In 1991, the Province of Manitoba embarked upon a search for solutions embracing a different approach to evaluating public programming and spending. **Internal reform** was adopted as:

“… a long-term strategy which focuses on the key results which Government should achieve. Are there better or more efficient ways of achieving these results? Are there programs or services which are no longer essential? Are there alternate or innovative means of delivery which can provide better and more efficient services to Manitobans?”

Special Operating Agencies (SOAs) emerged as Manitoba’s preferred approach to alternative service delivery. The Province designated seventeen SOAs in nine departments in seven years. They have 715 full-time and up to 200 part-time staff, representing 5% of the Civil Service. They generated $116 million in gross revenue in 2001/02.

Eighty candidates have been identified to examine SOA status, with over 30 feasibility studies conducted. The early strategy favoured low-risk, fast-payback pilots. The first five rounds saw annual doubling of agencies. Fewer, but larger, candidates in areas of significant public programming are now the norm.
## MANITOBA’S 17 SPECIAL OPERATING AGENCIES

<table>
<thead>
<tr>
<th>Year</th>
<th>Agency Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992/93</td>
<td>Fleet Vehicles Agency</td>
</tr>
<tr>
<td>1993/94</td>
<td>Materials Distribution Agency</td>
</tr>
<tr>
<td>1994/95</td>
<td>Organization and Staff Development</td>
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<tr>
<td></td>
<td>Vital Statistics Agency</td>
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<tr>
<td>1995/96</td>
<td>Civil Legal Services</td>
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<td></td>
<td>MERLIN</td>
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<td></td>
<td>Land Management Services</td>
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<tr>
<td></td>
<td>Pineland Forest Nursery</td>
</tr>
<tr>
<td>1996/97</td>
<td>Companies Office</td>
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<tr>
<td></td>
<td>Manitoba Text Book Bureau</td>
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<tr>
<td></td>
<td>Mail Management Agency</td>
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<tr>
<td></td>
<td>Industrial Technology Centre</td>
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<tr>
<td></td>
<td>The Public Trustee</td>
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<tr>
<td></td>
<td>Office of the Fire Commissioner</td>
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<tr>
<td></td>
<td>Food Development Centre</td>
</tr>
<tr>
<td>1997/98</td>
<td>The Property Registry</td>
</tr>
<tr>
<td>1999/2000</td>
<td>Manitoba Securities Commission</td>
</tr>
</tbody>
</table>

What is uniquely innovative is the SOA initiative’s rooting in a conceptual framework, governance structure, and delivery mechanism to form a cohesive strategy for improving service.

### Concept

SOAs are manifestations of the New Public Management, variations of which have proven successful at the federal level in many Commonwealth countries. Ideas were drawn primarily from the British and Canadian experiences of the late 1980s and early 1990s. Encouraged by these experiments and early results, SOA development became a matter of government policy.

The design was grounded in Manitoba’s tradition of moderation and sense of place as Canada’s middle province. Knowing what the system could tolerate and not jumping on the latest management fad were essential to sustained success. Public sector values and private sector techniques converged in a service model that transcends bureaucracy.

### Governance

In 1992, the Province passed unprecedented, enabling legislation. It designates SOAs by regulation and establishes the Financing Authority as the governing body under the direction of the Minister of Finance to fund and account for SOAs outside the Consolidated Fund. Treasury Board acts as the primary decision-making body, and the Department of Finance and Treasury Board Secretariat supply staff support. The Financing Authority governs transparently with a modest $100,000 budget and minimal infrastructure, at no incremental cost to government.
Service Delivery

SOAs are service operations within government granted more direct responsibility for results and increased management flexibility needed to reach new levels of performance. They are semi-autonomous agencies situated along an organizational continuum between a line department and Crown corporation. Candidates can be direct public services, internal services to government, science and technology services, or regulatory and enforcement programs. They deliver services that satisfy the needs of citizens as owners, taxpayers, clients, suppliers, and employees of government.

SOAs are distinguished from conventional departmental structures by:

- a clear mandate confirmed with stakeholders and made public in an operating charter;
- the requirement to examine becoming an optional service provider;
- accrual accounting outside the parameters of the Consolidated Fund;
- access to financing and investing on a business-case basis;
- full costing and variable pricing of services; and
- flexible staffing levels and arrangements.
SOAs are structured to improve performance and enhance accountability. The agency head leads organizational change with a generous delegation of authority and is held to account for achieving the agency’s key performance targets. Each SOA has a volunteer advisory board, representative of key stakeholders and chaired by its Deputy Minister, which reviews and advises on the agency’s strategic management. An operating charter outlines the delegations, flexibilities, and frameworks under which the SOA operates by agreement with its Minister and Treasury Board. A management agreement elaborates on the financial framework and accountability requirements.

The accountability cycle features a multi-year business plan that forms the performance agreement against which its Minister and Treasury Board hold the SOA accountable for results. Progress is charted in quarterly reports and culminates in tabling of an annual report, including audited financial statements, in the Legislature. A formal effectiveness evaluation is conducted after three years as the basis for decisions on policy issues and future developments.

SOAs are not a ‘one-size-fits-all’ approach to service delivery. They were conceived as learning organizations adapting continuously to change, which is institutionalized in accountability structures and processes. During the formative years, SOAs were accepted largely on faith until the reform context and track record developed. Swift transitions showed that applied learning is the best teacher of innovation and that SOAs are the means for managing change, not ends in themselves.

SOAs are a structural vehicle for transforming performance comprehensively at the point of service delivery. They deploy business-like management, marketing, and financial practices to better achieve their mandate. Business case analysis is used to assess cost-benefits and return on investment, to keep short-term gains in perspective of long-term goals, to invite benchmarking comparisons, and to advise on the consequences of decisions. Performance-based decision-making works best when supported by public service values, disclosure, and independent verification.

A ‘business as usual’ approach to reform established credibility with stakeholders. SOAs overcame initial client skepticism about their ability to change and perform up to standards by becoming optional services. Departments and central agencies have learned to work with SOAs on a contractual basis. Employees wanting to capitalize on opportunities and deliver better service are delegated authority, involved in planning and decision-making, and provided access to information and training. Piloting SOAs with no change in labour relations was more palatable to employees and their union. Advisory boards became the forum for bridging gaps with stakeholders.

SOAs have changed the system and hierarchical relationships by ‘leading from the middle’. The format unleashes the initiative and ingenuity of the professional public service. Agency heads enjoy a profile with decision-makers uncommon to their standing. None would go back again.
Outcomes

The SOA balanced scorecard through 2001/02 indicates world-class outcomes in delivering services for 1.15 million Manitobans.

♦ **Financial Results:** Seventeen SOAs reported $33 million in annual cost-savings, representing a 25% efficiency gain for government. A $36 million (44%) cumulative growth in revenues has gone directly to the bottom line and materialized as $31 million in retained earnings. Meanwhile, $11 million in provincial debt has been retired, and another $58 million in declared surpluses has been committed to the provincial treasury.

♦ **Economic Development:** Private enterprise has benefited from the creation of 1,117 new jobs and contractor spin-offs attributable to heightened SOA activity in the marketplace. SOAs have helped stimulate an estimated $166 million in current and future years’ sales, research and development, cost-savings, and investment in the provincial economy.

♦ **Improved Service:** On average, SOAs have responded to 98% of client service requests within time standards. They are handling 54% more service volume for 112% more clients. And they have earned a 93% client/stakeholder satisfaction rating. Countless testimonials point to improved service delivery and client loyalty.

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**FLEET VEHICLES AGENCY**

As the first SOA in Manitoba and at the provincial level in Canada, the Fleet Vehicles Agency has perhaps the best track record to illustrate the benefits of agency status. Since 1992/93, it has:

- Averaged 10% return on sales annually;
- Retired $8.2 million in long-term debt fifteen years ahead of schedule;
- Kept fleet rates at least 5% below market prices;
- Downsized the fleet by 20% in the first two years based on client consultations;
- Achieved $6 million in estimated cost-savings annually;
- Attained greater than 85% productivity on the shop floor;
- Maintained less than 1% client comeback on maintenance and repairs; and
- Retained 100% of its clients after becoming an optional service in 1996.

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**Influence**

SOAs have created new institutional norms of innovation and performance that are transforming service delivery. They have matured and diversified as clearinghouses exploring the full spectrum of alternative service delivery. Assurance of strengthened accountability and an enviable track record have encouraged Ministers to act as stewards of the public interest and to allow SOAs to advance the government reform agenda.
Moreover, they have been instrumental in creating a mood and environment for change across the Manitoba Government. Their demonstration value for mainstream government can be seen in systemic and department-based reforms, including:

- accrual accounting;
- full cost recovery;
- business planning;
- performance contracting;
- performance measurement;
- client satisfaction surveys;
- delegated authorities; and
- separate employer status.

The Auditor General has endorsed the SOA approach. The 1994 Report to the Legislature included a review of the SOA initiative early in its life cycle. The purpose was to provide an independent description of the intent and structure of Manitoba’s SOAs and to make a timely contribution to the future success of the initiative. The report commented favourably on the preliminary results, responsible management, and leadership role in government reform. The Office encouraged departments to adapt various SOA practices to their operations.

The review proved pivotal in advancing the efficiency and effectiveness of SOAs through its many constructive observations and suggestions. Improvements have been made in corporate and departmental governance, operating charters, advisory boards, responsibility centre budgeting, performance measurement, objective setting, business planning, annual reports, pension policy, service agreements, and opening balance procedures. The Auditor General released a progress report on follow-up actions in 1999 and is conducting a value-for-money audit of the SOA performance framework in 2002/03.

**Outreach**

Manitoba is recognized as the Canadian benchmark and a world leader in agency creation. Its pioneering of SOAs was selected as a finalist for the 1996 IPAC Award for Innovative Management. The initiative was also featured in a 1997 IPAC/KPMG publication on alternative service delivery. It was accorded special ‘honourable mention’ for the 1998 CAPAM International Innovations Awards.

SOAs offering internal services are marketing themselves as specialist agencies serving the broader public sector in Manitoba. Others with public service mandates are marketing their services across Canada, as well as to secondary markets in North America and overseas. Shared services increase opportunities to improve choice, effect economies of scale, and rationalize service delivery. By doing business with Manitoba SOAs, other governments derive all the benefits without having to establish their own agencies. Many counterparts are also modeling their operations after Manitoba SOAs.

Manitoba has liaised regularly with the federal government and been contacted by every provincial and territorial government in Canada. It influenced the start-up or advancement of
SOA-like initiatives in the Yukon, British Columbia, Saskatchewan, Ontario, Québec, New Brunswick, and Nova Scotia. Québec’s experience has surpassed Manitoba’s in scope, but none has been able to replicate the depth and consistency of results that Manitoba enjoys. This is due to Manitoba’s unique legislation and to the rigour of accountability practices applied.

Most urban and rural municipalities in Manitoba are aware of SOAs, either as a service or reform option. The Province assisted The City of Winnipeg in examining its own initiative in 1997, with the first agency launched in 2000 and several scheduled to follow. Manitoba also advised The City of Toronto on amalgamating and reshaping corporate support services along SOA lines.

International interest has come from more than 20 countries on six continents. Commonwealth countries have an affinity for the agency creation typified by Manitoba’s SOAs because of shared governance structures and reform traditions. This extends to the sub-national level, where provincial/state counterparts partake in exchanges. SOAs are viewed as a versatile platform for responding effectively to the challenges facing governments today.

Contact

For additional information on agency creation in Manitoba, Canada, and abroad, please contact:

John K. Wilkins  
Special Advisor on Alternative Service Delivery  
Treasury Board of Canada Secretariat  
8th Floor, 400 Cooper Street  
Ottawa, Ontario, Canada K1A 0R5  
Telephone: (613) 941-5784  
Facsimile: (613) 952-7219  
E-mail: wilkins.john@tbs-sct.gc.ca  
Web Site: http://www.tbs-sct.gc.ca/asd-dmps

John Wilkins leads and champions innovations in alternative service delivery. He managed in the Province of Manitoba’s health, government services, culture, and finance portfolios for 27 years, becoming an Assistant Deputy Minister in 1988. Treasury Board seconded him in 1991 to head up the SOA initiative. He is currently on an interchange assignment as Special Advisor on ASD with the Treasury Board of Canada Secretariat. Mr. Wilkins is a freelance consultant and trainer to the international development community. He has co-delivered in-country senior public executive seminars across the Commonwealth and has conducted several projects for The World Bank in Africa, South America, and Eastern Europe. Mr. Wilkins has been a faculty member in the Continuing Education Division of The University of Manitoba since 1991, delivering courses in business and public sector management. He is a frequent conference speaker and contributor to professional publications on public sector reform.