

PUBLIC SECTOR PROBLEMS, PRIVATE SECTOR SOLUTIONS

Transforming Government in Ontario



PUBLIC SECTOR PROBLEMS, PRIVATE SECTOR SOLUTIONS: TRANSFORMING GOVERNMENT IN ONTARIO

Contents

Letter from the Ontario Chamber of Commerce & the Certified General Accountants of Ontario	i
The 9 Steps to Successful Alternative Service Delivery	ii
Introduction	1
Part 1: What is Alternative Service Delivery?	5
Part 2: Getting Alternative Service Delivery Right: A General Framework	9
Part 3: The Potential for Alternative Service Delivery in Ontario	25
Conclusion	33
Works Cited and Consulted	34
About the Ontario Chamber of Commerce Certified General Accountants of Ontario	37
Members of the Alternative Service Delivery Taskforce	38



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Public Sector Problems, Private Sector Solutions: Transforming Government in Ontario

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MESSAGE FROM THE ONTARIO CHAMBER OF COMMERCE AND THE CERTIFIED GENERAL ACCOUNTANTS OF ONTARIO

The Ontario Chamber of Commerce (OCC) and the Certified General Accountants of Ontario (CGA Ontario) are profoundly optimistic that the province of Ontario has all the assets to prosper in the global economy.

However, Ontario faces some important challenges that require all of us to work together. This is the spirit of the enclosed paper. Our two organizations have joined together to propose ideas on how we might address two significant barriers to our future prosperity.

The first barrier is fiscal—a \$12 billion deficit, a rising debt-to-GDP ratio of nearly 40 percent.

The second is a rising demand for services as the public ages, workforce shrinks and the economy, overall, restructures.

Something has to give. Clearly, Ontario cannot continue on its current path or it will find itself drowning in debt.

To ease the fiscal challenge and respond to citizen expectations, government must transform itself and adopt new service delivery models.

Alternative service delivery (ASD) offers a promising means to either lower or contain costs and improve service delivery across many, but not all, public services.

The motive here is not ideological. Our members value public services but want to ensure that government retains the resources and the capacity to meet future demands so that Ontario can emerge stronger from this period of economic transition.

We strongly believe that given the province's fiscal constraints, the status quo is not an option. Now is the time for transformation.

We do not expect everyone to agree with our conclusions. However, we do hope that this paper helps steer a principled conversation about the future of government in this province.

We look forward to a continuation of the dialogue.



Allan O'Dette
President & CEO
Ontario Chamber of Commerce



Doug Brooks, FCGA
CEO
Certified General Accountants of Ontario

THE 9 STEPS TO SUCCESSFUL ALTERNATIVE SERVICE DELIVERY

1. Publicize the successful examples of ASD in order to generate greater public support.

- One of the greatest barriers to ASD's implementation is attitudinal. Negative public perceptions of ASD are rooted in some high profile privatization failures. Those negative examples must be counterbalanced with successful examples of ASD.

2. Senior government officials must show sustained leadership, particularly through the transition phase of ASD.

- ASD models are by definition disruptive, which can create resistance on the part of the bureaucracy.
- ASD can take 1-2 years to implement and hiccups can happen. Top-level leadership is necessary to ensure follow through.

3. Make procurement for service delivery solutions-focused and collaborative, and ensure the process is lean.

- Procurement for ASD must become outcome-focused rather than input-focused. Procuring for paper and printers is very different than procuring for job training services.
- In order to shift to outcome-focused procurement, the process must become more collaborative by soliciting vendor input in the design phase. Collaborative procurement will encourage outside the box solutions that may not be on the government's radar.
- Government must eliminate the needless complexity of the procurement process in order to make it easier for businesses, particularly small and medium-sized enterprises, to participate.

4. Ensure bureaucratic incentives and processes are aligned to support the implementation of an ASD model.

- ASD requires the know-how and skill to re-engineer processes, tackle legacy systems, and manage new technologies on both sides of the contract. Government must build the capacity necessary to support ASD.

5. Contracts should be of an appropriate length—longer in the cases where high up-front capital costs must be taken on by the service provider. Contracts should have performance contingent escape clauses on both sides.

- In some instances of ASD, the service provider must build new infrastructure to facilitate the service's transformation. These up-front capital costs are typically borne by the service provider.
- In recognition of the amortization period required to recover up-front costs, government should offer longer contracts where appropriate.

6. Government should include pay-for-performance provisions in ASD agreements.

- Among other benefits, pay-for-performance provisions establish clear lines of accountability and place the bulk of the risk on the private service provider. In doing so, they help mitigate public resistance to ASD.

7. Where relevant, government should pay less for simpler cases and more for complex ones in order to incent providers to take on tougher cases.

- Structure ASD agreements to include a tiered model of fee payments, based on the degree of complexity of the cases in question, so that the service provider has the incentive to tackle more complex cases.

8. The Province, in partnership with the private sector, should conduct a government-wide ASD audit as a means of identifying areas where the public would benefit from the introduction of an ASD model. Government should make the results of the audit public.

- The audit must be led by a third party or parties. As one of our taskforce members put it, “asking government departments to audit themselves is like asking them to sever their own limbs.” An independent secretariat reporting directly to the Secretary of Cabinet is one option. The third party must seek input from the private sector.
- The audit should gauge the suitability for shifting a given service to an alternative model of delivery based on a number of criteria, including the potential cost savings and the risk to public interest from any potential service disruption.

9. The OCC and CGA Ontario recommend a two-phase approach to the implementation of ASD across government departments.

- A two-phase approach, that tackles less complex service transformation to start, recognizes the political sensitivities associated with adopting new service delivery models and the need to build up the capacities to design and procure them.

INTRODUCTION

Ontario's fiscal challenges are daunting. The 2012 Ontario Budget committed the government to an annual average growth in program spending of 1 percent between 2011–12 and 2014–15. However, the debt will grow by \$60 billion to just under \$300 billion, or 42 percent of GDP during this same period.

Spending cuts alone will not solve the province's fiscal woes. Government would have to double the pace of reductions and cut spending by \$2.5 billion a year in order to meet its goal of returning to fiscal balance by 2017–18 (Minister Dwight Duncan, Speech to the Canadian Club, January 22, 2013).

The stakes are high. The province risks a credit rating downgrade if further action is not taken to address Ontario's debt and deficit. Further downgrades would drive up the cost of borrowing and erode confidence in the overall economy. A one point increase in the cost of borrowing would crowd out another \$500 million in funding available for vital public services such as health and education.

Recent history reveals two fundamental truths about austerity. First, austerity that focuses exclusively on across-the-board cuts typically fails to deliver long-term reductions (Commission on the Reform of Ontario's Public Services, 2012). Second, austerity that delivers declines in service quality invariably alienates citizens and public servants.

Add to these truths the fact that Ontario, like many jurisdictions around the world, confronts an aging population, skills shortages that require public investment, and increased demand from social programs to help citizens adjust to structural shifts in the labour market. The result is a paradox—how do we meet new and growing demands on public services while addressing the deficit and debt?

The Government of Ontario, like many governments across the world, is “caught in an unsustainable position between the desire to deliver better public service outcomes and the unaffordability – and often, the ineffectiveness – of doing so using today's ways of working” (Accenture, 2012).

To meet Ontario's fiscal challenges, citizens and public servants alike must re-evaluate the fundamental role of government in service delivery and seek new business models. Focus must be shifted away from processes and placed squarely on how best to achieve desired outcomes.

Spending cuts alone will not solve the province's fiscal woes. Government would have to double the pace of reductions and cut spending by \$2.5 billion a year in order to meet its goal of returning to fiscal balance by 2017–18

As noted by the Commission on the Reform of Ontario's Public Services, the goal is not to simply cut costs. "The imperative to restrain spending should instead be an opportunity to reform programs and service delivery" (Commission on the Reform of Ontario's Public Services, 2012).

This paper argues that government can achieve cost savings in many areas without sacrificing service quality by partnering with the private and not-for-profit sectors to deliver public services through ASD.

Furthermore, where absolute cost savings are unachievable, ASD is often able to contain costs in a context of growing demand.

The objectives of this paper are threefold.

First, the paper aims to dispel the myths around ASD. One of the greatest barriers to ASD's implementation is attitudinal—the fear that ASD is a euphemism for privatization. Negative public perceptions of ASD are rooted in some high profile privatization failures. However, we demonstrate that ASD has delivered program savings and better services in many instances across the OECD, including in Ontario.

We note that not every public service is suitable for an ASD model.

Second, the paper argues that ASD failures are usually a result of improperly structured contracts between governments and service providers. The paper makes nine recommendations on how to structure contracts between government and private and not-for-profit service providers that will enable governments to harness the benefits of ASD while maintaining adequate oversight, accountability, and the capacity to define public policy objectives.

Third, the paper identifies some areas of service delivery in Ontario that are potential candidates for ASD (see page 28). Our analysis is preliminary. A central recommendation is that government undertake a rigorous audit of publicly delivered services to determine where the public would be better served by moving to an ASD model.

We note that not every public service is suitable for an ASD model. There may be good public policy reasons to retain government's full capacity in many areas.

However, the Government of Ontario has achieved its recent deficit reduction targets by tackling the "low hanging fruit." It is now time for transformative measures. ASD is one important method of transforming government.

WHAT WE DID

The OCC and CGA Ontario undertook an extensive literature review on ASD, on identifying both positive and negative examples and uncovering best practices.

We also undertook extensive consultation with experts from the public, private, and not-for-profit sectors. The OCC and CGA Ontario hosted five focus groups made up of health, human services, and government experts, whose participants were asked the following questions:

1. What areas of government activity are particularly promising for ASD in Ontario?
2. What are the lessons for Ontario from ASD innovations elsewhere?
3. How should public-private sector relationships be structured to protect the quality and accessibility of services, while taking advantage of the private sector's capacity to innovate and find efficiencies?

Finally, this paper has undergone extensive peer review. Not all participants in our focus groups and peer review agreed with our conclusions. But, we have listened to and incorporated as many comments as possible. We are confident that most of the participants will see their views reflected.

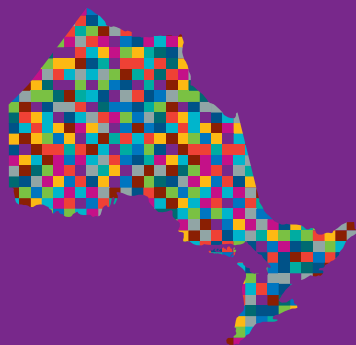
“We have successfully delivered real cost savings to government by connecting government with private sector innovations. Not all service delivery areas are appropriate for this model. But many are. And, the evidence that ASD can help lower costs is mounting.”

*John Bethel, Leader - National Health Care Advisory Practice
Ernst & Young*

“ASD opens the window to improved productivity, which is vital in a context of growing demands for services and increasing fiscal pressure on government departments.”

Leslie Wolfe, Project Director, MAXIMUS

WHAT IS ALTERNATIVE SERVICE DELIVERY?



PART 1: WHAT IS ALTERNATIVE SERVICE DELIVERY?

ASD is the process of public sector restructuring that transfers responsibility for the delivery of public services to non-government entities, often through partnerships with the private and not-for-profit sectors.

We believe there are four key reasons to pursue ASD.

First, government must find ways to solve what Accenture calls, the “public service productivity puzzle”—the need to deliver better outcomes for the same or lower costs (2012). Productivity in the public sector is difficult to measure, “but such numbers as there are all point in the same direction. With a few small exceptions, government lags behind the private sector” (The Economist, 2011; see also Deloitte, 2013; McKinsey & Quarterly, 2011).

The private sector has some levers for improving productivity that the public sector does not, including financial capital (in a context of mounting public debt), access to technology (in a context where government investment in IT lags), and new business models that have been tried and tested elsewhere.

Second, and related, private sector managers face starker incentives and market signals that are simply less urgent among public sector managers—including the incentive to enhance worker productivity, continuously examine supply chains for efficiencies, harness technology, and leverage economies of scale and scope.

Third, improving government efficiency and productivity is an important part of returning to growth. Governments across the OECD comprise nearly 50 percent of total GDP. As Accenture notes, “government is in itself an engine of potential economic growth too large and powerful to ignore” (2012).

Improving its productivity and performance will generate considerable multiplier effects: “Even if government were to cost the same but produce more (better educated workers, decent health care, roads without holes, simpler regulation), the effect on private sector productivity would be electric” (Economist, 2011).

Fourth, by vacating certain service delivery areas, governments can create greater opportunities for the private sector to generate wealth, create jobs, and deliver innovation that can be marketed and sold elsewhere (see *Successful ASD versus Unsuccessful ASD* on page 11 for an example of ASD delivery in Ontario that is beginning to market its products elsewhere).

Alternative service delivery is the process of public sector restructuring that transfers responsibility for the delivery of public services to non-government operators, often through partnerships with the private and not-for-profit sectors.

Government is in itself an engine of potential economic growth too large and powerful to ignore.

Accenture, 2012

There are two caveats to our argument. First, ASD is not a panacea for the fiscal challenges confronting government. Transformative changes must also be made to areas other than service delivery. ASD is, however, an important part of how the government can return to balance.

Second, ASD has produced decidedly mixed results across the OECD. In some areas, the cost savings are elusive and service quality has declined. However, early efforts provide useful lessons on the pitfalls of ASD and how they can be avoided. Importantly, there are numerous examples where ASD has met the twin objectives of reducing government expenditures while improving service quality.

In fact, ASD is already delivering results in Canada, and specifically in Ontario. Some prominent examples are featured in this paper. A core question is how to generate more of these successes.

TWO MYTHS ABOUT ALTERNATIVE SERVICE DELIVERY

1. ALTERNATIVE SERVICE DELIVERY IS PRIVATIZATION

ASD is not privatization, which refers to the transfer of ownership of a public sector enterprise to the private sector. ASD separates policy direction from service delivery. In ASD arrangements, government makes the policy decisions and regulates while the service provider operates the program.

The separation of policy and delivery confers several benefits. First, it allows governments to focus on policy design and define desired outcomes. Second, it can foster competition between service providers and harness the private sector's capacity to innovate and find efficiencies. Third, it can encourage flexible service delivery capable of responding to changing circumstances (Osborne & Gaebler, 1992).

Operationalized, ASD is a replay of the old axiom that "government should steer, not row." ASD is not divestment of government responsibility for the delivery of public goods. Instead, ASD is a partnership.

The ASD model puts government in the driver's seat. When ASD is structured properly, government retains control of policy direction. The service provider, for their part, does the heavy lifting on the delivery side.

Kithio Mwanzia, Director of Policy and Government Relations, Greater Niagara Chamber of Commerce, ASD Taskforce member

Operationalized, ASD is a replay of the old axiom that "government should steer, not row." ASD is not divestment of government responsibility for the delivery of public goods. Instead, ASD is a partnership.

2. THE PRIMARY OBJECTIVE OF ALTERNATIVE SERVICE DELIVERY IS TO CUT THE PUBLIC SECTOR WAGE BILL AND TEAR UP COLLECTIVE AGREEMENTS

The primary objective of ASD is transformation of service delivery models and innovation. ASD is transformational and necessitates, by definition, the application of new business models. It is most effective when the competencies, the processes, and the technologies previously absent in the delivery of public services are put in place.

Because of its transformative nature, redundancies may be found, job descriptions may be re-written, and organization charts and pay scales examined and modified, particularly in labour intensive services.

In this context, the private operators we spoke to emphasized that strong relationships with public sector unions are critical to successful ASD. They stressed the need for ongoing and regular dialogue with public sector unions in order to help maintain labour relations.

As noted by one focus group member, “if a government shifts to an ASD model as a way to bust unions and lower wages, the model will fail. A successful ASD model is one where transformational change is the primary objective and labour is a partner in the implementation process and in finding solutions.”

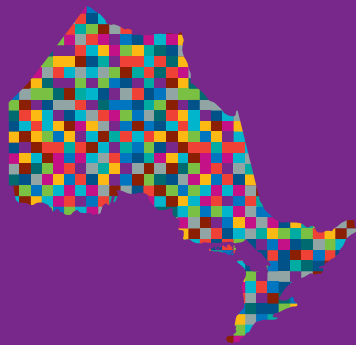
Collective agreements are not a prohibitive barrier to ASD. We work with both union and non-unionized employees, and have found success in both scenarios.

*Stuart Macfarlane, Vice President Sales,
Maximus Canada*

If a government shifts to an ASD model as a way to bust unions and lower wages, the model will fail.

ASD Focus Group Member

GETTING
ALTERNATIVE
SERVICE
DELIVERY
RIGHT:
A GENERAL
FRAMEWORK



PART 2: GETTING ALTERNATIVE SERVICE DELIVERY RIGHT: A GENERAL FRAMEWORK

This section makes recommendations on how ASD *should* be done, by outlining how contracts can be structured to create win-win situations for government, the public, and the service provider.

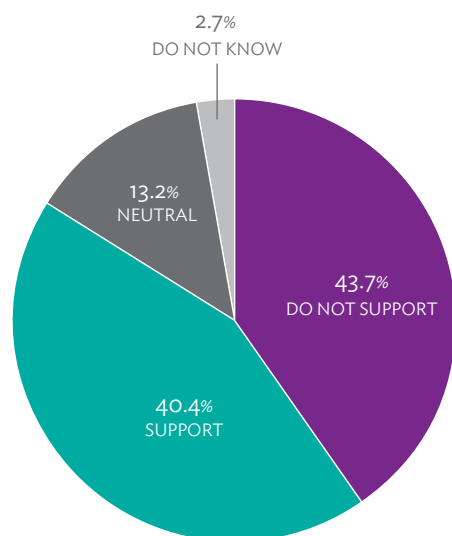
RECOMMENDATION 1

Publicize the successful examples of ASD in order to generate greater public support.

Some of the biggest barriers to ASD are attitudinal. Negative perceptions of ASD can be traced to a) confusion between ASD and privatization; b) resistance to the private sector profiting in the provision of public goods; and c) high profile failures of ASD, in concert with minimal promotion of the successful examples of ASD.

Attitudinal barriers are perhaps highest in the health services. The notion of *public health care* is as ingrained in Canadian culture as hockey and the maple leaf. The OCC's own survey demonstrates business reticence for greater private sector involvement in the delivery of public goods.

Chart 1: Business is Unsure About Introducing More Private Delivery in the Health Care System

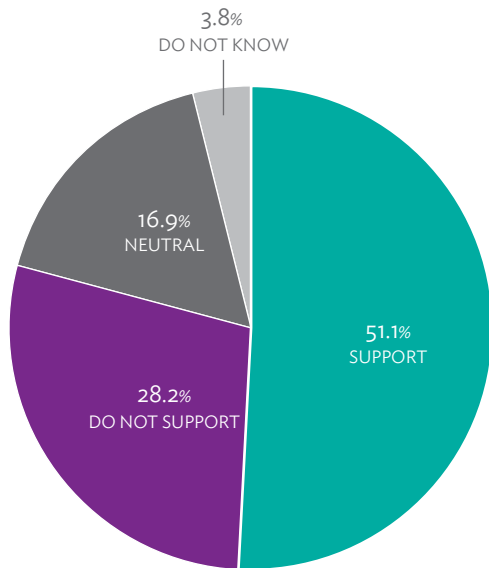


Results based on the following question: Ontario's debt is approaching \$300 billion. Its deficit is over \$12 billion. Should introducing more private delivery of health care be one of the priority action items for reducing the debt and deficit?

We can't let the over politicized language of 'private health care' hijack the important discussion we must have about expanding access to publicly funded services and addressing the fiscal and infrastructure challenges that our health care system is facing.

Stewart Kennedy, MD, President, Ontario Medical Association, 2011

Chart 2: Tepid Business Support for More Private Delivery of Training and Social Services



Results based on the following question: Ontario's debt is approaching \$300 billion. Its deficit is over \$12 billion. Should introducing more private delivery of training, social services, and other non-health related services be one of the priority action items for reducing the debt and deficit?

We are not advocating for a “private” health care system or attacking the single-payer system. Similarly, we are not asking the government to abdicate its role in the human services. We are calling for a greater role for private providers in systems that remain publicly funded and publicly governed.

Note also that the *Canada Health Act* does not prevent health care services from being delivered by private operators. Rather, it prevents private health care funding. In Canada, roughly 70 percent of health care is financed publically however, almost all of it is delivered privately, usually by not-for-profit organizations (Deber, 2002).

The Solution:

Government and business must do a better job in explaining the differences between ASD and privatization, and ASD's potential to assist in improving public sector productivity. ASD has helped government meet growing demands for services in a context of finite dollars (see examples on pages 16, 17, 18 and 21).

In addition, ASD innovations in the health sector have not compromised the single-payer model of health care delivery in Ontario and in other similar jurisdictions. In fact, many of the Nordic countries—often labeled as “big government” states—make extensive use of private service delivery. As *The Economist* recently noted,

So long as public services work, (the Nordic countries) do not mind who provides them. Denmark and Norway allow private firms to run public hospitals. Sweden has a universal system of school vouchers, with private for-profit schools competing with public schools. Denmark also has vouchers—but ones that you can top up. When it comes to choice, Milton Friedman would be more at home in Stockholm than in Washington, DC (2013).

Successful ASD versus Unsuccessful ASD in Ontario

Successful ASD: Ontario's Electronic Land Registration System

Ontario's Electronic Land and Registration System (ELRS) is operated and maintained by a private company, Teranet. In 2010, the Government of Ontario agreed to a 50 year extension of Teranet's license to provide electronic land registration and writ services to Ontarians.

Results: Shifting Ontario's ELRS to a private service provider has proven a success for both government and Teranet. Under the terms of their contract with Teranet, the government received an initial payment of \$1 billion and a 50 year stream of royalty payments in exchange for exclusive electronic land registration and writ services. The government maintains control over fee increases. As a result of their success in Ontario, Teranet has been contracted to operate Manitoba's land registration system.

Unsuccessful ASD: ORNGE

ORNGE is a publicly funded not-for-profit that operates Ontario's air ambulance services under a performance agreement with the Ministry of Health and Long-Term Care. Since 2005, ORNGE has been responsible for all of Ontario's air ambulance operations.

Results: ORNGE made unilateral changes to its corporate structure that muddied its reporting relationship. ORNGE also had too much autonomy with respect to defining and reporting on performance measures, while the government did not perform adequate oversight with respect to ORNGE's financial reporting and results. Note, however, that anecdotal evidence suggests that air ambulance services in Ontario have improved over the past several years.

The poorly structured nature of the government's agreement with ORNGE is partly to blame for the controversy in which ORNGE has been mired for the past few years.

RECOMMENDATION 2

Senior government officials must show sustained leadership, particularly through the transition phase of ASD.

Senior leadership at the political and bureaucratic levels is a prerequisite for successfully implementing ASD models. This leadership is required throughout the ASD process, not just when an agreement is signed.

Our taskforce members and focus group participants cited numerous examples where senior management in government champion and procure ASD, but more junior staff have serious reservations because they are worried about their job security or concerned about provoking backlash from stakeholders, the public, and/or their political masters. This resistance can create barriers to implementation.

ASD models by definition are disruptive. As noted by one experienced provider, “there are going to be issues.” Job descriptions may change among the inherited and retained organizations, new processes implemented, and staff laid-off. There may be periods where cheques are not in the mail as fast, data transfers are incomplete, and client satisfaction initially dips. The transition to new service delivery can take more than a year to complete. Risk aversion to follow through on transformation in processes can be a real barrier to successful ASD.

Risk mitigation dictates much of the bureaucracy’s approach to transformational change. In the absence of sustained top-level leadership and incentive structures that reward efficiency gains, ASD may be perceived as a threat instead of a solution.

Deron Clements, VP Business Development, KPMG, ASD Taskforce member

The Solution:

The absence of senior leadership is fatal in instances where ASD takes time to achieve its full positive effects. *ASD requires top-level leadership on the government side, particularly throughout the transition phase.* Transformational change, including ASD, rarely works where strong leadership is absent, particularly during the transition phase. As one taskforce member noted, “a situation whereby a Deputy Minister or Assistant Deputy Minister signs a contract and considers their job done is a recipe for failure.”

RECOMMENDATION 3

Make procurement for service delivery solutions-focused and collaborative, and ensure the process is lean.

Procuring staplers and services are not the same. For the former, needs and parameters are clear. As long as the technical requirements are met, the lowest bid typically wins the contract.

Procuring service delivery transformation is much more complex than procuring inputs (MRIs, for example) and requires new and solutions-

driven approaches, particularly in a context when problems to be addressed are complex and the range of solutions are unclear. This point is perhaps obvious.

However, as noted by one of our Taskforce members, “instead of government procuring for the MRI itself, why not procure on the basis of health care quality metrics and service objectives, for example—wait times” (Nicole Dekort, VP Government Affairs, MEDEC, ASD Taskforce member).

The entire governance umbrella for the procurement process is focused on securing the lowest-cost for inputs rather than generating solutions to achieve desired outcomes. The result is a bias towards status quo solutions, inside the box thinking, and, in the long run, higher costs to the taxpayer.

The Solution:

We propose three steps.

First, procurement should focus on solutions, not on inputs.

Second, when complex service delivery transformation is contemplated, *procurement should provide for collaboration in problem and solution definition during the Request For Proposal (RFP) process.* Vendors are extremely limited in how they can both define the problem and propose innovative solutions.

Furthermore, in a context where government has procured advice in problem definition and analysis of the options, the vendor of said advice is precluded from participating in the RFP for delivery of the solutions, even if they are among the most qualified to deliver these solutions. There may be times when this is appropriate, but there should not be a blanket rule that prevents it.

A collaborative approach to the procurement process confers numerous advantages, chief among those is that a vendor can provide government with a new understanding of the scale and scope of challenges they face or the possibilities in terms of what a transformed service could look like.

There are multiple players delivering ASD in many jurisdictions that can leverage business models and technology from their international operations in proposing and developing solutions. Enabling these firms to participate earlier in the RFP process will facilitate outside the box solutions that may not be on the government’s radar.

Taking the last Request for Proposal, dusting it off, and adding some performance goals will prove insufficient.

John Challinor, Director of Corporate Affairs, Nestle Waters Canada, ASD Taskforce member

Even if you approach government suggesting that the focus [of the RFP] is too narrow or that the problem can be solved in more effective ways than envisioned in the original RFP, you risk disqualifying yourself.

Dipak Pandya, Director Consulting & Deals, PWC, ASD Taskforce member

Government therefore needs to establish a process whereby it invites vendor feedback regarding the RFP, contract structure, implementation, and operationalization. Of course, this process needs to be fair and transparent. Access to information and ability to provide comment should be open to all qualified and interested parties.

Government should make more strategic use of the Request for Quotation (RFQ) and Request for Information (RFI) when procuring services. An RFI, when used in conjunction with an RFP, allows government to engage with experts from the private sector, and can foster the creation of more innovative solutions.

The third step to making procurement more solutions-focused and collaborative is for *government to conduct a “lean assessment” of its procurement practices.*

The procurement process adds significant costs to both would be private and not-for-profit providers. In some instances, these transaction and opportunity costs can be high enough to discourage competition among potential bidders, increasing the overall cost to government of the procured solutions.

Public sector procurement should be streamlined. The Ontario Government should conduct a “lean assessment” of its procurement processes, identifying elements that can be streamlined or eliminated to increase efficiency (and make it easier for SMEs to participate). Both suppliers and government would benefit from faster turnaround times and less resource-intensive procedures.

An Example:

Allowing for flexibility in the procurement process is vital. In the U.K., employment service providers were encouraged to offer “black box” solutions that would be free of government micromanagement or interference. As a result of service provider input, U.K.’s Work Programme now pays service providers more for tougher cases (see Recommendation 6 for more).

An Example:

In 2010, the U.K. Minister for the Cabinet Office announced a “Lean Review” to uncover wasteful practices and unnecessary complexity in the procurement process. The review provided the government with ways to improve the way the U.K. government buys goods and services and ways to use government’s buying power to help support the economy. There are lessons from this review that could apply to Ontario:

- Making it possible for departments to jointly purchase common goods and services.
- Making sure government gets full value from SMEs by opening up access to contract opportunities and making it easier for SMEs to do business with the government.
- Training government practitioners in ‘lean’ methods - helping to reduce the cost and length of the procurement process.

A final note on procurement: the process must always be open and fair. No changes to the RFP process should compromise principles of openness and fairness.

RECOMMENDATION 4

Ensure bureaucratic incentives and processes are aligned to support the implementation of an ASD model.

ASD is complex and is rarely just “a cut and lift” of responsibilities from government to the private or not-for-profit sector.

This is particularly true in a context where old service delivery models require transformation through technology and process improvements; where legacy systems are incompatible with new models and processes and client needs; where providers are paid on a results and outcomes basis, and/or where providers rely on information and client referrals from government.

Successful ASD requires collaboration. ASD runs into problems when either party lacks know-how, capacity, and the willingness to support transformation. Furthermore, asymmetries in capacity elevate the risk of regulatory capture of the government agency by the provider.

ASD requires the know-how and skill to re-engineer processes, tackle legacy systems, and manage new technologies on both sides of the contract.

The Solution:

First, government must assess the capacity for its reporting and performance tracking systems. Particularly in pay-for-performance situations, the capacity to accurately and verifiably track outcomes is a must. Ensuring that the data collected is readily available to all parties and the public is also necessary.

Second, it is incumbent on both parties to *conduct skills audits* to make sure that the necessary capacity exists to fulfill mutual obligations, including tackling legacy systems and accurately measuring and assessing performance. Government employees may need skills upgrades or new staff may need to be brought in.

Third, government must drive the organizational change required to *allow the service provider to make necessary operating changes* that will improve the quality and efficiency of the service in question. Government needs to ensure that it has the equivalent capability necessary to support the service provider.

An Example:

One ASD service provider explains that his company entered into a service contract to deliver employment services in a Canadian jurisdiction. The model was contingent on ministerial referrals of “complex” clients to the provider. However, the ministry did not build the capacity to effectively assess candidates. Further, the ministry had drastically underestimated the number of “complex” cases to be served. As a result, the provider was unable to meet service quantity requirements.

Embracing ASD will require government to develop an entirely new capability (people, process, and technology) to move from a ‘direct delivery agent’ of services to that of a contract manager.

Kithio Mwanzia, Director of Policy and Government Relations, Greater Niagara Chamber of Commerce, ASD Taskforce member

RECOMMENDATION 5

Contracts should be of an appropriate length—longer in the cases where high up-front capital costs must be taken on by the service provider. Contracts should have performance contingent escape clauses on both sides.

Complex ASD is typically a lengthy process. Providers and government partners need time to build and modify capacity and develop and introduce new processes. The transition from old to new service delivery models can take up to a year - and the road can sometimes be bumpy at first as new providers take over the delivery of a service.

Furthermore, establishing new infrastructure to support ASD can be capital intensive. Typically, legacy systems must be rebuilt or replaced; staff must be hired and/or retrained; space must be leased. All of this takes time and money.

Short-term contracts often force providers to adopt a ‘month-to-month’ mentality where they put focus on renewing their government funding, rather than on working towards their mandate, as they’d rather be doing.

Ed Kothiringer, Executive Director at ONESTEP, ASD Taskforce member

Short-term contracts may lower the risk to government, but ultimately they raise providers' costs, deter competition between potential providers, and stifle innovation and investment, particularly in a context where contracts are based on pay-for-performance and the bulk of payments are back-loaded and are not realized until the performance goals are met.

The Solution:

Providers require time as well as stability in order to amortize their costs over the duration of a project and realize a return on their investments. This is even more important in the case of larger, capital intensive projects. Obviously, there is no ideal term applicable to all contracts. But, multi-year contracts with longer terms and options will enable agreements to progress and evolve.

This, of course, assumes that the provider is performing. Performance outcomes should be well-defined and measurable (see below). Where performance targets are not being met, both sides should have an escape clause.

An Example:

In 2005, the government of B.C. awarded a 10-year contract to a service provider to administer the province's medical and drug benefits programs. The contract requires the service provider to make significant capital investments to replace aging technology supporting the two programs, investments that the province retains ownership of at the conclusion of the contract. The length of the contract allows the service provider a sufficient amount of time to amortize their up-front capital costs.

Since taking over the administration of B.C.'s medical and drug benefits programs, the service provider has met all 27 new service level requirements (for business, technology, and privacy) outlined in its master services agreement with the province. For example, all calls from citizens and providers are answered within specified time frames, whereas prior to adopting an ASD model, more than 50 percent of calls encountered a busy signal.

Short-term contracts may lower the risk to government, but ultimately they raise the provider's costs, deter competition between potential providers, and stifle innovation and investment.

RECOMMENDATION 6

Government should include pay-for-performance provisions in ASD agreements.

Pay-for-performance provisions in ASD agreements ensure that public funds are spent effectively and in a manner that has the most impact. They allocate funding to providers based on predetermined service targets that are agreed upon by government and the provider within a master services agreement. Providers are not typically paid (or only partially paid) until a specific outcome is met.

These types of provisions are increasingly making their way into master services agreements between public and private sector partners. They confer multiple benefits.

First, they help mitigate public resistance to ASD, since they establish clear lines of accountability and place the bulk of the risk on the private service provider.

Second, pay-for-performance provisions, in theory, allow providers more flexibility to focus on outcomes (as opposed to process). They therefore promote innovation and efficiencies and, over the long term, the capacity to serve a greater clientele—that is, doing more for less.

Third, these types of provisions help ensure that services are being delivered in a manner that generates the greatest return on public investment.

Pay-for-performance provisions in public-private service delivery agreements have shown to be quite successful across the OECD (Iossa, Spagnolo, Vellez, 2007).

An Example:

In the case of its Families First Employment program, the Tennessee government put in place a rigorous pay-for-performance model requiring service providers to achieve high performance rates. The state government has retained multiple service providers who compete with one another. Since moving to a pay-for-performance model, the Families First work placement rate has gone from 24 percent to over 70 percent in four years.

Performance-based contracting offers an appealing risk sharing mechanism that allows agencies to contract for measurable results or outcomes.

*Dipak Pandya, Director Consulting & Deals,
PWC, ASD Taskforce member*

Pay-for-performance provisions allow providers more flexibility to focus on outcomes as opposed to processes.

CREATING ECONOMIES OF SCALE IN ONTARIO'S TRAINING SPACE

ASD models are already in use in Ontario's training environment. However, economies of scale are rarely achieved because of the fragmented nature of the training space.

Currently, Ontario's training delivery organizations include small, not-for-profit training organizations, private organizations, employers, unions and colleges. Many of these organizations act as interfaces between Employment Ontario and individual clients.

There is a need for government to focus more on the achievement of learning and labour market outcomes in the selection and funding of organizations delivering training programs and services. This requires government to clearly identify and prioritize the desired outcomes and tie funding to performance.

The training space is not fully capitalizing on economies of scale and scope and there are opportunities to increase innovation and new business models.

The private sector and broader public sector can play a more important role in the aggregate administration in the training space, including case-to-case management, delivery of training, and/or quality assurance assessments.

OPERATIONALIZING PAY-FOR-PERFORMANCE GUIDELINES

- 1. Government must clearly identify and prioritize the desired outcomes.** This is often trickier than it seems. Many current government programs in the health and human services either operate without clear performance goals and targets or the targets that are in place are crude and do not measure the desired outcomes. For example, in employment services, governments typically measure incidence of new employment instead of duration of labour market attachment.
- 2. Fewer measures are typically better than more.** “Generally, it is better to identify fewer performance measures strategically focused on key outcomes as opposed to focusing on process measurements, such as assessments completed or hours of participation” (OCC Taskforce member). Rigid process requirements limit innovation and flexibility. Fewer measures will also lower reporting costs and administrative overhead.
- 3. Given the complexity of ASD models, governments may want to consider “soft starts” or transition periods.** Given the complexity of some ASD arrangements and the disruption required in their implementation, initial performance targets may need to be lower and become progressively more ambitious. Depriving a vendor of capital in the critical transition phase may hurt the long-term success of the project, particularly in cases where the vendor is a not-for-profit or SME.
- 4. Establish baselines.** We came across numerous examples where the before/after results of an ASD model are unclear simply because a baseline did not exist. Often, the problem can be traced to the fact that government was not measuring the appropriate outcomes in advance of the new model. In these cases, “soft starts” facilitate the establishment of baselines when none exist or where the available data does not correspond with the true objectives of the program.
- 5. Private operators could be held to higher performance standards than previously achieved by government.** This will reduce citizen resistance and encourage innovation beyond current practices,
- 6. A hybrid model whereby vendors receive a combination of upfront and results-based payment may be appropriate** when start-up costs are high, where competition among potential vendors is projected to be limited, and/or it is desirable to attract not-for-profit and SME participation in the procurement process. ASD in some areas, particularly in the provision of health care services, is capital intensive, which may be a significant barrier to SME and not-for-profit participation.
- 7. Governments may choose to include “cap payment” provisions on earned revenue in contracts.** This will quell public resistance and to ensure that private sector profits do not exceed limits that test public tolerance—and the capacity of government treasuries. Of course, one consequence of capped payments may be reduced competition and private sector participation, which may drive up costs over the long-term anyway.
- 8. Make data on performance targets and achieved outcomes public.** Without publicly available and prompt data on the results of ASD arrangements, there is little way to demonstrate ASD’s value to the public. Making performance targets and outcomes public can serve the dual role of both increasing transparency and helping move the discussion from dollars to outcomes. Consideration will have to be given around sensitive or proprietary data of service providers.

RECOMMENDATION 7

Where relevant, government should pay less for simpler cases and more for complex ones in order to incent providers to take on tougher cases.

Early cases of ASD were fraught with a problem pejoratively known as “cherry picking,” which refers to a provider choosing only to serve the best (i.e. low cost) clients in order to maximize their profits. The government is left with only the residual hard and complex cases, which may drive the overall cost of the service to the taxpayer higher.

The Solution:

It may be necessary to structure master services agreements to include a tiered model of fee payments, based on the degree of complexity of the case in question. This would incent private sector entities to tackle the complex cases. This, of course, assumes processes are in place that enable initial assessment of clients and that the administrative cost of the assessment process does not negate the benefits of the ASD model.

An Example:

Employment Services in Australia are delivered by private and not-for-profit providers under a pay-for-performance model. Providers are paid based on the number of candidates they are able to successfully place in new jobs.

To incent the placement of more difficult candidates—those facing greater barriers to entry into the workforce—candidates are divided into four streams, ranging from the most job ready in tier 1 to those with the greatest barriers in tier 4. Services providers receive greater compensation for placing those participants in higher tiers, and only receive compensation for successfully placing candidates.

The introduction of a tiered pay-for-performance model in Australia has resulted in a decrease in the average cost per case of 65 percent, an increase in job prospects by between 5 and 10 percent, and a steady decline in the average duration of unemployment per candidate.

Making performance targets and outcomes public can serve the dual role of both increasing transparency and helping move the discussion from dollars to outcomes.

RECOMMENDATION 8

The Province, in partnership with the private sector, should conduct a government-wide ASD audit as a means of identifying areas where the public would benefit from the introduction of an ASD model. Government should make the results of the audit public.

In their 2012 report on how best to reform Ontario's public services, the Commission on the Reform of Ontario's Public Services (i.e. the "Drummond Commission") urged the government to consider moving to the private delivery of services wherever feasible.

The Commission's report identifies a number of service areas that are ripe for a shift to an ASD model, many of which are featured in the next section of this report. However, conducting an exhaustive review of opportunities for private service delivery was beyond the mandate of the Drummond Commission and our own work here.

The government should pick up where the Drummond Commission left off by conducting an ASD audit to determine which services currently delivered by the public would benefit from the introduction of an ASD model.

The ASD audit should differ from other service delivery reviews. Specifically, the audit should gauge the suitability for shifting a given service to an alternative model of delivery based on a number of criteria, some of which are taken up in the following pages.

The audit must be lead by a third party or parties. As one of our taskforce members put it, "asking government departments to audit themselves is like asking them to sever their own limbs." An independent secretariat reporting directly to the Secretary of Cabinet is one option.

The third party must seek input from the private sector, public servants, and the public, perhaps through a call for ideas and proposals. A secretariat (or third party) should have the capacity to undertake vigorous due diligence.

The audit should gauge the suitability for shifting a given service to an alternative model of delivery based on a number of criteria, including the potential cost savings and the risk to the public interest from any potential service disruption.

THE YELLOW PAGES TEST

The process of determining which services are suitable for transfer to the private or not-for-profit sectors can be difficult—and contentious. However, the former Mayor of Indianapolis came up with a simple approach when he first entered office.

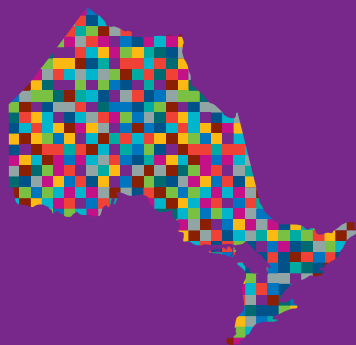
The Mayor's informal "yellow pages test" is simple: if several companies offer the same core service provided by the government, then competition was possible.

The City of Indianapolis has been widely touted as a success story for managed competition. Faced with a fiscal crisis, its mayor, Stephen Goldsmith, introduced competitive bidding to redefine the roles of local government and the private sector in providing public services. The results generated greater efficiency, windfalls in savings for the city, as well as in-house units that were able to effectively compete with their private counterparts (Hai-Chiao Chang, 2005).

Over the course of five years (1992-97) the City of Indianapolis implemented a system of managed competition across 70 city services. The results saw a total savings of \$230 million, or a 7 percent reduction in budgetary spending (Hai-Chiao Chang, 2005).

It is not unreasonable to expect similar savings and efficiency gains through properly structured and monitored ASD projects here in Ontario.

THE POTENTIAL FOR ALTERNATIVE SERVICE DELIVERY IN ONTARIO



PART 3: THE POTENTIAL FOR ALTERNATIVE SERVICE DELIVERY IN ONTARIO

So far this paper has outlined how government can successfully partner with the private sector to deliver services. Table 1 on page 28 outlines where the opportunities exist for such partnerships in Ontario.

Governments around the world face a paradoxical situation of growing debt burdens, large deficits, and increased system demand for services. The need to reinvent service delivery models in this context is generally accepted and well researched (see the Mowat Centre's *Shifting Gears* series for a further discussion).

Health and human services programs consume disproportionately growing shares of Ontario's budget. Health costs alone make up 40 percent of program spending.

Health care offers rich opportunities for service transformation because of the size and scope of the health care system in Ontario. The imperative for transformation in health is particularly acute, given the projected growth and demand.

Human services are a broadly defined category of deliverable services ranging from childcare to education to employment training. Human services aim to prevent and alleviate social problems, while improving the overall quality of life of service populations (National Organization of Human Services, 2013). International experience demonstrates that ASD models can be successfully applied to the human services, particularly in training and employment services.

The Ontario Government's back office operations also offer myriad ASD opportunities. In many areas the private sector has access to expertise, technology, and capital that governments do not. The Drummond Commission notes that Ontario Public Service operating expenditures account for about \$10 billion in annual spending.

Table 1 identifies specific services that could be shifted to an ASD model but that require further due diligence from government. In each case, we identify the rationale for shifting the delivery of the service in question to a private or not-for-profit service provider.

Table 1 also makes an initial assessment of a service's potential to be shifted to an ASD model and ranks that potential as high, medium, or low.

The ranking is based on a number of factors, including:

- **How feasible is it to shift the service to an ASD model?** We consider the barriers (including attitudinal) government would face and the likelihood that these barriers could be overcome.
- **Is this an area where the private sector is already active and where a marketplace already exists?** With homage to the “yellow pages test,” we examine whether the private sector is already active in this space.
- **What is the potential for cost savings?** This considers whether or not the government would benefit financially from moving the service to an ASD model.
- **Is the public sector best suited to act as the service provider?** This considers whether or not the public sector has the most appropriate skills and expertise to deliver the service in question, or whether the private or not-for-profit sectors would be more suitable delivery agents.
- **How successful have other jurisdictions been in moving this service to an ASD model?** This considers the victories and defeats other jurisdictions have experienced when moving to an ASD model for a given service, and the potential for replicating success in an Ontario context.

Where more or less all the suitable conditions are present in a particular policy area, we categorize them as “high” potential.

Services are placed into one of two categories 1) those areas where changes are of a more transactional nature and, 2) those areas of service delivery that would require transformational changes to move to an ASD model.

Transactional changes are less complex in nature and ultimately will yield smaller dividends in terms of cost savings. Much of the framework for implementing transactional changes is already in place, facilitating a service's shift to an ASD model.

Transformational changes are more complex and can require wholesale changes to bureaucratic processes, incentives, and public attitudes. The returns from transformational changes are relatively high both in terms of cost savings and service quality improvements.

RECOMMENDATION 9

The OCC and CGA Ontario recommend a two-phase approach to the implementation of ASD across government departments.

A two-phase approach recognizes the political sensitivities associated with adopting new service delivery models and the need to build up the capacities to design and procure them.

Phase one would focus on the transactional delivery areas. Many of these are obvious cases and relatively easy to implement with minimal attitudinal barriers and low risk associated with service disruption. Notably, success in these transactional areas can set the stage for phase two—the more complex transformative initiatives that can deliver real service improvements and cost savings.

Many of the transformative measures are in areas where citizens expect government to be active and “steering the ship.” Stakeholders may have a stake in the current operational models. Governments, themselves, might be resistant to reducing their capacity to interface directly with citizens for electoral and legitimacy reasons. As such, these initiatives may be harder and require more political capital to implement.

Phase two, therefore, focuses on these initiatives.

However, we firmly believe that the scope of the fiscal challenges and the rising demands on services necessitates a close examination of these harder, transformational areas.

Table 1: Public Services in Ontario that are Candidates for ASD

Area	Service	Where it's being used	Initial assessment of potential for Ontario (high/medium/low)
Back office (transactional)	Email hosting - Currently, the public sector uses a hardware technology that is costlier, and arguably less efficient, than cloud computing.	Washington D.C. has moved to an enterprise version of Google Apps, a software suite that includes e-mail (Gmail), calendar, documents and spreadsheets, and wikis (known as Google Sites). Washington D.C. cut its email costs in half.	HIGH <ul style="list-style-type: none"> • Resistance among public sector employees to a significant software shift may weaken bureaucratic resolve. • Many businesses and organizations use Google applications as an inexpensive and effective replacement to high maintenance hardware. • The potential for cost savings is very high, as experiences in other jurisdictions demonstrate. • Shifting email hosting to cloud computing leaves the public sector as the primary delivery agent. • Washington D.C. cut its email costs in half by moving to cloud computing.
Correctional services (transactional)	Inmate transportation, inmate health care, food services, and laundry services.	U.K. Australia New Zealand	MEDIUM <ul style="list-style-type: none"> • The biggest obstacle to shifting correctional services to an ASD model may be the failed examples of correctional service transformation in Ontario, the U.S., and elsewhere. • The private sector is very active in the U.K., the U.S., Australia, and New Zealand. • The potential for cost savings is unclear. • The public sector has an important role to play in Ontario's correctional system. The private sector may have a complimentary role to play, in terms of transporting inmates, and providing food services, health care, and laundry services. • Ontario's experience with privatized correctional facilities is negative—the Central North Correctional Centre in Penetanguishene, Ontario was privatized in the 1990s before being taken over by the government again. Full scale privatization of correctional facilities may not be appropriate—but shifting services performed within the correctional system is another matter.

<p>Economic Development (transactional)</p>	<p>Business advisory services - The Government of Ontario operates 12 business advisory services offices in southern Ontario.</p>	<p>Scotland - Scottish Chambers of Commerce provide businesses with free mentoring services on behalf of the government.</p>	<p>HIGH</p> <ul style="list-style-type: none"> • Government may not wish to leave the business advisory space. • The not-for-profit and private sectors are already leaders in providing business advisory services in the province and elsewhere. • The province operates 12 business advisory offices across Ontario. The potential for cost savings is high. Shifting these services to not-for-profits that already have infrastructure in place would deliver immediate cost savings. • The public sector has a role in providing strategic supports for the business sector. It is questionable as to whether or not they should have a role in providing advisory services when it could be done at a lower cost by not-for-profits.
<p>Back office (transactional)</p>	<p>OHIP processing - Currently, the public sector administers the provincial medical benefits program (OHIP).</p>	<p>U.K. B.C. - MAXIMUS operates British Columbia's health and benefits processing functions (see recommendation 4 for more).</p>	<p>HIGH</p> <ul style="list-style-type: none"> • Few barriers exist—the Government of Ontario has already shifted Ontario Drug Benefit processing to the private sector. • The private sector has a high level of expertise in back office processing functions. They also have the capital necessary to make up-front IT infrastructure investments. • A potential for cost savings exists. The potential for service improvement is also high: for example, before B.C. shifted to an ASD model, more than 50 percent of citizen calls encountered a busy signal. All calls from citizens are now answered within specified time frames. • The public sector has some role in IT functions, but in an era of fiscal constraints, “governments cannot afford to remain the only centres of expertise when it comes to IT service delivery if more cost-effective options are available” (Final Report by the Commission on the Reform of Ontario’s Public Services, 2012). • Nova Scotia and B.C. are increasingly relying on the private sector to deliver IT functions. The federal government is consolidating its IT functions or shifting them to the private sector when a cost savings can be achieved.
	<p>Northern Health Travel Grants’ processing - Grants are processed in-house by the Ministry of Health and Long-Term Care.</p>	<p>N/A</p>	

Human services (transactional)	<p>Employment Training - Ontario currently spends roughly \$1.5 billion per year on employment and training services.</p>	<p>B.C. U.S. U.K. Netherlands Australia - Employment Services in Australia are delivered by private and not-for-profit providers under a pay-for-performance model. Providers are paid based on the number of candidates they are able to successfully place in new jobs.</p>	<p>HIGH</p> <ul style="list-style-type: none"> • Resistance from stakeholders within the training space is likely. • The private sector is very active in the training space in other jurisdictions, less so in Ontario. • The potential for cost savings and service quality gains is high. Los Angeles, Australia, and Tennessee have all seen increases in work placement rates, and in some cases, decreases in costs by opening up the training space to competition. • Introducing ASD models in the training space has the potential to improve training outcomes, and possibly make way for wider application of training services. Note the public sector has a strong role to play in the training space. • Australia's shift to an ASD model in the work placement space has resulted in a decrease in the average cost per case of 65 percent, an increase in job prospects by between 5 and 10 percent, and a steady decline in the average duration of unemployment per candidate.
Human services (transactional)	<p>Family Responsibility Office (FRO) - The FRO is responsible for the collection, distribution, and enforcement of child and spousal support payments.</p>	<p>N/A</p>	<p>HIGH</p> <ul style="list-style-type: none"> • Few barriers exist to shifting the Family Responsibility Office to the private sector. • The private sector is highly active in the debt collection and enforcement space across North America. • The potential for cost savings is moderate. The potential for more effective service delivery is high. • The public sector is not ideally suited to act as the service delivery agent for collecting and enforcing support payments. As former Finance Minister Duncan put it, "It is difficult for a debt collection operation to do its job when its hours are limited to 9-5."

<p>Health (transformational)</p>	<p>Low risk, routine medical procedures (cataracts, hernias, skin grafts, knee reconstruction).</p>	<p>Ontario - The Kensington Eye Institute, a not-for-profit organization, has developed a specialization that has lowered cost per procedure and increased patient volume.</p>	<p>HIGH</p> <ul style="list-style-type: none"> • Attitudinal barriers, mostly concerns about the privatization of the health care system, are the biggest obstacles to shifting medical procedures out of a hospital setting. • The private sector is already extremely active in delivering health services in Ontario. • The potential for cost savings is high. • The private and not-for-profit sectors have shown that they can provide health services at a higher level of quality (Kensington clinic for example). • Publically funded, privately operated health care systems typify the highest ranked health care systems in the world.
<p>Back office (transformational)</p>	<p>Information Technology and Information Technology Functions (help desks, local and wide area network management, mainframe operations, web hosting).</p>	<p>Nova Scotia has entered into a ten-year deal with IBM who will provide SAP application management services for the province's Core Competency Centre and Health Administrative Services programs. IBM has extended job offers to all seventy-five government employees who were managed under those services.</p>	<p>MEDIUM</p> <ul style="list-style-type: none"> • Bureaucratic incentives may not be aligned. • The private sector has a high level of expertise in IT. They also have the capital necessary to make up-front IT infrastructure investments. • A potential for cost savings exists. The potential for efficiency gains is high, according to the Final Report by the Commission on the Reform of Ontario's Public Services. • The public sector has some role in IT functions, but in an era of fiscal constraints, "governments cannot afford to remain the only centres of expertise when it comes to IT service delivery if more cost-effective options are available" (Final Report by the Commission on the Reform of Ontario's Public Services, 2012). • Nova Scotia and B.C. are increasingly relying on the private sector to deliver IT functions. The federal government is consolidating its IT functions or shifting them to the private sector when a cost savings can be achieved.

<p>Education (transformational)</p>	<p>School operations - Sweden and Denmark have universal systems of school vouchers, with private for-profit schools competing with public schools.</p>	<p>Denmark Sweden – Since 1992, Sweden has allowed private operators to manage publicly funded schools. The operators are given greater flexibility in shaping curriculum.</p>	<p>LOW</p> <ul style="list-style-type: none"> • Attitudinal barriers are high. Ontarians may feel strongly that their public education system should be left alone. • The private sector is active in managing publicly funded schools in Nordic countries. • The potential for cost savings is moderate. Sweden’s privately operated schools have delivered mixed results in terms of achieving a cost savings. • The public sector has an important role to play in Ontario’s education system. The private sector may have a complimentary role to play, especially if they can be shown to improve student education outcomes without compromising access.
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CONCLUSION

Our goal with this report is to kick-start a conversation among Ontarians about the future of government in the province.

This conversation must be framed by our fiscal challenges: our growing debt and rising demand across many services. We are convinced that the status quo is unsustainable. Ontario's debt cannot continue on its current trajectory.

We need to ask some basic questions - what is government's role in the provision of services? How do we ensure that future generations have access to quality public services?

ASD is not a panacea. However, it offers Ontario an opportunity to cut costs, improve services, and increase public sector productivity across many areas—but only if we are strategic in its operationalization. A growing body of evidence from jurisdictions around the world is proof of ASD's potential.

This report is not an attack on government or public services. It is not motivated by ideology. On the contrary, it is motivated by a desire to preserve the ability for government to meet current and pending challenges and to be there when citizens need it.

We look forward to a continuation of the discussion.

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ABOUT THE ONTARIO CHAMBER OF COMMERCE

The Ontario Chamber of Commerce (OCC) is the most diverse and representational business group in the province. The OCC works closely with governments, labour, academia, and other business associations to create a stronger and more vibrant Ontario economy.

The OCC represents 60,000 businesses across the province through our network of local chambers of commerce and boards of trade. Our members employ about two million people and produce roughly 17 percent of Ontario's Gross Domestic Product.

ABOUT THE CERTIFIED GENERAL ACCOUNTANTS OF ONTARIO

CGA Ontario is a self-governing body that grants the exclusive rights to the CGA designation, and controls the professional standards, conduct and discipline of its members and students in the province of Ontario. Certified general accountants (CGAs) are committed to meeting the needs of businesses and organizations with strategic insight, leadership and demonstrated abilities. In Ontario, there are more than 22,000 CGAs and approximately 8,000 students working towards their designation.

CGA Ontario is committed to innovation and excellence, fostering career advancement, international mobility and lifelong professional development in the accounting and finance profession.

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- Debbi Nicholson, Sudbury Chamber of Commerce
- John Prezioso, Hicks Morley



TO MEET ONTARIO'S
FISCAL CHALLENGES,
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RE-EVALUATE THE
FUNDAMENTAL ROLE
OF GOVERNMENT
IN SERVICE DELIVERY.
IT'S TIME FOR
TRANSFORMATIONAL
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