to develop new programs or to engage in longer-term planning."

As well as needing better information from government, voluntary organizations have very practical requirements. For example, a community centre based after school daycare and drop-in centre may cater to several special needs children, some of whom may be using wheelchairs or walkers. If the Centre is located in an older building, upgrades may be needed in order to make the building accessible. The Centre's coordinator should be able to find the government programs which could help with the costs of the necessary renovations on the voluntary cluster at canada.gc.ca.

As we note elsewhere in this report, the federal government has made a good start in identifying the service needs of Canadian citizens, businesses, and non-Canadians. It has laid the foundations for transforming the services it provides to these client groups. We urge it to do the same for the communities of the voluntary sector.

B. WORKING TOGETHER TO SERVE CANADIANS

As well as being concerned about the government's capacity to respond to rising demand for its services, we are concerned about the overlaps, duplications and disconnects that exist between the services offered by different orders of government.

In our experience, Canadian citizens want quality services that give them what they need through the efficient use of their personal resources – particularly their time – and the taxpayer resources that fund public services. In some cases, they may not know which level of government is

responsible for providing a particular service, or care about the inter-jurisdictional issues that affect its delivery. They just want to be served.

Canadian businesses usually have a clear sense of the division of responsibilities among different government departments and agencies, in relation to their own operations. Their concerns are more likely to focus on the number of different rules and regulations that affect them, particularly if there are inconsistencies or outright contradictions among the requirements of different departments and agencies within the same government or at different levels of government.

Box 6: Freezing in the dark – a fishy story

A Gatineau Quebec-based distributor of seafood supplies restaurants and grocery operations throughout the National Capital Region. It also makes retail sales to walk-in clients at its warehouse. As a distributor, it is permitted to cut fish in portion sizes for its restaurant wholesale clients, or for its retail walk-in clients. However if it does the same for grocery clients it must also be licensed as a fish processing plant.

Fish processing plants must be licensed provincially, but are inspected and regulated by federal legislation administered by the Canadian Food Inspection Agency. The Quebec license is only granted if the applicant is able to demonstrate a demand for its service that is not satisfied by an already licensed competitor. The method of satisfying this condition is vague and appears subject to "some kind of bureaucratic or political discretion".

Furthermore, the provincial and federal regulations are inconsistent and it is not clear from case law (the apparent determining factor) which regulation takes precedence. For example, federal regulations require frozen fish to be held at -18 °C while Quebec provincial law requires -23 °C. There is a significant cost, both in environmental and energy consumption terms to meeting the latter; direct competitors of the distributor, based in Ontario, are not obligated to bear those costs.

However after ten months of research and consultation with the federal and provincial bureaucracies on this issue, the distributor still could not determine which regulations applied to its product being sold to grocers so simply gave up and apologized to its grocery clients. It remains difficult to explain to grocers, why the company cannot provide the same portions that it offers to its restaurant and retail clients.

Source: Systemscope Scenarios for Business Gateway documenting an actual business situation

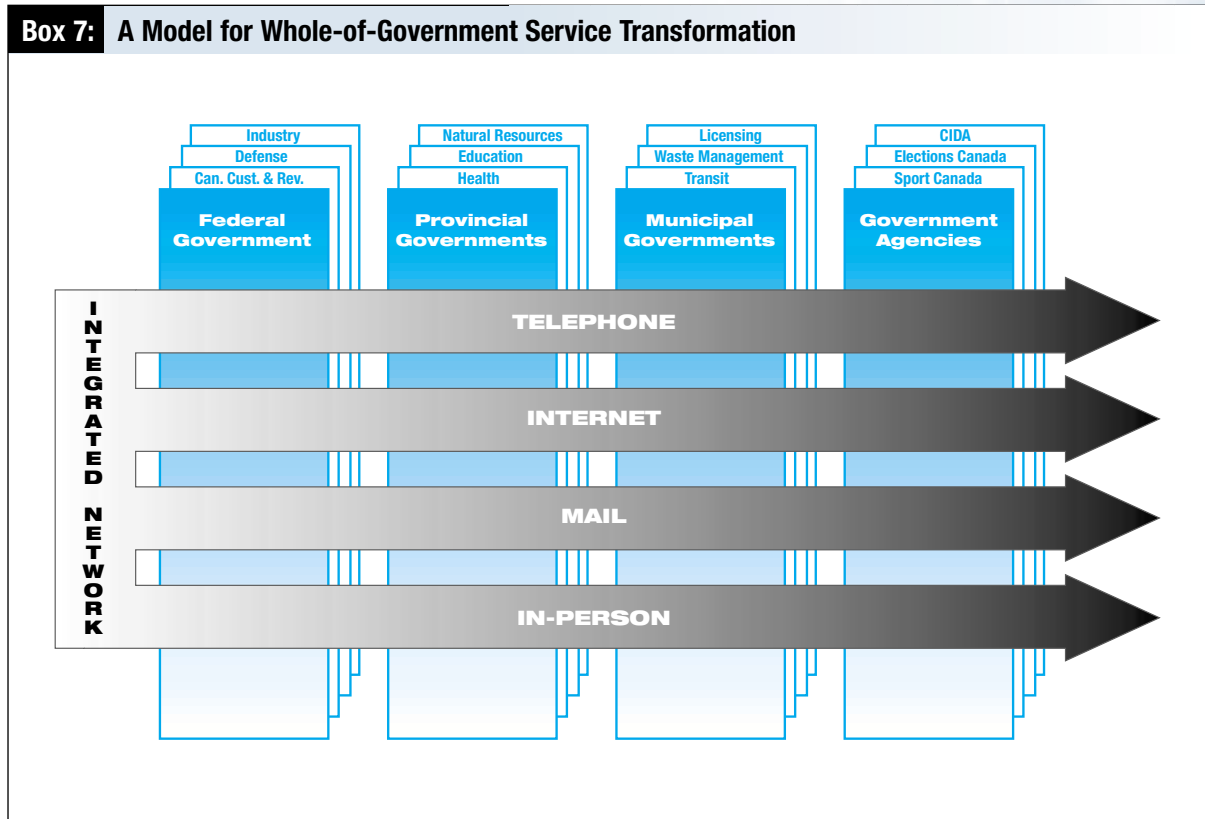


Many of us are familiar with the long standing disputes that have taken place between different jurisdictions regarding the colour of margarine, or the requirements for selling beer. These disputes have affected the operations of relatively large corporations. Box 6 presents an equally telling example of how conflicting regulations can affect a small business.

The days in which it was possible to make relatively clear distinctions between the responsibilities of different orders of government are long gone. More than ever before, creating an economic and social environment in which Canadians can continue to prosper requires a well-coordinated, total effort by all orders of government.

In our view, the client-centric, whole-of-government approach that we have recommended to the federal government should be progressively extended to other orders of government, to maximize the efficient use of public resources.

The changing service needs of Canadian citizens and businesses illustrated by these examples, and the constraints that are likely to shape government's capacity to respond now and in the future, provide a compelling argument for why government services must be transformed. They must become centred on the needs of different client groups and they must be offered across the government in an approach that cuts across departmental and jurisdictional boundaries, as illustrated in Box 7.



C. LAYING THE FOUNDATIONS FOR LONG-TERM PROSPERITY

There is clearly a strong case for government transformation if we look at how clients' needs and services interact.

The case for service transformation becomes all the more compelling if we look at what government must do, not just to serve the needs of individual Canadians and businesses, but to create an environment in which the Canadian economy will continue to prosper and our social well-being will continue to be enhanced in the decades to come.

The changes that have taken place in the way the private sector and other non-governmental organizations design, manage and deliver services are but one manifestation of the profound global aftershocks of the transition from the industrial era to the knowledge age.

The rise of the globally-networked, knowledge-based economy and the social changes that have accompanied this transition have very significant ramifications for government service providers:

- Because the capacity of people to acquire, generate, communicate and apply information and knowledge has become an important factor of production in every sector of the economy, the economic and social potential of a country is increasingly related to its ability to nurture these attributes among its citizens, as well as to its ability to provide an environment that will encourage the application of

information and knowledge for economic and social innovation. In Canada, as in other developed countries, government services play a critical role in the development and application of human capacity.

- Because many of the barriers that made it difficult in the past for highly-skilled people to move between countries have been reduced or eliminated as a result of globalization, the quality of government service is becoming an important determinant of a country's economic competitiveness. Government services that support a high quality of life and an attractive business environment are becoming key sources of competitive advantage.

Like Canada, other developed countries have seen the connection between improving government services and global competitiveness in the information and knowledge age. Without exception, the members of the OECD and leaders in the developing world have launched similar programs to provide on-line access to government services.

So how does Canada compare?

For the past several years, Canada has been recognized as a leader in "e-government". In the annual reports prepared by the international consulting firm Accenture, Canada has been ranked first in the world in each of the past three years. In this year's report, Canada was judged to be the only country prepared to begin the process of service transformation. Box 8 contains Accenture's eGovernment ranking for Canada.



Although it is gratifying to be ranked as a world leader, this is not the goal of service transformation. The goal is to do a better job serving the needs of the Canadian people now, and into the future.

The transformation of government services will bring long-term benefits to Canada by helping Canadian businesses and entrepreneurs develop innovative products and services, and increasing the efficiency and productivity of all economic sectors. By branding Canada as a country with a highly-skilled workforce, an attractive business environment, a high quality of life, and a capacity for innovation, this transformation will help to lay the foundations for continuing growth and prosperity in the information age.

The wealth generated by a productive, globally competitive economy is increasingly the product of a society that recognizes and values the contributions that can be made by all of its people, respects their rights and fundamental freedoms, invests in the development of their distinctive capacities, and fairly shares the rewards of their efforts.

By humanizing government service and customizing it to meet the needs of different groups, and different individuals within those groups, the transformation envisaged in this report will increase the well-being of Canadian society.

Box 8: Where Canada Ranks in eGovernment

2003 Overall eGovernment Maturity Score

Service Transformation	71.34%	Canada
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Mature Delivery	53.06%	Singapore, United States, Denmark, Australia, Finland, United Kingdom, Belgium, Germany, Ireland, France
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Service Availability	39.00%	The Netherlands, Spain, Japan, Norway, Italy, Malaysia
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Basic Capability	24.09%	Mexico, Portugal, Brazil, South Africa
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Source: Accenture – percentages reflect the average score for countries within each category

D. RENEWING GOVERNMENT'S RELEVANCE

When looking at the cost-benefit equation of service transformation, we think it is also important to consider the cost to individual Canadian citizens and businesses, and the cost to Canada as a whole, if government does not transform its services along the lines we have proposed.

Unless government transforms, it will lose its relevance to Canadians.

We are under no illusion that government will disappear overnight if it fails to transform its services. While it will certainly continue, without service transformation government is likely to act more and more as a brake on Canada's economic growth and social development, as a

"cost of doing business", and as "the price of being a Canadian," rather than as a vital part of our national life, and an essential support for achieving our individual and collective goals.

The question of government relevance recurred again and again as we examined the case for transformation:

- How can government remain relevant if it is unable to anticipate and respond to Canadians' changing service needs smoothly, seamlessly and efficiently, without wasting their time, and without dragging them into bureaucratic mazes?
- How can government remain relevant if it cannot compete with other countries, by providing services that help nurture and sustain Canadians' human capacities,

and by creating an economic and social environment that allows and encourages them to reach their full potential?

There is disturbing evidence that government is becoming less relevant to Canadians. This trend is reflected in declining voter turnouts and in a pervasive cynicism about government institutions. It is particularly troubling that the lack of interest in political and governmental processes is highest among young people, who are turning away from established structures and seeking other forms of social engagement. This means that the segment of the population that is best equipped to lead a technology-enabled drive for service transformation is the one that has the least interest in being part of the process.

In part, this growing sense of irrelevance can be attributed to what has been called "the democratic deficit" – the feeling that the voices of ordinary Canadians and their elected representatives are either not heard, or not listened to by government and the bureaucracy. Overcoming the democratic deficit is a very different task from pursuing service transformation. Among other things, it involves revitalizing the role of Members of Parliament, finding new ways of engaging citizens in policy-making processes, and ensuring that both Parliamentarians and citizens have access to the information they need to participate effectively in public life.

However, even though the challenge of eliminating the "democratic deficit" is very different from the challenge of transforming the delivery of government services, there is evidence that the

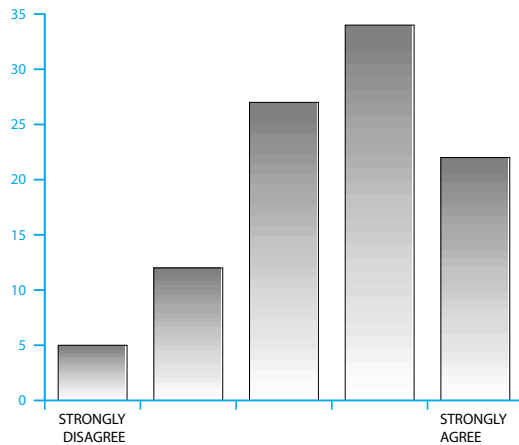


two are linked. If Canadians feel that there is little they can do through political and policy-making processes to improve the quality of the services they receive from government, feelings of government irrelevance are likely to increase. On the other hand, as Boxes 9 and 10 illustrate, there is encouraging evidence that Canadians' satisfaction with government as a whole rises with improvements in service delivery. This is particularly so for the kinds of improvements that can be achieved when services are delivered on-line.

The fundamental and most compelling reason to transform the delivery of government services is to help renew the relevance of government, by connecting it with the needs and expectations of Canadians.

Box 9: Service Quality

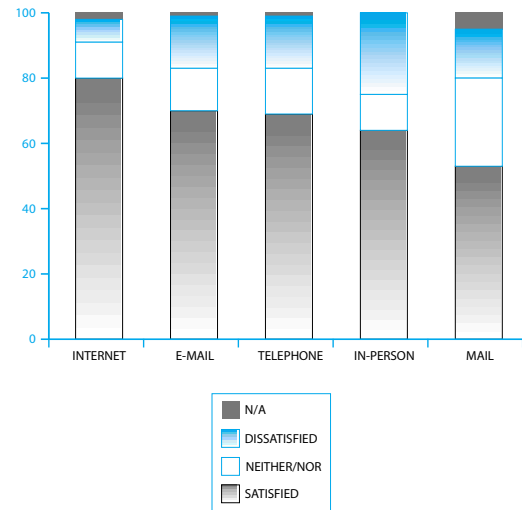
"My view of government is shaped to a large extent by the quality of service that government provides."



Source: Citizens First 3, January 2003

Box 10: Satisfaction with Government

Satisfaction with Recent Contact by Channel



Source: Treasury Board Secretariat, August 2003

IV PURSUING SERVICE TRANSFORMATION: *Conclusions and Recommendations*

In our Second Report, we identified four key challenges facing the federal government in pursuing service transformation:

- devising effective mechanisms to lead, govern, and manage service transformation;
- defining the scope and scale of service transformation in organizational, human and financial terms, along with the strategies that will accelerate the pace of change in different service areas;
- fully engaging the public service in the service transformation initiative;
- ensuring that there is good, two-way communication with Parliamentarians, citizens, businesses and the media.

Our main message is that the federal government must commit to a citizen-centric approach and transform its operations – as a matter of the highest priority – into an integrated, multi-channel, multi-service delivery network operating across programs, departments and jurisdictions.

Attaining the benefits of service transformation on the scale and scope we propose will incur significant costs. However, on the basis of our experience with service transformation in other sectors, we are convinced that there will be a significant return on the investment required. We anticipate that government services will benefit from both improved efficiency and enhanced effectiveness, and that these returns will multiply as we move forward into the medium and longer terms.



To achieve service transformation, we recommend that:

1. LEADERSHIP, MANAGEMENT, AND GOVERNANCE

The Prime Minister should:

- *assume responsibility for leading the federal government's service transformation initiative, or assign this responsibility to the Deputy Prime Minister;*
- *ensure that this responsibility includes the authority to plan, reallocate, control and monitor the use of human, financial and material service delivery resources in all federal government departments and agencies;*
- *mandate a central agency of the public service to support all aspects of the service transformation initiative;*
- *ensure that service transformation objectives are included in the annual management contracts of Deputy Ministers, and that they are held accountable for achieving these objectives by the Clerk of the Privy Council;*
- *ensure that service transformation objectives are reported to Parliament, and that Parliament has the ways and means necessary to hold the government as a whole and individual Ministers as appropriate accountable for the achievement of these objectives.*

2. IMPLEMENTATION STRATEGIES

The federal government should:

- *review the current public and internal service delivery responsibilities and resources of all federal government departments and agencies in relation to the needs of its different client groups;*
- *develop an overall plan for transforming the federal government's public and internal services over the next 5 to 10 years by rationalizing responsibilities, reorganizing operations, and reallocating resources among the departments and agencies involved in serving the needs of each one of these groups, in order to break down the barriers that currently exist between these departments and agencies;*
- *as part of this plan, identify high priority service areas where transformation will deliver the greatest benefits to Canadians by improving the efficiency and increasing the effectiveness of federal government services;*
- *develop a common approach to service transformation, based on a common technical platform, that would be implemented in all service areas and by all federal government departments and agencies;*
- *as part of this common approach, ensure that all federal government services are accessible through a single service "window" that may be opened on-line, over the phone, in person, or through the mail, and that clients have access to similar information at comparable levels of quality, regardless of the channel chosen;*

- *validate this common approach through service transformation pilot projects;*
- *monitor the implementation of the service transformation plan and allocate new resources as required to transform services in high priority areas.*

3. PUBLIC SERVICE ENGAGEMENT

The service transformation initiative should:

- *include as a central objective the revitalization of the public service, so that it becomes an innovative, citizen-centred organization whose members are committed to the goal of service transformation and have the capacity to continuously improve the quality and efficiency of the services they provide;*
- *identify the barriers to achieving this objective and take all necessary measures to ensure that the federal government recruits, develops, retains and rewards public servants with the knowledge, skills and abilities required to transform the services they provide, whether directly to Canadian citizens, businesses, communities, and non-Canadians, or internally;*
- *establish a centre of expertise in service transformation to monitor the progress made by government departments and agencies and to provide advice and assistance in developing and implementing service transformation strategies and programs.*

4. COMMUNICATION AND MARKETING

The service transformation initiative, supported by a government-wide communications and marketing strategy, should include:

- *targeted communication plans designed to ensure that Members of Parliament, Canadian citizens, businesses, and the media are informed about the rationale for the service transformation initiative, as well as its goals, scope and methods;*
- *a marketing plan designed to ensure that federal government clients, particularly among the general public, are encouraged to become active partners in the service transformation initiative, through incentives to adopt more efficient communication channels wherever possible;*
- *two-way communication mechanisms that provide Parliamentarians, citizens and businesses with opportunities to provide feedback on the service transformation initiative, and to suggest measures that will help improve the design and delivery of federal government services.*