



John Wilkins leads and champions innovations in Alternative Service Delivery (ASD). He is currently on an interchange assignment as Special Advisor on ASD with the Treasury Board of Canada Secretariat. His mission is to continuously improve the quality of management and services across government. Mr. Wilkins 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 to head up the Special Operating Agencies (SOA) initiative in 1991. Under his leadership, Manitoba became recognized widely through awards and publications as the Canadian benchmark in agency creation. Mr. Wilkins has advised the Government of Canada, several provinces and territories, and city governments on SOAs and ASD. He is also 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. Frontier Centre interviewed John Wilkins after his presentation to a Breakfast on the Frontier event in Winnipeg on February 13th, 2003.

Frontier Centre: Manitoba's Special Operating Agencies have been at the cutting edge of innovative government in this province. What are they, and how do they differ from regular government activity?

John Wilkins: Special Operating Agencies are not a new form of organization, but they are new for Manitoba in the last ten years. Agencies have been something that governments have been doing for the better part of 300 years – as early as the 1700's in Sweden. They are commonly practiced throughout the world, particularly in Commonwealth countries that observe the Westminster model. Agencies are used when governments want to delegate certain responsibilities to parts of government in an agent relationship to deliver services, usually with some grant of flexibility, authority, and appropriate resources to get the job done. Those agencies in turn are responsible for making sure services are delivered cost-effectively and meet the needs of their clients. That sometimes means that they find others to partner or contract with to make that happen. And so the SOA becomes a platform for exploring the full spectrum of alternative service delivery on behalf of government.

FC: By all accounts, Manitoba's SOAs have more than proven their value. Could you summarize the positive results?

JW: Sure, they have had quite a positive track record. The outcomes have been measured in three areas: in the area of financial results, in the area of economic development effects for the private sector, and in the area of service improvement. The financial results show that the 17 SOAs have achieved a 25% efficiency gain for government – that is, that they are saving the government on the order of \$33 million a year on current operations as opposed to what they cost before becoming SOAs. They have also increased their revenues by 44% by exploring new and needed markets in other parts of the public sector or in new areas of service delivery that are mandated by government. They have been able to generate surpluses for the province that have been passed over to the general revenue fund for reallocation to priority government programming.

FC: What about economic development or better services?

JW: In terms of economic development, the agencies are helping the private sector to do what it is best at doing and that is being the engine for economic development in this province. Through their enhanced activities in the marketplace, they are partnering with the private sector or stimulating private sector business opportunities that have resulted in 1,117 new jobs or contractor spin-offs and about \$166 million in new investment and development in the Manitoba economy. In terms of service improvement, there has been a significant increase in the volume of work being done and the number of clients being served. That

is being done at a high level of satisfaction – 93% satisfaction level with clients and stakeholders. That compares to about 80% satisfaction prior to SOA status, and 80% would be considered very good.

FC: How does the accounting for SOAs differ from that in the regular civil service? Do they have better information about costs?

JW: The SOAs all operate on a fully costed basis. All the costs of delivering the program or service are built into the budget and operations of the agency, and those are accounted for on a full accrual basis of accounting. For all intents and purposes, the way they look from an accounting and financial management standpoint is like a private business operation. That is also the way they make decisions around financial issues. They have a longer-term horizon for financial planning, and they have access to financing through loan or equity arrangements that would not be common to other parts of government. They repay loans with interest according to normal interest and term arrangements with the province. They also can invest surpluses in Treasury bills and other short-term investments or can re-invest surpluses in improvement of their own operations. It is very much of a self-sufficient basis of accounting for their operations. They are not separate legal entities, in that they are part of the Province of Manitoba, but they are separate accounting entities to the extent that they are set up to operate outside the government's consolidated revenue fund. At the end of the year, however, their financial results, which are audited externally, are brought back into the government's reporting structure, and they are accounted for as part of the government's public accounts – similar to Crown corporations.

FC: Except they are more directly involved in delivering government services than Crown corporations?

JW: That's right – they are performing mandated services on behalf of government.

FC: Were there any mistakes made during the construction of Manitoba's SOAs. Did their implementation go as planned, or were corrections made along the way?

JW: There have been improvements made along the way. One of the significant milestones was in 93-94 when we had a review undertaken by the Provincial Auditor's Office. They wanted to look at the initiative and what was different or new about it as an innovation and explain to the Legislature what SOAs were about.. This was a very helpful process because it made it clear what the nature of the set up was, what the motivations were, and how things worked. The Provincial Auditor also identified about ten or twelve key areas for improvement of SOA practices. Over a period of about three or four years, each recommendation was dealt with, and improvements were made, primarily in areas of

financial accounting practice. For instance, at one time the province did not budget or account for the pension liability for its employees. SOAs broke that barrier first, followed by the province adopting this policy in 1999.

FC: Former Finance Minister Eric Stefanson lobbied for that for quite a long time.

JW: That's right – as one example. So that accounting practice was changed, but there were also improvements made in the nature of business planning, other aspects of the accrual accounting method, and fuller disclosure and accounting for assets as part of the transaction of creating SOAs.

FC: You mentioned in your talk of returning 99% of their start-up capital already – it's impressive. I don't think you find that record of loan payback in any enterprise -- public or private. It is quite unusual. When Gail Stephens was appointed Winnipeg City Manager, many believed that she would apply her knowledge of SOAs to the civic level. In your opinion was that tried?

JW: Yes, I know first-hand that it was tried because I was brought in on a secondment for five months.

FC: How is it going there?

JW: I haven't been in touch with it recently, but my understanding is that there are around four or five SOAs that are in place. The first one was set up in Animal Services – otherwise known as the Dog Pound. But it is much more than that – animal control and licensing certainly, but also public education and reuniting animals with their owners. But they have also gone into it with golf courses. All five municipal golf courses operate under an SOA umbrella. They have also set up their gravel pits operations. So there are at least those that I am aware of, but I think there are a couple more. The model is slightly different at the City, in keeping with the setting.

FC: Again, as you mentioned in your presentation, you are going to set up an SOA differently depending on what it does?

JW: The nature of the service, its characteristics, and the mandate of the organization are the driving forces in the design. There is an opportunity to tailor institutional arrangements to the organizational, administrative, and cultural setting. Different governments have different arrangements for the way in which they provide for authorities or account for things, which all have to be factored in. The benefit I had in the Manitoba situation was that I had been a manager at various levels in different departments for a number of years. I was familiar with the administrative arrangements and cultural instincts of the bureaucracy, which allowed me to influence the process of customizing the approach to the Manitoba setting. It was very much a "made in Manitoba" solution. If you look at the SOAs in Ottawa, they operate somewhat differently and with less rigor.

FC: This question leads into Alternative Service Delivery models. They have been widely tested by many governments since they were pioneered by Margaret Thatcher in Britain, but has the experience in other governments in the world, that you know about at least, been as successful as Manitoba's?

JW: Success should be measured against the reasons a country has for doing ASD in the first place. This means that country experiences are not always strictly comparable. I did a review for The World Bank about two years ago in which we were able to identify 59 countries that had agency initiatives, and most of those were just at the national level. That again is something that is unique about Canada – we have SOAs at all three levels of government. The most outstanding experience abroad is in the UK with its executive agencies. But there are issues there that the Blair government has been dealing with. Creating 140 organizations as almost independent fiefdoms can fragment the coordination and decision-making process

of government. They have introduced a process of what they call "joined-up government", where they create horizontal connections so government policy and program coordination can be effected among all of these independent organizations. Even that has been a challenge, and they are now actually looking to Canada for some examples of how we are doing it. Ontario, as an example, recently won an international award in the Commonwealth for its Ontario Connects initiative, in which they have been successful in joining together what otherwise might be disparate reform initiatives to make sure citizens are connected to their government and that parts of government are connected to each other, largely using electronic technology.

FC: Any challenges internationally?

JW: The experience with agencies around the world is variable. There are developing countries that have tried to emulate agency reforms with some mixed results. There is a higher risk in these settings of failure because they have other weaknesses in the infrastructure of government, including corruption, that can undermine the effectiveness of these kinds of arrangements and create worse effects.

FC: Any specific examples that stand out internationally?

JW: Jamaica right now is very active in creating agencies in the Caribbean and is pointed to as a good example of what can happen. And Tanzania in Africa is another model. In both of these cases, the UK has been actively involved with their development. One of the concerns the international community has is whether these countries are trying to be too much like the UK in their approach and not enough like themselves. Some strange things can start to happen if you don't have the rest of your government set up to complement these kinds of initiatives. One of the things we have in Canadian governments is an inherent discipline and structure for governance that supports these kinds of arrangements. We are mature in that respect compared with certainly Third World countries and even many of our OECD counterparts.

FC: Our faculties of public administration are also better developed.

JW: Yes, as evidenced by the number of students and practitioners from abroad who populate Canadian public administration schools. In terms of a score card on other countries, I cannot give you too many specific results because, in fact, that is one of the weaknesses of these kinds of reform. We do it, but we don't necessarily measure whether it made a real difference. Even in Ottawa, one of our challenges is identifying the outcomes that would tell us what impact has been made on government and service to the public.

FC: One perceived limitation of SOAs as a tool for more efficient government is that they generally can only be installed in departments with a revenue stream, which excludes a large piece of government. Is that limitation real?

JW: No, The agency structure is not just about the financial mechanisms used but also about engendering a citizen focus and a service culture. In the process, increased attention is placed on ensuring value and efficiency in service delivery. Market rules are not necessary to drive success in all SOAs. It comes down to their mandate – what we expect of them as agencies of government.

FC: You mentioned in your talk one which I wasn't aware had been made an SOA – The Public Trustee wouldn't have a revenue stream would it?

JW: It does. It provides services as the trustee of last resort for people who are mentally incompetent or children who are not able to represent their own interests before the law or in society.

FC: The sister of one of our staff is one of them. She is under trusteeship but doesn't pay any revenue to the government for that service.

JW: It may be taken out of the estate directly, but there is a full accounting for that. The services are provided according to a public fee scale that has been approved by regulation under the Act. They are set at a rate comparable to what private trust companies would

charge for similar services, so they are always at least at that level or below. The thing that distinguishes their services is that they are administering the estates of people that trust companies might not otherwise take on. They don't choose who their clients are – they are directed to them by the Courts or by the Director of Mental Health.

FC: Would it be more correct to say that it is easier to do an SOA when there is a revenue stream?

JW: Yes, because it is clearer what the effects of decision-making are in a transactional arrangement. But the largest SOA-like operation in the world is in the UK – it is Social Security. It provides benefits to UK citizens comparable to our Income Security programs. It has no revenue stream except one – it is the appropriation that is voted by Parliament. In this case, Parliament is the client. What the agency has to justify to its client is that, in return for funding, it is providing value for money in the quality and level of service provided.

FC: And that, again, would be contained in their charter. You were talking about setting up their charter and that they would have to report.

JW: The charter sets standards and the benchmarks for measuring their performance. The reason they are an agency has not so much to do with the money part but with making sure they are providing the appropriate level and quality of service under their mandate, which is a statutory mandate.

FC: During the Filmon years, senior bureaucrats in the Department of Labour wanted to convert the whole department into an SOA. Was that seriously considered? Why wasn't it done?

JW: Actually, three or four departments were considered in that vein at different times – Labour being one of them. They had gone through a significant change process focusing on high quality service and transformation from a regulatory to a citizen-centred organization. So they had taken a number of steps that had set them on the path of exploring what more was possible. At the time, an SOA was an immediate and attractive option. The department was interested but Treasury Board was reluctant because it was early days for SOAs and larger scale change represented a higher risk.

FC: What about the Minister in that situation?

JW: The Minister would ultimately still be accountable in this relationship. But they wouldn't feel the same need to be hands-on. This is a bit of a style issue, too. From my observations, most Ministers are quite happy to be able to see something being managed on their behalf, with recourse to look at the results through quarterly reports, annual reports, business plans, audits, and evaluations as a way of gauging whether agencies are achieving the right things. They can still cause the plug to be pulled at any time. One of the remarkable things about the SOA experience, I think, is how few times Ministers intervened or even saw the need to intervene. They have shown a great deal of patience while remaining strong advocates for their agencies. I have a little anecdote I can share about a former Minister, who was also my Auto Pac agent – I'll let you guess who that might be. I was in his establishment to renew my Auto Pac. While I stood in line, he was at the counter serving a customer, who happened to be a senior executive from Hydro. He was giving him a sales pitch, extolling the virtues of his Fleet Vehicles Agency and maintaining that Hydro should entertain doing business with this agency because its services were second to none. What was profound to me was that, in a very candid moment and without obligation, I got a sense of what someone who mattered really felt about the organization that had been serving his interests as the Minister responsible.

FC: Despite evidence of serious problems in both major areas of provincial spending, health and public education, changes to both these systems over the last decade have been tepid at best and noticeable mostly by their absence. Do both systems need a

serious dose of "de-bureaucratization" to give providers more operating freedom? Do the SOA principles apply here?

JW: One of the things that SOAs have been for the last ten years is a proving ground for different reforms in the Manitoba government. They provide demonstration value for what can work and what doesn't work. They encourage decision-makers to look at how innovative practices might be applied more broadly. A number of things that have been brought into the mainstream of government, including in health and education, as reform measures are attributable to what SOAs have demonstrated.

FC: So, the kind of things and ways of operating that SOAs established are percolating throughout the general system?

JW: There is a kind of legacy effect that they have – they act as a catalyst, if you will, for other kinds of reforms. They have raised the bar for other public organizations by encouraging government to adopt things like business planning, client satisfaction surveys, accrual accounting, and full-cost accounting.

FC: Why can't they just apply the principles of SOAs to all the services?

JW: Well, in some ways, they could. There may not necessarily need to be the same kind of principal/agent relationship, but the practices themselves are transferable to a very large extent. The Provincial Auditor, as part of a value-for-money review, suggested that many of these practices should be adopted by departments of government. A current value-for-money review by the Provincial Auditor is looking at the performance framework of SOAs from a couple of standpoints. One is whether the results reported are really what they appear to be and, secondly, what can we learn that might be transferable to other parts of government to build a public service performance culture.

FC: This would surprise many, but your talk suggested that the public sector unions can benefit from "re-inventing government". The increased staffing levels with SOAs will probably put this question on structure back closer to home where it belongs, but could you just repeat what you said in your presentation about how some staff levels in some agencies have increased?

JW: SOAs go to Treasury Board with business plans each year. In those plans, they have the opportunity to talk about the resources needed to deliver on the mandate and the expectations of the agency. In some cases, the volumes of work that are being requested of them are increasing. An example is the Civil Legal Services agency, where the amount of legal work that lawyers are being required to do has virtually doubled from eight or ten years ago. Governments everywhere are more litigious than ever. Prior to SOA status, this organization had been downsized so that its capacity to provide responsive, quality legal advice to departments had been diminished. It was, in effect, funneling its clients through a very narrow passage of limited resources. In becoming an SOA, they were able to establish the business case for a demand-driven arrangement, where client department requirements determined how many legal professionals were needed. Their response times were reduced considerably while maintaining high quality services. The more responsive they were, the more the true demand for their services materialized. Staffing has reached an equilibrium, where it is now commensurate with the needs of government in mitigating legal risk.

FC: Thanks.

For more information, please download from www.fcpp.org

SOAs: Transforming Service Delivery

- a 7 page overview by John Wilkins of Manitoba's award winning Special Operating Agencies initiative

The Frontier Centre for Public Policy is an independent public policy think tank whose mission is to explore options for the future by undertaking research and education that supports economic growth and opportunity. You can contact the Centre at: 201-63 Albert Street • Winnipeg, Manitoba CANADA R3B 1G4 • Tel: (204) 957-1567 Fax: (204) 957-1570 • E-mail: newideas@fcpp.org • web: www.fcpp.org