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**AN EXAMINATION OF THE RELATIONSHIP BETWEEN
SPECIAL OPERATING AGENCIES AND MINISTERIAL
RESPONSIBILITY IN THE GOVERNMENT OF MANITOBA**

BY

DAVID J. MARKHAM

**A Thesis
Submitted to the Faculty of Graduate Studies
in Partial Fulfillment of the Requirements
for the Degree of**

MASTER OF PUBLIC ADMINISTRATION

**Department of Political Studies
The University of Manitoba
Winnipeg, Manitoba**

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SPECIAL OPERATING AGENCIES AND MINISTERIAL

RESPONSIBILITY IN THE GOVERNMENT OF MANITOBA

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ABSTRACT

The agency model is a form of government organization that is quickly gaining credibility throughout bureaucratic circles. The Government of Manitoba has subsequently embarked on its own agency model program; it has created 16 Special Operating Agencies (SOAs) and has granted these agencies certain managerial freedoms that allow them to function in a more "business-like" manner. In effect, the reforms have replaced direct ministerial control with operating charters, business plans, annual reports and performance measurement designed to keep ministers apprised of agency activities without intruding into the daily workings of the agency. Critics contend that this arrangement represents erosion of traditional principles of ministerial responsibility, and base their criticism on similar agency model programmes implemented by governments in Great Britain, New Zealand and Canada. This thesis reviews the Manitoba SOA initiative and pays specific attention to the measures implemented by the Government of Manitoba to secure ministerial responsibility. Drawing on interviews with relevant agency figures, the inner dynamics of the new reporting procedures will be considered with particular attention paid to ministers' ability to answer before the Legislative Assembly, agency officials compliance with roles and responsibilities outlined in operating charters, and perceptions of performance measurement as tools of prospective and retrospective control. The thesis will argue that the agency model has been cautiously applied in Manitoba thereby muting concerns associated with the loss of accountability. However, the thesis will also argue that several critical components of the SOA model have not been implemented to the extent that creators of the SOA model had envisioned, and that such lapses could result in confusion should the SOA project be expanded in the future.

CHAPTER 1

INTRODUCTION

The 1980's and 1990's have seen the rise of public sector reform ideas commonly known as the New Public Management (NPM). Governments from all over the world, particularly in Commonwealth countries, and from varying political stripes have been quick to embrace ideas associated with the NPM as a panacea to relieve government bureaus of the ills associated with the traditional, bureaucratic model of government organization. Thus, innovations such as privatization, performance measurement, accrual accounting, contracting out and numerous other practices that have been utilized and refined in the private sector have also found widespread acceptance in the public sector.

Proponents of NPM reforms present a compelling case that such private-sector techniques should be favorably accepted in the public sector. They can illustrate the public's apparent dissatisfaction with the service provided by government bureaus by citing survey results and opinion polls indicating citizens' declining confidence in government and increased acceptance of private enterprise.¹ According to this logic, governments can begin to recapture public confidence by emulating business. Public servants should become more "entrepreneurial" and strive to provide exemplary customer service to clients of the government. Under this businesslike environment, the accountability of politicians and public servants would be improved as the focus of government service would be re-directed towards its clients.²

Critics of NPM caution that proponents' conceptualization of accountability does not take into account the fundamental differences between business and

government. Government must not only be responsible to its clients, but to the public in general. It is, after all, the public who fund government operations through taxation and, therefore, there is the need for government to be responsible and accountable to all its citizens. The bureaucratic model of government organization may be inflexible, but it is at least accountable to its citizens – largely through established parliamentary traditions that have been in place for generations.

While both proponents and opponents of NPM agree on the need to ensure the accountability of government to its citizens, there is considerable divergence as to the most effective method of achieving the best of both worlds – cost-effective and user-friendly public services that remain accountable to the public as a whole. Yet some theorists caution against the debate being enveloped in the semantics of democratic theory. As Robert D. Behn succinctly explains:

We will not answer the accountability question for performance by engaging in deep theoretical thinking. Moreover we will gain little by debating, legislating, codifying and staffing formal systems for citizen accountability. Instead we will learn the most from a series of ad hoc experiments conducted by public managers who seek to be neither cowards nor outlaws but instead to accomplish public purposes that citizens value.³

The process of answering the puzzling question of accountability will thus evolve by trial and error through a series of administrative experiments that seek not only to achieve better service but to clarify and define a new accountability regime.

One such experiment has been the introduction of Special Operating Agencies (SOAs) by the Government of Manitoba. SOAs exist as quasi-governmental entities that operate under the auspices of a government department yet have been granted

certain managerial freedoms that have allowed SOAs to shed the shackles of bureaucracy and operate in a more business-like manner. SOAs are a manifestation of what has become known as the agency model of organization, versions of which have been introduced in Great Britain, New Zealand and the federal Government of Canada with varying degrees of success. As of this writing, the Government of Manitoba has created 16 SOAs since 1992 and is actively recruiting new candidates for this new form of organization.

The SOA experiment, however, is more profound than the simple introduction of a new form of government organization. The designers of the SOA model have attempted fundamental government reform while working within the established model of ministerial accountability that has defined ministerial-departmental relationships since the formation of government in Manitoba. Rather than subject the SOA to direct ministerial control, SOA designation establishes an arms-length relationship between the agency and the minister's office. Operating charters, business planning, annual reports and performance measurement have replaced direct ministerial control as the means of ensuring that agencies remain accountable to the polity.

It is the goal of this thesis to investigate how this new accountability regime has materialized to this point. Of particular interest is the way the Government of Manitoba has reconciled the contradictory desires of government branches to operate more like businesses and the need for senior civil servants and cabinet ministers to be responsible and accountable for their respective contributions to the development and implementation of public policy. It is assumed that the Government of Manitoba's

decision to grant parts of existing organizations SOA status, rather than other options such as privatization, is an indication that the government sees a continued need for government to play a role in the direction of the agency. Furthermore, if governments do not maintain the ability to manage the policy function, the entire reason for government being involved with the SOA disappears. Therefore, the thesis will pay particular attention to the ability of cabinet ministers to effect policy preferences on SOAs, the level and nature of communication between government departments and SOAs, and the ways that ministers remain informed of the activities of SOAs.

Overall, the concern is to investigate the extent to which the ministers designated responsible for particular SOAs are both willing and able to answer for all or part of the performance of SOAs within their portfolios. The thesis will conclude that the agency model has been applied in a more cautious fashion in Manitoba than in larger jurisdictions and that therefore the concerns about the loss of accountability associated with agencies have not arisen to the same extent. The thesis will also conclude that several critical components of the SOA framework have not been implemented to the extent that creators of the SOA model had envisioned, and that such lapses could result in confusion and the compromising of parliamentary accountability. *

This thesis will be divided into four chapters. The first chapter will introduce the establishment and operation of SOAs in Manitoba. This chapter will differentiate between the operations of SOAs versus the operation of government departments in order to clearly illustrate the uniqueness of SOAs. This chapter will also examine the foundations of ministerial responsibility that have governed relationships between cabinet ministers, departments and the public-at-large and illustrate how the

introduction of SOAs has altered these well-established traditions.

The second chapter will investigate the foundations of the agency model. The chapter will elaborate on the theoretical underpinnings leading to the establishment of the agency model; a fusion of public choice economic theory and contemporary business theory. The chapter will also examine the introduction of the agency model in other countries, specifically Britain, New Zealand and the Government of Canada. The chapter will pay close attention to the methods used to secure the accountability of ministers in these countries. As many of these models have been extensively criticized, the chapter will also investigate how Manitoba has reconciled the difficulties encountered in other jurisdictions so that their errors were not repeated.

The third chapter will investigate the external reporting of agencies. The chapter will be particularly interested in how the introduction of business plans, operating charters, and annual reports has affected the perceptions of legislators towards agencies. The chapter will review the information provided by SOAs to opposition legislators, and contrast such information sources with equivalent reporting by departments. The chapter will then review the proceedings of the Manitoba Legislative Assembly to get an indication of how the new information sources have been used by opposition legislators as they attempt to hold the government accountable for its day-to-day activities. The chapter will argue that although one key component of the agency model was to introduce increased reporting to facilitate accountability, members of the legislature have not made extensive use of such tools.

The fourth chapter will investigate how internal reporting has been conducted under the new arms-length relationship between SOAs and parent departments. Data

was collected through survey interviews, and respondents were asked their opinions of key accountability mechanisms and how these mechanisms affected the operations of the agency. The chapter will argue that agency officials have ignored certain aspects of the accountability framework that could eventually result in confusion if the situation persists.

The thesis was based upon an extensive review of the literature on NPM, and of the experiences of other governments who have attempted similar agency model initiatives. To get an impression of how SOAs have been treated before the Legislative Assembly, a search of parliamentary records was conducted. To gain a better sense of the hidden relationships that are critical to the successful functioning of SOAs, four agencies were selected as case studies and a series of qualitative interviews were conducted with ministers, deputy ministers and agency heads involved with the agencies.

CHAPTER 2

THE ORIGIN AND DEVELOPMENT OF SOAs IN MANITOBA

Since the royal assent of its Special Operating Agencies Financing Authority Act in June 1992, the Government of Manitoba has moved quickly to implement one of its contributions to the world of New Public Management (NPM). As of this writing, the government had created 16 SOAs and has been aggressively pursuing new candidates. Given its obvious enthusiasm for the SOA project, and the outstanding financial performance of the province's existing SOAs, one could reasonably speculate that the province's reliance on SOAs is likely to increase in the future. The province has identified a total of 50 potential SOAs, although a definitive timeline has yet to be determined. As such, it is important to evaluate the impacts and implications of Manitoba's experiments with SOAs on the traditional principles and practices of cabinet-parliamentary government within the provincial context.

This chapter analyzes the wider situational context in which the Manitoba SOA initiative emerged. It identifies the fiscal, global, and political pressures confronting the Government of Manitoba. The SOA initiative is presented as not simply an impulsive or ideological decision, but as one response to serious problems confronting the province. The chapter then describes the existing statutes, guidelines and protocols that comprise the accountability framework for structuring relationships between cabinet ministers, parent departments, central agencies and the semi-autonomous SOAs. It will be particularly important to document these relationships as many critics have argued that there is a discernible lack of congruence between NPM reforms

and the pre-existing parliamentary traditions. Thirdly, the chapter analyzes the steps taken by designers of Manitoba's agencies to maintain, clarify and (supposedly) enhance the accountability relationships, both internal to government and externally to the legislature and the public.

Reasons for Structural Reform in the Manitoba Civil Service

Upon its announcement that it was partially abandoning its reliance on the prosaic model of bureaucratic organization in favour of a new form of agency organization, many critics of the government were suspicious as to its ultimate goals. The government in charge of the reforms was, after all, a Progressive Conservative Party government, and its members were widely perceived to be partial to a more market-oriented government with a heavier reliance on the private sector.¹ Many feared that the government was ultimately preparing its agencies for privatization; that exposure to the market as an agency would enhance the value of the organization and facilitate an easier transition to private-sector control. The early fears have, to this point, proven groundless as the government has used the SOA concept as a pragmatic solution to a number of complexities facing the public service.

One of the most common justifications for the need to apply New Public Management reforms to the public sector has been the need to provide a higher standard of public service to its citizen "clients". According to one study

Citizens, whether individuals, businesses, or other groups, have become more demanding. They want options of "voice" and "exit". In other words, they want a greater say in what governments do and how they do it. They demand more responsive services and greater choice. They expect the same quality of service as they get from the private sector.²

The traditional bureaucratic organizational structure was deemed inappropriate to cope with this sudden consumer revolution. Typically, bureaucratic organizations have been afflicted with an excess of rules that dictate the relationships between public service and "client". Freelancing, or deviating from the rules is not permitted. Should the service provider confront a discrepancy or uncertainty in the rules, then ideally the appropriate supervisors must be consulted for their procedural recommendations. In short, "bureaucrats, as agents of the state, manage government operations as the administration of laws rather than as services to effect desired outcomes."³

Bureaucratic rules were seen as an important control device that assured politicians that laws passed in legislatures were being implemented by the civil service.

According to reformers, the only way to avoid bureaucratic quagmire is to reorganize government bureaucracies into a more customer-oriented "post-bureaucratic" organization. This organization would, ideally, focus on customer satisfaction rather than the bureaucratic ideals of adherence to public policy and a homogeneous level of treatment for every citizen. Civil servants would become responsible for meeting "clients'" needs, and organizations would take greater steps to determine exactly what those needs are, and whether or not they have been satisfied.⁴

Although the need to enhance the quality of service to the public has been the standard explanation for public service reforms, critics insist that Manitoba's original and primary motivation was to reduce public spending rather than satisfy consumers. In fact, the early ministerial statements on the SOA initiative downplayed the service aspect and emphasized the budgetary purposes of the need for fiscal responsibility and

deficit reduction. For example, Manitoba's 1992 budget made reference to the government's strategy to use internal managerial reform as an instrument to help reduce the deficit and to deliver services in a more efficient way that would make them more affordable to taxpayers.⁵

That Manitoba would emphasize the financial benefits of government reform is not surprising. The province's fiscal deficit had grown to excessively high levels and the government, widely perceived as sound fiscal managers, was under considerable pressure to remedy the problem. The government clearly believed that a barrier to achieving its ultimate goal was the profligate spending habits of the government bureaucracy. The governing party, true believers in the benefits of the marketplace, maintained that exposure to market mechanisms would provide a check against excessive spending. As a result, some government operations were privatized.

However, the government sought a new option for those government functions that proximated private sector organizations, yet whose mandate was considered to be too important to trust to the ebbs and flows of the private sector. The optimal situation would be the creation of a "bureaucratic half-way house somewhere between bureaucratic jail and freedom".⁶ The government would retain ownership of the organization, but it would be expected to behave much like a private-sector business with a greater attention to fiscal performance. Such an organization would be granted amnesty from certain government rules.

Although the government did not make direct reference to changes in the international economic system as a reason for bureaucratic reform, most governments faced global pressures to change the way they operated. At the time of the reforms the

world was in the throes of being pressured by a process known as globalization, a mysterious term that has become synonymous with the liberation of capital, the rise of the multi-national corporation as a powerful form of organization, and the integration of nation states with one another through trade agreements and economic union.⁷ Almost simultaneously, governments have re-evaluated their commitment to the Keynesian welfare state and high amounts of spending on social programs, in favour of a “new world order” which unfortunately has yet to be clearly defined.

As a result, most governments were forced to re-think their operations in light of the loss of sovereignty due to increased international integration and the discrediting of the Keynesian welfare state. Many sought to re-invigorate themselves by internally strengthening their capacity to be creative and by challenging the bureaucratic status quo to implement change that would allow governments to compete in and facilitate the emerging new order.⁸ For many, this involved replicating many of the management practices that had made the multi-national corporation the superior organizational form of its time.⁹ As governments experimented with such practices, many like-minded government reformers would swiftly duplicate the practices.¹⁰ Manitoba was no exception in this regard as it sought out new ideas to adapt to the changing role and mandate of government.

Given these strong pressures, the Government of Manitoba was compelled to act and implement a degree of public-sector reform. But reform, attractive as it was, has proven to be particularly difficult due to complications inherent in Westminster style parliamentary democracies such as Manitoba's. Government reformers would be required to restrain their zeal, and make changes in accordance with tenets and statutes

that remained necessary components of the political system. Of particular importance was the need to conform to the patterns of accountability between elected politicians and the public service.

Accountability Relations in the Government of Manitoba

Although public sector reformers ostensibly had a myriad of creative options at their disposal, they were confronted with the dilemma of balancing necessary reforms with conformity to traditional principles of cabinet-parliamentary government or making acceptable modifications to the established constitutional order. Manitoba operates as a Westminster parliamentary system and conforms to a parliamentary process adopted by all British North American colonies.¹¹ While the accountability relationships contained therein are not codified for procedural clarity, a set of constitutional principles do exist as a series of informal, unwritten conventions which are intended to structure the relationships between Parliament and the public service.¹² The Westminster parliamentary model is predicated on two assumptions: a) that responsible government is best structured through party politics, and b) that a permanent, professional civil service is conducive to good government.¹³

The Westminster parliamentary model allows for the functioning of the provincial legislature, the major conduit for popular democratic control in Manitoba, at the behest of the political parties. The parties structure the choice of the electorate through the presentation of electoral platforms, and those elected to office are held to account for their performance at successive elections.¹⁴ The parties that fail to elect enough members to form a government are entrusted with the role of opposition, and

to hold the governing party to account for the government's actions. This is done through the usually sensationalistic forum of Question Period, where opposition members may demand answers from government ministers on the activities of their respective departments.

To achieve ultimate political accountability through the parliamentary process, the constitutional conventions provide for both collective and individual ministerial responsibility. Collective ministerial responsibility refers to the capacity of cabinet to determine government policy and on a regular basis have its policy choices subject to confidence votes in the legislature.¹⁵ The cabinet, a representative group of governing party members is selected to formulate and debate policies as a team. Regardless of any internal disagreements, the cabinet remains united behind the proposals it advances for debate and vote in the legislature. Should a bill of substantial importance (such as a budget or a Throne Speech) be defeated in the legislature, it would be interpreted as a loss of confidence in the government and the government would be expected to resign.

Individual ministries are assumed to be the "timeless focal point for legal, political and administrative responsiveness".¹⁶ The minister is charged with the dual responsibility of communicating the department's needs and concerns to cabinet and the cabinet's policy decisions to the administrative apparatus under his or her command. The minister is then assumed to be accountable for any misdeeds that may occur within the department – be they poorly conceived policy ideas or faults of administrative incompetence. Depending on the severity of the transgression, the minister may be compelled to resign.

Coupled with these expectations of ministerial behaviour are conventions governing the public service. Many of these conventions also exist in the form of unwritten rules perpetuated since confederation, although laws such as the Manitoba Civil Service Act seek to cement some of these rules into actual legislation. Such acts seek to uphold the long-standing principles that civil services should be anonymous, permanent, loyal and non-partisan. These principles are intended to produce a civil service that demonstrates neutral competence and reliability to successive governments.

The minister has the potential to benefit tremendously from these conventions. The minister can communicate his government's political desires to his department, have his departmental subordinates do their best to carry out the will of the minister, and then receive accolades for a job well done. For ministers, however, there is a considerable downside. The minister is expected to protect the permanent and anonymous executive by accepting responsibility when the administrative affairs of the department go awry.¹⁷ While few would argue that cabinet ministers are actually in charge of the day-to-day operations of the department, ministers must ultimately face the political consequences for the poor performance of a department. Naturally, for those ministers interested in long and prosperous careers in the cabinet, there has been a desire to exert more political control over departmental staff and to minimize risk to a minister's reputation and credibility.

The emergence of pressures for public sector reform in Manitoba, might be likened to an irresistible force meeting an immovable object. There was a justifiable need for change but any reforms undertaken had to take account of the implications for the traditional models of accountability based on the closely related principles of

ministerial responsibility and an anonymous, neutral public service. Many reformers could convincingly argue that the Westminster parliamentary protocols were as outdated as the bureaucratic systems they were trying to reform. For example, as Sharon Sutherland has illustrated, the premise of ministerial responsibility (from a federal government perspective) has been loosely applied and only two ministers resigned for reasons of administrative errors between 1867 and 1991.¹⁸ As a result, many reformers were left to question the need to adhere to the traditions when they weren't being applied in the purest sense.

The Birth of the SOA in Manitoba

Public-sector reformers in Manitoba viewed the replication of an agency model of organization to be the most effective way of balancing the competing demands of providing a more customer focused, fiscally responsible organization and satisfying the numerous accountability requirements demanded from a government organization. A government agency may best be described as a discrete operational unit within a government department that has been delegated some increased managerial authority down the line of command in exchange for a greater degree of accountability for achieving specified results.¹⁹ Agencies are granted varying degrees of freedom from bureaucratic rules and regulations but remain a part of a government department.²⁰

As has been the case with most New Public Management reforms, once they have been adopted successfully in one jurisdiction the ideas spread rapidly to other like-minded governments.²¹ The Manitoba situation is no different as it was greatly influenced by a similar use of the agency model by the Canadian federal government.

A Manitoba civil servant in charge of the provincial Queen's Printer became aware of the use of the agency model through its federal counterpart that had been designated an agency in 1989.²² Realizing the Government of Manitoba's desire to consider alternative options for the delivery of Queen's Printer services, the official sought to convince the Manitoba Treasury Board, the cabinet committee responsible for the preparation of the government budget and administrative management, of the desirability of the agency model. More importantly, the official also sought to convince other civil servants within the Government of Manitoba of the merits of the agency model.²³ Presentations featuring the heads of newly minted federal agencies were organized and the concept was thoroughly explained to Manitoba civil servants and the Treasury Board.

The Government of Manitoba agreed to the agency concept in January 1992. The agencies would be called Special Operating Agencies (SOAs), borrowing the term used at the federal level. The government had the Manitoba Legislative Assembly pass the Special Operating Agency Financing Authority Act which created the Special Operating Agency Financing Authority on 24 June 1988. The Act enables the government to designate SOAs by regulation. The Act also establishes a base of granted flexibilities and outlines the process for revocation of SOA designation should performance not be up to standard. It has been argued that this base is crucial to the long term viability of SOAs as it establishes continuity for SOA status that cannot be altered due to changes in senior departmental management or management philosophy.²⁴ To this point, Manitoba is the only province to have enshrined its agency model program into legislation.

The Act also established a body known as the Special Operating Agency Financing Authority. The purpose of the authority was, in the words of the Act, to “provide a method of funding the operations of certain of the agencies designated under this act and to acquire and hold assets required for or resulting from those operations.”²⁵ The financing authority would serve as the conduit for directing funds to the agencies under its auspices. This structure allows SOAs, through the authority, to incur debt, record receivables, to capitalize and depreciate assets, and to implement other business practices similar to private sector operations.

The Act, however, did not receive a smooth ride through the legislative process as both of Manitoba’s opposition parties opposed the Act for varying reasons. The brunt of the official opposition New Democratic Party’s (NDP) criticism focused on the supposed intentions of the Act. The New Democrats suspected that SOAs were not necessarily a mechanism to facilitate government efficiency, but a device to facilitate the eventual privatization of government programs and services. Mr. Jerry Storie (NDP- Flin Flon), summarized this position:

It is not clear, as well, whether the government’s agenda in doing this is really the first step towards privatizing the operations of government...you have to ask the legitimate question of whether this is, in fact, not creating little operating units within the department on an experimental basis to see whether in fact they can be profit centres. Of course, then you have to become a little bit suspicious about whether those centres might not be privatized in some future incarnation of this bill.²⁶

Another opposition member, Mr. Jim Maloway (NDP- Elmwood) suspected that the Progressive Conservative’s introduction of the Act the day before the dissolution of

the legislative session was a strategic move designed to sneak privatization through the legislature unnoticed.²⁷

The New Democrats also expressed concern with the accountability of the proposed SOAs and attempted to draw a comparison between the SOA accountability regime and that of the province's Crown corporations. The NDP reasoned that the proposed SOAs were nothing more than "minicorporations" and therefore should be subject to the same type of legislation that governs Crown corporations.²⁸ The salient features of this legislation include a directive to report to a Crown Corporation Council (CCC) consisting of appointed business people and consumer representatives that would ensure that Crown corporations maintained appropriate missions as well as well-conceived and well-executed strategic plans. The CCC exists as an arms-length entity, reports to the Minister of Finance, but is not subject to ministerial direction and control. The legislation also mandates crown corporations to record all complaints received and prevents the cabinet from issuing binding policy directives.²⁹ As Mr. Storie explained:

This bill gives the Minister of Finance the authority to appoint whosoever he chooses through an order-in-council to operate these special agencies...So we are having a situation where Crown corporations will be appointed by the Minister of Finance and yet there will not be the same kind of accountability that is deemed necessary for other Crown corporations.³⁰

Manitoba's second opposition party, the Liberal party, was also critical of the legislation, although the Liberals were more concerned with the root causes of government inefficiency rather than some pending privatization scheme. The sole Liberal member to address the legislation, Mr. Reg Alcock (Lib.- Osborne), dissented

on the grounds that "simply providing another layer of government, another type of government, an expansion of government in the name of producing efficiency is not going to produce that result."³¹ Mr. Alcock perceived the problem to be an unyielding central management that inflicted tight control over government departments:

If it is good for small sections and branches of government to become relieved of the burden of central management control, then perhaps it is good for all government. I think the Minister of Finance could do a great deal to improve the efficiency and cost-effectiveness of government if he had simply looked a little more creatively at his role in central management in government and did not avoid that debate by creating a myriad of small operating entities to relieve him of the burden of becoming a better manager.³²

Mr. Alcock was more precise with his criticisms when the bill was being discussed during parliamentary committee when he singled out the Financial Administration Act as a barrier to comprehensive reform:

The Financial Administration Act does not allow us (to produce 5-year budget plans), so we have a choice. We create yet another management structure for government that avoids the constraints of the Financial Administration Act, or we amend the Financial Administration Act.³³

In spite of the apparent hostility from the opposition, the Special Operating Agency Financing Authority Act was passed and the Fleet Vehicles Agency was designated as the province's first SOA effective 1 April 1992. Fleet Vehicles had been actively involved in the SOA process, having made a presentation to a cabinet committee of the merits of agency status as an alternative to the fleet's current operation.³⁴ Due to its commitment to the SOA process and the amount of research and groundwork that had been done, it was only logical that Fleet Vehicles be

designated as the first SOA. It would soon be followed by another new agency in 1993, two in 1994, and four more in 1995.

In spite of the relative speed by which the SOA process was approved in Manitoba, the government has been extremely cautious in its approach towards the creation of new SOAs. For a department branch to be designated a SOA, it must first satisfy a series of weighted selection criteria that the Treasury Board considers essential for smooth operation as a SOA. Treasury Board has advanced some general characteristics of how suitable SOA candidates are chosen:

- discrete units of sufficient size to warrant the investment of time and resources in the change process,
- capacity for being held independently accountable within their department,
- amenable to developing clear, bottom-line performance standards based on measurable outputs and results,
- operating within a stable policy framework with a clear, ongoing mandate,
- concerned with delivering definable products and services amenable to market disciplines,
- staffed by managers and employees committed to and motivated by the SOA approach, and
- supported by top management based on policy or operational priority for government.³⁵

To this point, the agencies that have satisfied this criteria have had one common denominator, revenue generation. Many SOAs derive the majority of their income from their customer bases, either in the form of fees for service or from other extraneous sources. Revenue generation is viewed as a means of simplifying accountability as agency chief operating officers can be measured based on the quantity of products sold, quality of service, and overall revenue generated by the agency.

In addition to meeting the stringent criteria, SOAs are also exposed to a rigorous development process. Designed as a “bottom-up” process the establishment of new SOAs is intended to be voluntary, allow prospective candidates to move at their own pace and ensure that all the potentially affected stakeholders would be consulted in advance. The first phase, the proposal phase, requires the managers of prospective candidates to garner support from high-level departmental officials, employees, and the Treasury Board. Candidates must present a feasibility study to the Treasury Board that clearly demonstrates how structural reform and increased flexibility will allow the candidate to operate more cost effectively. The proposal phase is to be directed by a steering committee consisting of the prospective SOA manager, and representatives from the parent department and the Treasury Board Secretariat.³⁶

The proposal phase is followed by a planning phase that concentrates on the details involved in the transition. A work plan is devised which is supposed to examine systematically and comprehensively the many issues that will confront a newly minted SOA. The organization must also devise its business plan and operating charter. This whole process must be orchestrated through constant consultation with affected parties. Treasury Board will make its final decision on the transition at the completion of this phase. Should approval be granted, SOAs must complete an implementation phase that focuses on establishing new financial arrangements and clarifying the organization’s charter. Depending on the organization’s complexity, the development process could take up to two years to complete.³⁷

Given the apparent rigors of the process for establishing a SOA, one might expect few managers of existing units to volunteer for the new status. But for

managers, who are seemingly perpetually disconcerted about their lack of freedom to manage, the benefits are clear. Most government announcements on SOAs have emphasized the capacity of the model to allow public-sector managers to manage in a way similar to their private-sector colleagues. The SOA model combines a series of managerial flexibilities unique to public-sector managers with a new financial arrangement and performance requirements to produce what the government believes is a more traditional corporate environment that will inspire entrepreneurship and creativity amongst its employees.

As such, one of the major features that differentiates a Manitoba SOA from a government branch department is its focus on a strong agency head. The Treasury Board will not approve a SOA designation unless a strong agency head is present and is able to provide continuous leadership throughout the process. The SOA development process itself may be viewed as a proving ground for managers, as the acceptance of the SOA proposal depends, to a large extent, on the success managers have had in co-opting the organizations' stakeholders and convincing them of the plan's viability. In theory once the organization has achieved SOA status, the organization's top manager is able to operate, albeit within a framework dictated by the agency's operating charter and business plan.

The manager, however, is awarded some additional tools with which to accomplish the organization's goals; tools that other public sector managers do not have the luxury of using. Agency framework documents detail the exemption from the province's General Manual of Administration Policy that the agency is not obliged to follow. The exemptions encompass "policies that impair business-like operations,

represent a nuisance, are not relevant, and for which non-compliance has minor consequences.”³⁸ The framework documents also detail the administrative policies that have been delegated to the agencies, and the policies that continue to apply to the agency. (The Treasury Board estimates that 40% of the General Manual of Administration continues to apply to SOAs.)³⁹

SOAs also have the flexibility to increase their staffing levels in accordance with the business cycle, and agency needs may be delegated some authority with regard to hiring, dismissals, promotions, disciplines, suspensions or layoffs. This authority is the product of negotiations between the agency and the Civil Service Commission. SOAs remain governed by the Manitoba Civil Service Act and collective agreements with public sector unions.

These considerable freedoms come with certain expectations. Agency heads are expected to achieve the financial and administrative goals as stated in the business plan and operating charter. The business plan exists as a “quasi-contract” between the Treasury Board and the agency head. Although not legally enforceable, by submitting the plan, the agency head is committing to be held accountable to both the Treasury Board and the parent ministry for achieving the targets set therein. By accepting the report, Treasury Board is agreeing to delegate the freedoms set out in the charter to achieve the results.⁴⁰ Although one ancillary purpose of the SOA concept was to allow SOA managers to provide greater attention to administration of the agency, the manager will also be held accountable for any policy advice provided to the minister or deputy minister. The minister will continue to dictate the policy framework that

SOAs must follow, while the Treasury Board will continue to set the resource framework.

In addition to its increased focus on managers, SOAs are distinguished from government branches by their financial operations. SOAs have the advantage of operating outside the Government of Manitoba's Consolidated Revenue Fund. For some SOAs, particularly those with a commercial orientation, the consolidated fund has resulted in accounting practices being used that are not in line with the provision of business-like operations and quality customer service. Many SOAs have preferred to use accrual accounting principles in order to properly record the natural growth rates of the organization's assets and accumulated interest on invested moneys. The consolidated fund, which operates with the use of gross accounting principles, does not allow government organizations the flexibility to operate in a business-like manner. Customer service is compromised because organizations are not able to provide credit to loyal customers. The organizations would not be able to receive loans to update their infrastructure and technology. Most importantly, the gross accounting principles would not allow organizations to retain the proceeds from the sale of the assets or allow for the carry-over of funds from year to year. The SOA designation provides SOAs with access to an alternate fund that operates parallel to the consolidated fund but is directed by the SOA financing authority.

One final component of the SOA accountability framework is the emphasis on performance indicators. It has been argued that when governments delegate responsibility to the periphery, they will usually implement some form of control mechanism to ensure that the authority is not being abused.⁴¹ For the Government of

Manitoba, performance indicators allow the government to exercise some retrospective control without breathing down the necks of its managers. SOAs are required to establish their performance evaluation targets and to invest in the technology required to accurately measure and report on the targets.

Accountability Framework for Special Operating Agencies

The previous discussion has highlighted many of the “business-like” alterations that make SOAs unique from branches of government departments. Given the breadth of the SOA reforms, it is difficult to differentiate the management of SOAs from that of private sector concerns. There remains, however, one major difference. — SOAs remain under government control and therefore must satisfy the government accountability conventions inherent in Westminster political systems. For example, legislators retain control over agency activities and budgets through voting at meetings of the Committee of Supply. It is important to emphasize that the Government of Manitoba has opted to pursue reform within the Westminster parliamentary framework, rather than experiment with other more exotic models of governance.

The Government of Manitoba attempted to satisfy the need for parliamentary accountability through the use of operating charters as the primary mode of governance for SOAs. Operating charters represent the SOA’s “constitution” and detail how SOAs will be held accountable and how they will report to their parent departments.⁴² In preparing their operating charters, the inaugural SOA candidates consulted widely with officials in the federal government involved in composing framework documents for a similar agency project.⁴³ Successive Manitoba SOAs

consulted the first SOA charter for a model of how a charter is supposed to be done. Although the Manitoba Treasury Board's SOA Guide claims that operating charters are the product of comprehensive consultation between the prospective agency, the Treasury Board Secretariat and the department, a cursory observation of the charters reveals a remarkable degree of homogeneity between them.⁴⁴

The operating charter's first section is a preamble that provides a brief history of the agency and the reasons for its transition to SOA status. The second section outlines the agency's policy framework; which includes the agency's mandate, mission statements, customer market, geographic coverage, and the acts and statutes that impact the agency. The second section is extremely important from an accountability perspective as it defines the agencies' "outputs" – the specific products and services the agency is to provide – as well as the customers the agency is to serve. With these factors defined, it is then possible for agency managers to determine the best way to efficiently achieve this mandate, and for agencies to measure the success of the agency.⁴⁵

The third section of an SOA operating charter outlines the SOA's accountability framework, and provides an overview of the SOA leaders' responsibilities without going into inordinate detail. For example, the charters explain the minister's involvement as follows:

The minister continues to be answerable for the agency to the legislature, cabinet, and its committees including Treasury Board. The minister's primary focus is to ensure a clear, stable policy framework to guide agency operations.

Similarly, the charters explain the role of the deputy minister as follows:

The deputy minister, in concert with other officials of the department and agency, advises the minister on policy matters concerning the effective management, operation and performance of the agency.⁴⁶

The deputy minister also acts as chair of the advisory board. In this role, the deputy minister is responsible for calling meetings of the board, setting the agendas, directing the meetings, ensuring that records of proceeds are prepared, soliciting and obtaining advice from the board members, and ensuring the members receive sufficient information regarding the agency and its operations to enable them to provide sound advice.⁴⁷

It is the role of the deputy minister to act as an intermediary between SOAs and ministers' offices. To facilitate this role, most agency organizational charts feature a straight-line relationship between the deputy minister or associate deputy minister and agency heads. It must be noted that one agency has strayed from this model and features a direct reporting relationship between the minister and agency head. The responsibilities of agency heads are usually described as follows:

The (agency head) is accountable for the sound management of the agency in accordance with the highest public sector standards and ensures the objectives and targets stated in the business plan are achieved.⁴⁸

Manitoba SOAs operate with the assistance of a voluntary advisory board whose role, according to the charters is as follows:

The role of the advisory board is to provide advice on the agency's strategic operations and on changes to its mandate, structure, business practices, and finances. The advisory board reviews and comments on the agency's proposed business plan, quarterly and annual reports, and charter revisions.⁴⁹

The remaining accountability framework details the agency's customer base and makes reference to specific clauses in the government's General Manual of Administration for which responsibility has been delegated to the agencies to the agencies.

One notable omission from the definitions of roles and responsibilities is the Treasury Board Secretariat, an organization that has discretion over the markets SOAs may pursue and products the SOA may offer. Treasury Board Secretariat must approve the SOA business plan and may request amendments to the plan as it sees fit. Treasury Board plays a key role in setting the SOAs boundaries. Its influence has not been accounted for specifically in operating charters, but is left to description of the SOA Financing Authority in the Act and management agreement pursuant to the charter.

While operating charters have seemingly defined the remaining roles and activities of SOA comprehensively, it is important to note that several aspects that would add to the clear definition of roles and responsibilities are absent from the operating charters. It must be noted that the charters do not specify exactly what ministers, deputy ministers, and agency heads are accountable for. Similarly, operating charters remain silent as to who specifically is responsible for ensuring that agencies comply with all its authorities. As well, charters do not provide any indication as to the specific boundaries within which the agency may act autonomously.⁵⁰ Such omissions, however, may be due to the conception of operating charters as an experimental method of securing accountability. As agency's become more accustomed to operating at arms-length, it was anticipated that charters would be revised to more accurately describe roles and responsibilities.

One final comment regarding operating charters involves their presentation before the Legislative Assembly. While charters have been viewed as an important instrument of governance for SOAs, their presentation before the legislature gives the impression that they are mainly used for internal accountability purposes rather than as tools for external supervision of agencies. Ministers responsible for SOAs have tabled copies of operating charters in the legislature, but any further role for the legislature in examining charters appears to be limited. Charters have not been subject to debate by Members of the Legislative Assembly in the house and, aside from periodic discussion before SOA advisory boards, there appears to be little opportunity for external review of agency plans for governance. Nevertheless, charters are public documents and are available for debate at any time.

The accountability framework includes a planning and reporting framework which outlines the documentation the SOA must produce to allow for scrutiny of its activities by the general public and government officials. The framework consists of three main documents. The business plan, in addition to serving as a quasi-contract between the agency manager and the department, also serves as a strategic plan for the agency.⁵¹ Business plans document the agencies' objectives and performance targets for the current year and at least two subsequent years. Summaries of business plans, minus any confidential or commercial information, are provided to members of the legislature, and are available for possible debate during the supply process in which two committees of the legislature review departmental estimates or spending forecasts for the forthcoming fiscal year. Another opportunity for legislative review may occur in the Public Accounts committee of the legislature, especially when the annual report of

the Provincial Auditor is before the committee. SOAs remain within the scope of the annual audit of government organizations conducted by the Provincial Auditor.

In addition, all agencies must produce an annual report on a yearly basis.

Manitoba SOA annual reports closely resemble annual reports from the corporate sector; some are sophisticated, glossy documents which highlight the SOAs' activities and successes. The operating charters require that annual reports present an analysis of the agencies' performance based on the targets established in the business plan, as well as the agencies' audited financial statements. Unlike the confidential business plans, the annual reports are tabled in the Legislature and made available to the public.

Rather than relying solely on annual reports as a means of monitoring agency performance, the planning and reporting framework also requires that agencies file quarterly progress reports. These documents enable departmental officials to monitor the progress of agencies against objectives and performance targets detailed in the business plans.

Given the volumes of documentation that SOAs are required to produce, it is clear that designers of the SOA model have attempted to increase the information flow to political stakeholders in order to keep them informed about the progress of agencies. Proponents of government agencies argue that such stringent reporting requirements actually enhance parliamentary accountability. The detailed annual reports allow the public and the political class the opportunity to inform themselves about the actual mandate, goals, and performance of agencies. Hypothetically, as a result of this increased reporting, ministers will not be required to field as many questions about agencies behaviour.⁵²

But while operating charters and annual reports have succeeded in clarifying the operations of Manitoba SOAs, it must be noted that departments retain considerable discretion as to whether a SOA will be able to operate in its "pure" form. As a minister remains accountable to Parliament for an agency's actions, the minister or parent departments can reclaim many of the freedoms granted to SOAs. J. David Wright has listed several factors that could lead to the erosion of SOA freedoms, such as a lack of confidence in agency management, politically sensitive work, and the personal management style of ministers or deputy ministers.⁵³ While the Government of Manitoba believes its SOA model will promote entrepreneurship and creativity among its employees, the model cannot be properly operationalized without consent and co-operation from departments and ministers.

CHAPTER 3

THEORETICAL ORIGINS OF THE AGENCY MODEL

This chapter will begin to examine the origins of the agency model and how the model became accepted in Manitoba. First, this chapter will elaborate the theoretical principles which guided the development of the model. In particular, the chapter will focus on public choice economic theory and contemporary management theory as the two primary sources for the development of the agency model. Second, the chapter will explore the adoption of the model as part of government reform projects in Britain, New Zealand, and Canada. Finally, the chapter will focus on the methods other governments have used to ensure that accountability to the public is maintained.

Theoretical Influences

A. Economic Theory

The need for bureaucratic reform and the willingness of governments to challenge the bureaucratic paradigm developed concurrently with the rise of neoclassical economics and its success in providing an explanation for the ills of bureaucracy. In particular, one strand of neoclassical economics – public choice theory – articulated an elegant, mathematically tangible, and comprehensible version of bureaucratic deficiencies. As will be seen, this perspective would greatly influence public-sector reformers at the political and bureaucratic level.

Dennis Mueller, in his widely-cited treatise on the subject, provides the following definition of public choice:

Public choice can be defined as the economic study of non-market

decision making, or simply the application of economics to political science. The subject matter of public choice is the same as that of political science: the theory of the state, voting rules, voting behaviour, party politics, the bureaucracy and so on. The methodology of public choice is that of economics; however, the basic behavioural postulate of public choice, as for economics, is that man is an egoistic, rational utility maximizer.¹

Given this behavioural common denominator, it is assumed that political actors will behave in an opportunistic fashion. For example, cabinet ministers will forward policy proposals with an eye toward being re-elected. Voters will exchange political currency (votes) in return for political goods and services, in the form of political party platforms that best satisfy their individual needs.² The entire political system is viewed as a perfectly competitive marketplace where individual choice reigns supreme, as opposed to a political market where collective good is a determining factor behind policy decisions.

Public choice has been able to successfully clarify the major difference between the political market and competitive market. The difference, not surprisingly, is the presence of the political process and the involvement of clandestine and immeasurable factors such as power, authority and influence.³ Whereas a competitive market must adjust its pricing or production in accordance with consumer demand, public choice theory maintains that political factors preclude the political market from responding to customer demand in a similar way. As a result, public choice theorists would argue that government is not only inherently inefficient, but its customers are powerless in comparison to competitive markets because their demands do not effect change in the public sector. The debate involves conflicting values and perceptions of market processes, with public choice theorists advocating individual choice in the competitive

marketplace as superior to collective choice in the political marketplace.

With regard to the bureaucracy, public choice has been able to elucidate an explanation of the often-incomprehensible world of bureaucratic behavior. Public choice explanations of bureaucracy may trace their genesis back to the mid-1940's, but the most influential work is undoubtedly William Niskanen's 1971 treatise Bureaucracy and Representative Government. Niskanen's theory was based on the premise that public sector bureaucrats were "not entirely motivated by the general welfare or interests of the state" and were as inclined as any other "rational" individual to maximize personal utility.⁴ A comparable private sector operator is described as "unambiguously selfish: in the drive to maximize utility by maximizing the profits of the firm."⁵ This, of course, would be difficult for government bureaucrats who frequently operate in the absence of a profit motive. Nevertheless, Niskanen resolves this quandary by arguing that in the absence of profit, bureaucrats will seek to maximize the budgets under their control. If the budgets are maximized, the bureaucrats will receive various non-pecuniary benefits such as enhanced reputations, access to perks, additional powers, expanded salaries, and an easier time managing the bureau.⁶ As a result, government departments are inherently inefficient. Niskanen himself estimates that government bureaus produce twice the quantity of output as would a private-sector firm facing the same demand and cost conditions.⁷

Further complicating this problem is public choice theorists' belief that there is little that bureaucrats' political masters can do to prevent this predicament. The bureaucrats are the guardians of asymmetrical information and, as a result, are free to manipulate departmental operations as they see fit. Not only do bureaucrats control

access to relevant policy-related information, but they have been accused of structuring their political masters' choices to suit their individual needs. A common public choice belief is that bureaucrats frame policy choices so that options they prefer are presented in a favorable light, while the options they object to may be presented as inefficient.⁸ Due to their lack of information, politicians have little choice but to approve the budgets and policy proposals submitted by the bureaucracy. To make matters worse, public choice would argue that politicians have little interest in scrutinizing budgets in the first place. As politicians are rational actors too, they stand to gain more pandering to voters than tending to budgets.⁹

Public choice theorists have proposed several remedies to this bureaucratic quagmire. Most of these solutions feature the transfer of public services away from the political market and into the competitive market where former government activities can be spared the systematic opportunism and rapaciousness of bureaucrats. Two of public choice's preferred alternatives to government administration are privatization and contracting out which involves the transfer of parts or all of the responsibility for service provision to the private sector.¹⁰ Other public choice solutions have proposed a more creative role for bureaucracy. For example, Gordon Tullock has advocated that governments allow their respective bureaucracies to compete against one another for the right to provide public services.¹¹ The end result, according to believers of public choice, is that not only will public services be provided more efficiently, but customers will receive better service as well.

The government agency model, although not the ideal public choice solution, borrows heavily from public choice ideas. Agencies constitute attempts by

government to expose their organizations to the pressures of the competitive market while at the same time minimizing the nefarious consequences of the political market, two ideas central to public choice thinking. Although the agency model does not equate to privatization, some would consider the operation of government services as public firms to be the next best alternative.

In spite of government's acceptance of public choice, many critics of public choice question the validity of its explanation of bureaucratic behaviour and question its application in the public sector. The most obvious criticism is public choice's steadfast belief that what is in the interest of all is the interest of each.¹² Public choice has been criticized for its failure to distinguish between public-sector values and private-sector values. Public choice theorists have been unable to explain the distinct public sector ethos and its focus on equal treatment and fairness, and the importance of these attitudes in maintaining the societal legitimacy of the government operations.¹³ Furthermore, public choice has had difficulty incorporating motives such as altruism into its theories of political behaviour. For example, many politicians view the pursuit of elected office as one of the highest forms of public service, or a way of ensuring that the principles behind a particular ideology are carried out by governments. Similarly, bureaucrats may be motivated by the desire to serve the public, or may simply wish to avoid the commotion of the private sector altogether.

Secondly, public choice has been accused of presenting a facile conceptualization of government, especially with regard to the supposed principle-agent difficulties between the bureaucracy and politicians. Public choice has focused on the politicians' lack of aptitude for scrutinizing the budgetary recommendations of

bureaucrats without considering the presence of central agencies and their capacity to review bureaucratic actions.¹⁴ In Manitoba, the Treasury Board Secretariat has been especially vigilant in assessing the performance of the Government of Manitoba's departments.

Although one could go much further in elaborating the deficiencies of public choice, it is important to review the effects that public choice could have on accountability. While public choice theorists hold competitive markets in high regard, they view the presence of politics as a particular anathema. Critics would point to the fallibility of competitive markets and argue that democratically chosen governments could protect against negative occurrences such as unequal distribution of income or high levels of unemployment. But public choice would reject this, claiming that while the failure of markets is indeed a bad thing, political interference would only exacerbate the matter. According to Robert Kuttner, "public choice theorists, in their zeal to impeach economic intervention, go further and impeach democracy itself."¹⁵ Given public choice's hostility to politics, are political traditions such as the principle of ministerial responsibility to be sacrificed now that public choice has proven influential in the restructuring of bureaus?

B. Management Theory

For the better part of the twentieth century, the demonstrated capacity for innovation among public sector managers was considered to be inferior to their private sector counterparts. Practitioners noted the fundamental differences between the tasks and contexts of the respective domains, and developed distinctive managerial styles to cope with these distinctions. As a result, the public sector adopted managerial

principles in line with the Max Weber's model of bureaucratic organization while the private sector adopted more exotic models. This distinction, however, has gradually begun to blur as managers realized that while the tasks and contexts of public and private sector management remained different, certain functions and tools of management (i.e., performance monitoring, executive leadership, managing and remunerating staff, etc.) could be applied successfully in both domains.¹⁶ Christopher Pollitt has suggested that the successful application of private sector management principles by the dominant multi-national corporations, coupled with the discrediting of Weber's bureaucratic model, prompted public sector leaders to reconsider their management principles.¹⁷

But providing a precise definition of what constitutes 'successful private sector management principles' is difficult due to the proliferation of numerous works on management ideas. Two recent works that have proven to be particularly influential are Thomas Peters and Robert Waterman's In Search of Excellence and Michael Hammer and James Champy's Re-engineering the Corporation. These works presented a series of concrete plans managers could use to promote a high performing and efficient organization. Although some civil servants undoubtedly embraced some of these ideas, these works were directed at, and intended for, the private sector. Fortunately, in 1993 David Osborne and Ted Gaebler published the equally influential Reinventing Government that neatly synthesized decades worth of management theory into a neat package for the public sector.¹⁸ Much like In Search of Excellence, Reinventing Government provided government change agents with a sensible blueprint for successful public sector transformation. Thus, many public sector leaders

embraced Reinventing Government, including the Premier of Manitoba, Mr. Gary Filmon, who ordered his Cabinet colleagues to read it.¹⁹

What were the effects of the acceptance of management theory? A first effect was a re-evaluation of what activities governments should be involved in. Peters and Waterman argued that firms should “stick to the knitting” and concentrate on the activities they do well instead of pursuing activities in a wide variety of fields.²⁰ Osborne and Gaebler echoed those concerns and opined that while government was well positioned to formulate policy prescriptions, its ability to operationalize its prescriptions was ineffective due to the inflexibility of bureaucracy and the vested rights and privileges, such as job security provisions, of government employees.²¹ As a result, many governments sought to reorganize themselves into what was originally conceptualized as bifurcated, airtight compartments concentrating on either policy or service delivery. This idea would supposedly allow for top managers to concentrate exclusively on policy matters without having to delve into tumultuous service delivery issues, which would be organized by a separate staff. This separate staff would not necessarily be limited to the public sector; service delivery would be allocated to the organization capable of performing the task in the most cost-effective way. As a result, many governments have engaged in contracting with private sector organizations or have privatized some service delivery operations. However, these options might not be suitable for sensitive service functions where continued political responsibility and central administrative supervision of service delivery is deemed necessary. Also, there are situations when continued government provision is the most cost-effective option. In such cases some governments have introduced government agency models to

establish a boundary between the policy function and service function.

Those who advocated the use of private sector management as a solution to public sector deficiencies also argued that fundamental structural change was a necessary precursor for the use of specific management “tools” to help promote a more performance-oriented and user-friendly public service. In particular the fostering of a new “entrepreneurial culture” was considered to be of primary importance for public sector managers.

Since the early 1980's, business organizations have sought to better understand the role of an organization as a social system, including a shared organizational culture that motivated and guided the behaviour of the organization's members. This hidden organizational “social glue” serves as a powerful control mechanism to organization members, as members of organizations attempt to abide by the tacitly understood protocols, procedures, and patterns of behaviour.²² Furthermore, this organizational belief system has the potential to exist in perpetuity, as the organization's norms are transmitted from existing organizational members to new arrivals.

Public managers expressed concern that organizational values and norms were overly influenced by bureaucratic organization and its associated rules and procedures, and feared that organization members were adhering to rules at the expense of customers. As a result, managers sought to re-orient their organization's cultures away from the bureaucratic model and towards a customer focus. The “old” bureaucratic culture and the “new” customer-driven cultures is summarized in the following table:

Table 3.1: Differences between “old” and “new” civil service cultures

Old Culture	New Culture
Controlling	Empowering
Rigid	Flexible
Suspicious	Trusting
Administrative	Managerial
Secret	Open
Power-Based	Task-Based
Input/Process Oriented	Results Oriented
Pre-Programmed and Repetitive	Capable of Purposeful Action
Risk-Averse	Willing to take Intelligent Risks
Mandatory	Optional
Communicating Poorly	Communicating Well
Centralized	De-Centralized
Uniform	Diverse
Stifling Creativity	Innovative
Reactive	Proactive

Source: Savoie (1994) p. 229.

Public sector managers, however, confronted a major dilemma when considering how to implement a cultural change; namely, how to exorcise the bureaucratic culture when the formal organization remains inert. The rules, procedures, and systems which permeate bureaucratic structures will only hinder the emergence of the new customer-driven culture.²³ Therefore, organizations interested in cultural change must also be prepared to accept structural change as a prerequisite for a successful cultural transformation. Many public managers considered the agency model as an appropriate structure that would allow for experimentation with cultural change while retaining government policy direction and overall control based on a more positive, less restrictive approach.

A third trend that can be attributed to the acceptance of management theory is the emergence of performance measurement in government departments. There is a considerable degree of variation in what governments choose to measure. An emerging trend is the production of societal indicators that will allow citizens to measure the overall performance of their governments with regard to broad social issues.²⁴ A second approach is to require individual departments to identify particular lines of business (usually based on programs) and then develop measures or indicators of performance for these activities. The Government of Manitoba has opted for the latter version of performance measurement both as a government-wide initiative and within its SOAs. From the Manitoba SOA perspective, performance measurement is viewed as a way of reinforcing the SOA's customer focus by measuring customer satisfaction and service quality. For SOAs, performance measurement is also an important component of internal accountability, as the agency's performance results will be reviewed by superiors as a means of determining the agency's performance and progress in achieving policy-related goals.

Many legislators and public managers view the implementation of managerial imperatives as a way of strengthening the competence of the public service and buttressing the established public service values. For example, the focus on customers facilitates an examination of the needs and wants of government customers, the quality of people's interactions with government, and a precise measure of a government unit's outputs. It also draws attention to the internal clients within the public service, and the fact that internal clients deserve service, rather than control by the service provider.²⁵ Proponents of the customer focus argue that this phenomenon could serve

to modernize the antiquated bureaucratic values and eliminate some of the negative dimensions associated with bureaucratic behaviour.

Others are inclined to paint a more cautionary picture of the interface between managerial values and public service values. It has been assumed that with the increased implementation of managerial methods that public service values will remain static and ubiquitous.²⁶ However, critics argue that before proceeding enthusiastically with management methods, a comprehensive examination of the impacts of managerialism upon the public service culture must be undertaken to ensure that traditional values such as the rule of trusteeship of the public interest and democratic accountability are not capriciously discarded in the name of managerial efficiency. Furthermore, the result of an awkward interface between values could lead to confusion for public servants. As the principles governing the relationships between public servants, ministers and Parliament continue to shift and concern for customers increases, a public servant could potentially become torn between adhering to the Westminster parliamentary tenets which reinforce the principle of ministerial responsibility and the need to ensure that the customer is the focal point of government activity.²⁷

Further compounding the difficulty in applying management techniques to the public service is the tension between management theory and public choice theory. Peter Aucoin has illustrated that although public choice and management theory are both highly critical of bureaucracy their perceptions of the "bureaucratic ideal" differ. While the goal of public choice is to better control bureaucracy through the concentration of power in the hands of elected representatives and exposure to the

competitive marketplace, management theory advocates the liberation of public servants from the shackles of bureaucratic control so that public servants can be freed to satisfy customers. One theory maintains that public servants are the problem while the other maintains they are the solution.²⁸

Any such tensions, however, have not hindered the application of these theoretical perspectives in the form of the agency model or similar variations. The agency model was first adopted in New Zealand and similar models have been used in Great Britain and the Canadian federal government. Officials in Manitoba would confront similar issues involving accountability to Parliament that their colleagues in the aforementioned countries confronted when their systems were initiated.

Comparative Influences

A. Great Britain

Following her election as Prime Minister of Great Britain, Margaret Thatcher sought to immediately change the traditional bureaucracy that was, in her view, operating inefficiently. Thatcher was highly suspicious of the actions of bureaucrats, and was determined avoid having her political programme impeded by the permanent bureaucracy. As a follower of the ideas of William Niskanen, Mrs. Thatcher encouraged her ministers to familiarize themselves with his public choice ideas.²⁹

For her bureaucratic restructuring initiative, Thatcher sought assistance from the private sector. She hired Lord Derek Rayner, president of a successful British retailer, to head a fact-finding mission into waste and inefficiency in government.

Another businessman, Sir Robin Ibbs, was retained to report on how the British civil

service could be properly restructured. Ibbs's report, entitled "Improving Management in Government: The Next Steps", recommended the adoption of the agency model. Thatcher recruited Sir Peter Kemp to operationalize the Next Steps report's ideas. Initially only eight agencies were created within one year of the Next Steps report; however, by 1997, 72% of the British civil service had been reorganized into 124 Executive Agencies (EAs).³⁰

The goals of the EAs, ostensibly, were much the same as those of the Manitoba government – to separate policy management and operational management and receive less expensive government and better customer service as a result. The Thatcher government also lauded the ancillary benefit of increasing accountability to Parliament and the public as well. Firstly, accountability was supposedly strengthened due to the increased customer responsiveness the civil service displayed towards its clients. Secondly, with the roles and responsibilities of agency officials clearly defined within the framework documents, it was reasoned that parliamentarians or the public could examine the documents and determine for themselves which public servant was accountable.³¹

In spite of these new developments in accountability, many critics consider the Next Steps project to be detrimental to the concept of parliamentary accountability. The Ibbs report, while emphasizing the importance of maintaining the relationships between ministers and Parliament originally sought to abide by Westminster traditions while inculcating managerial imperatives into the system of governance. While the formal arrangements of accountability would remain unaffected, the mechanics would change dramatically. When it is clear that a particular public servant is responsible

within the framework of operational issues, it would be better to ask a question of the bureaucrat than the minister.³² Yet this idea (and the overall content of the Ibbs report) has been dismissed by certain critics as being bereft of constitutional philosophy, political reality and administrative imperative.³³ Even Peter Kemp, the Executive Agency Project Manager, has noted that the maintenance of the existing Westminster parliamentary protocols could have a negative effect on the two other elements in the delivery of public goods – value for money and service.³⁴ The cumulative effect of the Next Steps report has been a re-definition of the traditional version of Westminster parliamentary traditions to facilitate adaptation to the Next Steps regime.

Executive Agency framework documents serve the same purpose as do their Manitoba counterparts – as a constitution governing the activities of agencies. Ministers are responsible for the composition of the framework document, for establishing the strategic direction for the agency, and for producing a division of responsibilities for the ministers, departments, central agencies and Executive Agency officials. Although the composition and wording of the framework documents differ, the definition of responsibilities for agency officials are relatively uniform. For example, the framework document for the Defence Evaluation and Research Agency (DERA) (which provides technical service to the British military) details that:

The (Minister or) Secretary of State is the responsible minister for the (agency) and is accountable to Parliament for (agency) policy and operations. He (sic) determines the policy and financial framework within which the (agency) operates and sets objectives and targets for it.³⁵

Ministers, therefore, while retaining responsibility for agencies before Parliament also

have the ability to determine resource levels for agencies by reviewing annual budgets and financial documentation.

The responsibilities of the chief executives in Great Britain are also similar to those in Manitoba:

The Chief Executive is personally accountable to the Secretary of State for the efficient and effective management of the (agency), and for achieving the aim, objectives and targets set for the (agency) in this framework document and in the corporate and business plans, including the financial target set in the Treasury Minute laid before Parliament.³⁶

Much like the Manitoba situation, the chief executive is viewed as a quasi-contractual employee, however chief executives in Great Britain are appointed on a term basis only, with re-appointment contingent upon achieving the aforementioned goals.

But the role of the chief executive is rendered more complex through the responsibility for some parliamentary business, which in Manitoba remains the responsibility of the minister. Again, according to the DERA framework document:

The Secretary of State will normally ask the Chief Executive to write to MPs who raise parliamentary questions about matters delegated to the agency. The Secretary of State will continue to deal in the usual way with other parliamentary business; with enquiries about policy matters not delegated to the agency; and where an MP specifically requests a ministerial reply, seeking advice from the Chief Executive as necessary.³⁷

As in most cases, the responsibility for the administration of the agency has been delegated from the parent department to the chief executive, which makes it the chief executive's duty to respond in writing to an inquiring Member of Parliament.

Correspondence regarding parliamentary questions is published in the Official Report for public scrutiny.

In addition to their responsibilities for responding to parliamentary issues, most

framework documents also mandate agency chief executives to appear before parliamentary committees. As issues surrounding the operation of government are discussed in greater detail before parliamentary committees, it was reasoned that chief executives could provide a more comprehensive review of administrative issues than could ministers and should therefore be permitted to provide testimony before committees. This practice has obvious consequences for the traditional parliamentary accountability regime. Most notably, this practice would further contribute to the erosion of the principle of public service anonymity, as executives would be called to report on the administrative performance of the agencies – although the British government has emphasized that ministers will remain accountable before committee for the agency's overall performance. Critics also maintain that reporting to committees could further blur the already precarious dividing line between policy and administration. While a chief executive would continue to appear before committees as the representative of a minister, the resulting higher profile for chief executives could lead to their identification with specific government policies.³⁸

It may be argued that the whittling away of the traditional model is justifiable if it is replaced or strengthened by mechanisms that facilitate accountability. In the case of Next Steps, the supposed role for framework documents was to clarify the roles and responsibilities of agencies and their officials and facilitate accountability to parliament and the public through increased information. But this approach has been subjected to criticism on a number of fronts. Many have questioned the intended audience for EA reporting materials, arguing that material will be quite informative for interested parties but would be less interesting for the public at large.³⁹ As well, some have

questioned the ability of framework documents to clarify the more confusing relationships in government where a high level of overlap, interdependence and shared power exists between several departments. Defenders of the Executive Agencies could argue that key relationships are more transparent than they were in the past when everything was assumed in theory to fall within the ambit of ministerial responsibility, but ministers could always avoid responsibility.

Those who are inclined to examine agency publications are not confronted with a paucity of sources; it has been observed that Next Steps agencies produce an embarrassment of informational riches.⁴⁰ What has been questioned is the quality of information provided in the Next Steps publications and whether it is sufficient to provide interested parties with enough information to accurately judge the performance of agencies and assess the blameworthiness of agency officials. For example, although agency framework documents go to great lengths to illustrate the ideal roles and responsibilities of agency officials, one observer has noted the many overlaps between ministerial activities, the activities of chief executives, and the responsibilities of officials within parent departments, particularly with regard to financial accounting.⁴¹ Should a questionable activity occur within one of these gray areas, a citizen or parliamentarian would have difficulty pinpointing a specific individual for praise or blame.

The designers of the Next Steps program also envisioned the use of performance indicators not only as a form of internal accountability that allows ministers to monitor the contractual performance of chief executives, but also external accountability to allow citizens to do the same. This documentation, however, has

been criticized as the use of performance indicators has not included a balanced set of information detailing all aspects of the organization's performance. In particular, a statement on the resources allocated by the minister to achieve the desired policy outcomes and a way of determining how efficiently these resources are applied by chief executives is required for stakeholders to receive a realistic interpretation of agency performance.⁴² As it stands now, under the existing "quasi-contractual" framework, a minister assigns resources, manpower and finances to a chief executive in exchange for delivering the results expected by the Minister. These desired results are clearly stated in the agency documentation; however, under the existing performance assessment system, it is difficult to specify precisely who is to blame. According to the letter of the contract, the chief executive is to blame for agency targets not being met. But critics argue that the system ignores the minister's role as a collaborator in agency activities. There is little capacity for outside stakeholders to gauge whether the agency's targets are practical or achievable, or whether the minister has allocated enough resources or finances to achieve the desired goals.⁴³

Regrettably, the abrogation of responsibility for EA actions has occurred with disturbing regularity and has led to widespread criticism of the Next Steps programme. Some ministers have accused top civil servants of misleading MPs, providing alibis for ministers, and attempting to camouflage wrongdoings behind layers of secrecy.⁴⁴ On the other hand, ministers have been accused of falsely scapegoating agency heads by dismissing them for embarrassing actions that could have been prevented if ministers had fulfilled their responsibility for clarifying agency policy.⁴⁵ Without the capacity to properly assess the activities of Next Steps EA officials, it appears that the British

government's amendments to parliamentary traditions may result in a democratic loss rather than the promised enhancement of accountability.

B. New Zealand

While the reasons behind New Zealand's drastic public sector reform program differ little from Great Britain's or Manitoba's, the unique context of New Zealand's former state organization has been used to justify its unique restraint program. Not unlike most countries, New Zealand was forced to confront increasing expenditures on government programs and excessive levels of taxation. Unlike other countries, however, an unusually high portion of the New Zealand economy was controlled or closely regulated by the government. Prior to the reforms, New Zealand's government was recognized as the most interventionist government among OECD nations.⁴⁶ The high level of government spending and state intervention precipitated a 20% devaluation in New Zealand currency. In 1984, a newly elected Labour Party government was confronted with these dilemmas. As it searched for possible solutions, the Labour cabinet was particularly influenced by briefing papers prepared by its Treasury officials who were, in turn, greatly influenced by American-based public choice economists.⁴⁷ While the Great Britain public sector reforms have been characterized as a healthy dose of managerialism coupled with a mild public choice influence, the New Zealand reforms are best described as the pure application of public-choice theory to government reform.⁴⁸

References to New Zealand's government reform program usually focus on three statutes enacted by the New Zealand government between 1986-89, the State Owned Enterprises Act, the State Sector Act and the Public Finance Act. The State

Owned Enterprises Act was proclaimed in 1986 and closely resembles the government agency model. The goal of the Act was to separate commercial from non-commercial activities, and to operate the commercial activities on a self-sustaining basis.

Commercial activities were organized into State Owned Enterprises (SOEs) which operated at arm's length from government. Accountability was secured through performance agreements and targets, annual reports and performance measurement regimes negotiated by ministers and officials heading the SOEs, although ultimately SOEs report to a board of directors appointed by the minister.⁴⁹ Such documentation is made public on a yearly basis and is available for scrutiny before the New Zealand House of Representatives and committees of the House.

The State Owned Enterprises initiative differs from comparable British and Manitoba experiments in two major respects. Firstly, it appears that the New Zealand government was more intent on exposing its commercial ventures to market competition. New Zealand enacted a policy of "competitive neutrality" towards its SOEs; competitive disadvantages that could impede adoption to the competitive marketplace were removed, as were protective mechanisms that could shield SOEs from private sector competition.⁵⁰ SOEs were thus left to fend for themselves in the marketplace without regulatory encumbrances. Secondly, the New Zealand government also demonstrated a willingness to privatize its SOEs once they have made a successful transition to the competitive market.⁵¹ Although this was not the declared intention of the New Zealand government when the State Owned Enterprises Act was first enacted, New Zealand's high foreign debt necessitated the sale of state assets.⁵²

But the Government of New Zealand was not satisfied solely with the exposure

of its commercial functions to competition and it sought to promote the same type of atmosphere for its governmental functions. Rather than enact major structural reform, it proceeded with institutional innovations designed to promote market-oriented behaviour. Two statutes reflect this direction, the State Sector Act and the Public Finance Act. The State Sector Act was enacted on 1 April 1986 and resulted in the nullification of New Zealand's career public service. Prior to the legislation, the New Zealand public service operated with a form of tenure; employees could conceivably enjoy a 40-year career within the government if they so desired. Advancement to the upper echelons of government management was not predicated on skills or ability, but length of service. The State Sector Act abolished such practices and installed chief executives, hired on the basis of merit, with a proven ability to manage as heads of departments. Chief executives would be granted considerable latitude with regard to staffing; the only apparent constraints were clauses in the State Sector Act which mandated that successful position applicants be chosen on the basis of merit and that chief executives "operate a personnel policy that complies with the principle of being a good employer".⁵³

The Public Finance Act, enacted 26 July 1989, reinforced the market orientation through a re-designed financial system. The line item system formerly used by New Zealand was replaced with an appropriations system based on outputs. The new systems resulted in a forced reorientation of Ministers' and civil servants' approaches to budgeting; no longer would inputs (the operating expenses associated with program operation) be the focal point of budget allocation, the system would concentrate on the department's outputs (the level and quality of goods and services

produced by departments).⁵⁴ But the Public Finance Act represented more than a new outlook towards budgeting; it also represented a new basis for internal and external monitoring of departmental performance. From a departmental perspective, the focus on outputs provided ministers with new information about their department's services and allowed ministers to make informed tradeoffs between competing priorities.⁵⁵ Theoretically, the model also allows ministers the luxury of choosing between competing departments, and to purchase outputs from the department that can supply the outputs in the most efficient and cost-effective fashion.

As a result of the Public Finance Act, ministers are granted a more prominent role in the direction of the ministry. The Act is a clear manifestation of public choice as it attempts to remedy the passiveness of ministers and prevent bureaucratic capture. As such, the role of the New Zealand minister is significant; responsible ministers participate in the selection of departmental chief executives, develop strategic objectives and policy, negotiate annual performance agreements, allocate funds for the purchase of outputs and take responsibility for the end results (outcomes).⁵⁶ To accommodate the Minister's expanded role, the departments are responsible for the production of a vast stream of reports, financial statements and other documentation as prescribed by the Act. Specifically, the performance and output purchase agreements negotiated between the departmental chief executives and ministers, monthly reports on financial operations, quarterly progress reports on purchase agreements, twice-yearly chief executive performance reports and yearly departmental forecasts and annual reports supposedly allow ministers to appropriately monitor departmental performance.⁵⁷

Most reviews of the New Zealand public sector restructuring model have been

overwhelmingly positive. Invariably, reviewers insist that the New Zealand reforms have strengthened accountability while maintaining the traditional forms of ministerial responsibility. Ministers, it is argued, will be accountable to Parliament for the policies they adopt to achieve outcomes and for the outputs they decide are worthy of funding. In addition, ministers will supposedly benefit from an increase in documentation, which details departmental activities and clarifies the amount of resources required.⁵⁸ But the New Zealand reforms have also sought to deal with the administrative intricacies, which are beyond the scope of ministerial surveillance. In New Zealand, chief executives have the responsibility to answer before parliamentary committees for the administrative operations of the agency, although they need not respond to administrative related questions in the Legislature; this remains the responsibility of the minister. While New Zealand retains the principle of ministerial responsibility, it has opted to sacrifice the principle of public service anonymity.

Others, however, have more cautionary tales to tell. A foremost concern involves the invisible line between policy and administration, and determining where one sphere begins and ends. It will be recalled that similar concerns were echoed in Great Britain and it is apparent that New Zealand's model has not been able to provide any additional clarification.

This blurring of the lines of accountability has been made all the more pronounced due to ministers' aversion to upholding the pure model. The New Zealand model was intended as a vehicle to ensure both bureaucratic and ministerial accountability. Critics argue that the preponderance of attention has focused on the public service while failing to account for enhanced ministerial roles in the policy

process. In particular, critics identify the need for ministers to account for the outputs they purchase from departments and illustrate the contribution these outputs are making to outcomes. Critics argue that this is not being done, and decry the absence of an agency to secure ministerial accountability and ministers' recalcitrance in creating such an agency.⁵⁹ Ministers' refusal to fulfill their end of the bargain leads to speculation that ministers are simply interested in deflecting blame to the civil service.

Similar criticisms have been levelled against chief executives, and against an incentive system that promotes a short-term horizon over the long-term interests of agencies. As reappointment for chief executives is contingent upon short-term performance, they have a powerful incentive to maximize the accomplishments of their departments. Critics maintain that this focus on such immediate goals could impair the broad overall interests of government.

The overwhelming focus on the single-line accountability relationship between the Minister and departmental chief executives has also proven to be problematic. Critics have accused this emphasis of clouding over the more complex vertical relationships that exist within the New Zealand public sector, and placing an inordinate burden on chief executives. Under these circumstances, perhaps it is only reasonable that chief executives adopt a more parochial relationship with ministers, pursuing the objectives that can be measured but neglecting the overall well-being of the department.⁶⁰ Similarly, ministers are ill-positioned to assume responsibility for the full range of departmental activity as the artificial distinction between "inputs", "outputs" and "outcomes" have caused ministers to focus on pecuniary issues.⁶¹ One critic maintains that the department's financial condition does not exclusively reflect

the “ownership” interests of the state, and that an owner might also choose to assess a department’s value based on its employee skill base, employee morale, expected future outputs or other non-monetary factors.⁶²

Unlike the Next Steps reforms, the New Zealand reforms cannot be accused of providing inadequate documentation that could impede the determination of performance. However, there is concern that ministers are confused by the complexity of the data and overwhelmed by the volume of data provided. Ministers have advocated the creation of management boards or “purchase advisers” to assist them in managing the data, others have retained consultants to provide them with advice. The New Zealand experiment has reinforced the belief that left to their own devices, ministers are poor policy makers in spite of their control over appropriated funds and contracting powers. Inevitably, ministers remain dependent on their departmental staff for policy guidance.⁶³ Furthermore, ministers have not demonstrated the willingness to involve themselves in the intricacies of securing accountability, such as before parliamentary committees where ministers clarify the accountability relationships before their peers. Ministers prefer the visible and glorious forums within the House of Representatives where political points are scored.⁶⁴

C. Canada

Canada followed its Commonwealth colleagues with the introduction of its own version of the agency model, the Special Operating Agency. Much like their ideological soul mates in the United Kingdom, the Progressive Conservative government of Brian Mulroney harboured great antipathy towards the civil service

(Mulroney had threatened to award government bureaucrats with “pink slips and running shoes” upon assuming office), and a fondness for market mechanisms as a remedy for societal ills. Naturally, the Mulroney government observed the Next Steps project with considerable interest and dispatched some of its senior civil servants overseas to observe the process first hand.⁶⁵ The Canadian SOA initiative was one component of the government’s Public Service 2000 reform program which sought to streamline and simplify bureaucratic rules, eliminate levels of management and reform government statutes to allow the public service more flexibility and adaptability to the new managerial reality.

One individual, formerly Secretary to the Treasury Board of Canada, has summarized the purpose of the agency model as follows:

SOAs are intended to be service delivery units that have been granted increased management flexibility in return for agreed-upon levels of performance. They remain part of the department, accountable to the Deputy Minister. However, unlike most other units, SOAs operate under a business plan and management framework covering the results and service levels expected; the relief from financial, personnel and administrative rules to be applied; and the resources available to do the job.⁶⁶

Although this definition suggests a high degree of similarity between the Canadian and British initiatives, to this point their experiences have been markedly different.

Observers such as Peter Aucoin, when comparing the Canadian variant to its British counterpart, posit that the Canadian model is less than a “full-fledged” version of the agency model and have been critical of the Government of Canada for its “half-hearted” attempt at bureaucratic reform.⁶⁷

The most obvious reason for this criticism is the differing scope of the Canadian and British agency efforts. While Britain aggressively pursued the

establishment of Executive Agencies, Canada treated its SOAs as an experiment and was determined to proceed cautiously with its venture. Following the Government of Canada's announcement of the establishment of SOAs in December 1989, five new agencies were immediately designated. These agencies were regarded as the safest candidates to participate in the experiment as all had clear mandates and were revenue dependent. Another nine agencies were created in February 1991; these candidates were more adventurous as they were less business-oriented and had a greater external client focus.⁶⁸ The Canadian SOA effort appears to have met its apex at this point; the government has since re-introduced two of its agencies back into their parent departments and has sought to pursue government reform through different avenues such as not-for-profit public sector corporations.⁶⁹

Another reason for this criticism is the reporting structure for SOAs. As the above definition indicates, SOAs report directly to deputy ministers – a significant departure from the British and New Zealand models where there is no intermediary between ministers and chief executives. Canadian framework documents describe the duties of ministers and deputy ministers as follows:

The minister is formally accountable to Parliament for all activities of the (agency).

The deputy minister is accountable to the minister for the effective governance of the department, including the (agency).⁷⁰

Aucoin has suggested that the incorporation of the deputy minister into the accountability framework results in Special Operating Agencies losing their "special" attributes; the on-going presence of the deputy minister has resulted in the failure to

clearly demarcate the agency from the parent department and has weakened the “quasi-contract” between the department and the agency. The end result is little difference between the operation of SOAs from comparable departmental branch organizations.⁷¹ Deputy ministers are forced to straddle a fine line between allowing SOAs to operate in a more entrepreneurial manner and upholding departmental operating procedures. Over time, traditional patterns of command and control have re-asserted themselves, especially when new agency heads of deputy ministers have been retained and relationships of trust have not been established.⁷² Furthermore, deputy ministers have been under pressure to avoid problems such as balkanization, the erosion of the capacity of departments to effect direction upon semi-autonomous units.⁷³ Given the breadth of the deputy minister’s responsibilities, it should come as no surprise that many deputy ministers consider themselves the *de facto* managers of SOAs, although framework documents clearly assign that responsibility to agency heads.⁷⁴

One final difference that magnifies of the Government of Canada’s policy of caution towards its SOAs involves the delegation of responsibilities. Framework documents include a listing of requested authorities and flexibilities, encompassing a variety of financial and human resource freedoms. The key distinction is the way in which these responsibilities have been delegated. In Canada, delegations are dependent on the SOA’s ability to justify the necessity of the delegation – ministry officials and Treasury Board members would judge each case on its merits.⁷⁵ This is in direct contrast to the British experience where it was assumed that agency heads would operate with complete autonomy, and the onus was on departments to prove that specific responsibilities were best maintained within the department.

Over the years, the government of Canada has sought to uphold the principles of ministerial responsibility and public service anonymity to the letter, and this practice has not changed with the advent of SOAs. Ministers remain accountable before Parliament and the public for both policy and administrative questions directed at their departments. Naturally, this position has forced the Government of Canada to confront the tensions that will inevitably arise as a result of additional freedoms granted to SOAs. A task force, headed by the Office of the Auditor General of Canada reviewing the SOA project concluded that the hard doctrine would likely require amendment in the interests of better securing accountability from ministers and agency staff.⁷⁶

Accountability is reinforced through increased reporting. Canadian SOAs report to the public through part III of the Estimates, the same process utilized by other units of government. SOAs with revolving funds are also required to report through the Public Accounts. SOAs must also provide an annual report for the deputy minister which contains annual financial statements and information relating to performance indicators. Some SOAs have made their annual reports publicly available, although this has been done for marketing rather than accountability purposes.⁷⁷ A confidential business plan is also produced on an annual basis and specifies the revenue targets and operating objectives to be met by the agency head and the resources to be provided by the department.

The Canadian SOA project has made extensive use of performance measurement. Although some observers expressed concern that the high cost and degree of effort required to properly implement performance measurement, combined

with the "bottom-line" focus of agencies would lead to substandard levels and quality of data,⁷⁸ such fears appear to be groundless. There appears to be no shortage of performance-related data produced by SOAs. There are, however, problems in applying this data. Critics contend that the SOA data has not been well organized, and has not been moulded in a way that it can be relevant to a wide variety of users. For example, while agencies produce data to measure variables such as customer satisfaction, employee attitudes, and the achievement of public purpose, such data has not been organized into a user-friendly framework.⁷⁹

Summing Up: Key Issues for Consideration

As has been evidenced by the previous discussion, the Government of Manitoba's Special Operating Agency model is a curious amalgam that incorporates selected aspects of agency models used in Great Britain, New Zealand and Canada. However, as has been seen, other jurisdictions have had considerable difficulty in securing accountability in spite of their claims that the adoption of the agency model has increased accountability. As Manitoba, supposedly, would be able to benefit from the experience of other governments, this section will outline Manitoba's response to the problems encountered elsewhere. In particular, this section will concentrate on three themes central to agency accountability:

- Clear definable roles and responsibilities that would allow parliamentarians and citizens to precisely determine accountability.
- Valuable information generated that allows ministers or their designates to sufficiently monitor the operations of agencies.
- Effective reporting of SOA administrative activities to Parliament.

A. Roles and Responsibilities

The creation of clear definitions of the roles and responsibilities of cabinet ministers and agency officials is central to the determination of transparent and explicit contractual relations, a staple of the government agency model. But as the previous discussion indicates, it has also been arguably the most difficult aspect of the model to implement. This is largely due to the inability of governments to provide a thorough definition of the roles of the agency's key participants. Experience in other countries indicates that the end result is often confusion as participants search about blindly for their respective responsibilities without much central coordination; overlap and perceived intrusions in the business of others are frequent problems. Admittedly, the chore of defining such responsibilities would be a monumental task, as responsibilities would likely require periodic re-definition as agencies adjust to a changing environment.

Another question relates to the number of roles defined. Given the agency model's reliance on economic theory as a theoretical base, it is not surprising that the model has focused on one key relationship – the relationship between principal (cabinet minister) and agent (agency chief executive). But as the experience in Great Britain and New Zealand illustrates, the simplicity of the principal-agent relationship is not easily transferred to government as roles for the numerous horizontal relationships agencies must entertain have not been defined. Attempts to incorporate more relationships into the agency framework have also been fraught with difficulty, as evidenced by the Government of Canada's inclusion of deputy ministers into the reporting schedule. The incorporation of multiple relationships supposedly results in a watered-down

hybrid of the principal-agent contract, and the uniqueness of the agency model has been mitigated as a result.

The agency model, and its attempt to delineate two hermetically sealed spheres of influence – policy and administration – operates under the assumption that external stakeholders will be respectful of such a distinction and will conduct inquiry in accordance with this division. With regard to parliamentarians, one must question the utility of this belief, especially when one considers the nature of Canadian parliamentary proceedings. In the Canadian House of Commons, with its focus on extreme partisanship and animosity between competing parties, there is no distinction between policy and administration as opposition critics would be eager to expose government misdeeds occurring in either domain.⁸⁰ Under such conditions, is such a framework plausible, especially since ministers under such raucous conditions may be inclined to breach the established agreements and intrude into administrative territory?

The Manitoba SOA project has also chosen to clarify responsibility and reporting relationships through the use of framework documents, and has incorporated the deputy minister into the agency framework. Manitoba's definitions of the roles of agency key participants are as vacuous as those of their agency counterparts, leaving one to question the role of agency framework documents as a useful accountability device. It also causes one to wonder if framework documents aren't precise determinants of roles and responsibilities, then what are the roles and responsibilities and how are they defined?

B. Quality of Information

The provision of information is also a crucial component as the dissemination

of performance-related information allows ministries to monitor the performance of the agency and provides transparency for external stakeholders interested in the functioning of agencies. All agency models reviewed in the previous section feature formalized reporting regimens; specific reporting procedures are detailed in agency framework agreements. Frequent financial reporting and performance measurement appear to be the preferred mechanisms to secure accountability and control, although there are variations in the way these mechanisms have been applied.

There is little question that the agency model has promoted increased reporting between agencies and ministries, but has this data resulted in increased accountability? At the outset, it appears that ministries have been victimized by problems symptomatic to the use of performance measurement – such as determining what specific factors are to be measured and devising schemes to ensure that valid data is produced. It also appears that ministries have failed to manage the data that has been generated; ministries have been inundated with reams of indecipherable data and have demonstrated an inability to accurately interpret the results and share results with departments. Critics have also admonished ministries for the vagueness of information presented to the public and for the reluctance of ministries to implement measures that integrate the role of ministers in agency output. As Manitoba has implemented a similar information program, one must question how it has resolved such issues and if its initiative has served as a valuable resource for ministers and agencies.

C. Reporting to Parliament

While the increase in reporting of agency activities to the legislature and public provides additional information to interested parties, the need still exists to provide

answers to questions pertaining to the day-to-day operations of the agency. Therefore it remains important, in spite of their autonomous status, that agencies remain accountable through the legislature.

Accountability has normally been secured through Westminster parliamentary traditions although some governments have found upholding these traditions and the autonomous operation of agencies to be problematic. As a result, some governments have required civil servants to answer to Parliament or before parliamentary committees. While this allows civil servants to account for their actions, it violates two Westminsterian traditions – civil service anonymity and the minister acting as spokesperson before Parliament. While the goal of this study is not to critique government's decision to abandon parliamentary traditions, it will be interested in how governments have ensured reporting to Parliament.

CHAPTER 4

EXTERNAL ACCOUNTABILITY OF SOAs

Under the traditional theory of parliamentary accountability, accountability to the public is a relatively straightforward concept. Ministers are responsible for both formulating and ensuring the implementation of public policy within their departments. If citizens have reason to be dissatisfied with the activities of ministers or cabinet, it is their option to vote for other more capable ministers to take their place at election time. It is reasonable to assume that most citizens would agree with this description of their role within the accountability process.

Admittedly, this view of the accountability process is highly simplistic. One of the many arguments used to discount this view is that citizens have not demonstrated the ability or the motivation to provide the amount of oversight required to ensure government accountability. Fortunately, citizens have some willing acolytes prepared to fill this void in the form of members of the opposition. One of the most crucial roles of opposition legislators is to vigilantly scrutinize the operations of government. It is hoped that by presenting valid criticisms of government activity combined with their own remedies for government ineffectiveness that opposition parties may appear as a credible "government-in-waiting" and an alternative to the current government. Therefore it is clear that legislatures have a crucial role to play in government's accountability to its citizens, as it is before the legislature where the government establishes its policies and programs and defends them before the opposition.

The goal of this chapter is to examine how the arrival of the SOA, complete with its unique accountability regime, has affected the Government of Manitoba's

relationship with the Manitoba Legislative Assembly. Specifically, this chapter is interested in determining if the SOA accountability regime has succeeded in strengthening government's accountability to its citizens as its many boosters said it would, or if the new regime has resulted in a reduction in reporting to the legislature. The chapter will first examine the tools available to opposition legislators and members of the public as they work towards securing the accountability of ministers through processes initiated through the Legislative Assembly. The chapter will pay particular attention to annual reports, as they are viewed as the key accountability vehicle for SOAs, and their primary means of communicating their activities to the public. The chapter will then examine the treatment of SOAs before the legislature by perusing Hansard, the record of proceedings of the Manitoba Legislative Assembly. Of particular interest will be the dialogue between ministers and members of the opposition during Question Period and before Committee of Supply. It is anticipated that such a review will provide an indication of how information is used by legislators to demand answers from ministers.

Reporting Procedures for Special Operating Agencies

This section will review the SOA reporting mechanisms and contrast them to equivalent reporting done by departments. As has already been mentioned, ministers have been confronted with a barrage of information on SOAs and how they are performing. Ministers are entitled to review and comment on the formulation of annual reports and agency business plans. They are also provided with quarterly reports to satisfy their need for updates on the progress on SOAs toward its

performance goals. For opposition members, however, the level of information is substantially lower. The section will focus on the agency annual reports, viewed as the key accountability piece produced by SOAs in order to keep the outside apprised of agency activities. A comparison of SOA annual reports and equivalent reports supplied by departments, it is anticipated, will clarify the resources available to legislators and the general public as they work towards securing accountability from SOAs. The section will also evaluate other sources of information provided to legislators to assist in their oversight of agencies.

The Department of Finance, the department responsible for outlining the proposed content of departmental reporting, provides guidelines for mandatory reporting requirements for departmental annual reports. The guidelines have tended to focus on the mandatory requirement that all departments produce annual reports, and that reports be tabled in the Legislative Assembly in a timely fashion. The Financial Administration Act, the Manitoba statute that provides the guidelines for the disbursement and accounting of government finances, has been equally vague with regard to the content of annual reports. As a result, the content and format of departmental annual reports have varied considerably.

Departmental annual reports can be most accurately described as a synopsis of events and activities taking place within the department for a given fiscal year. Annual reports also provide interested readers with a summary of capital spending undertaken by departments. Departments that provide services to citizens may present data that provides interested parties with information such as the number of clients served by the departmental branch, or the number of units of output produced. It should also be

Table 4.1: CCAF Twelve Attributes of Effectiveness

1. *Management Direction*: the extent to which objectives of an organization, its component programs or items of business, and its employees are clear, well-integrated, and appropriately reflected in the organization's plans, structure, delegations of authority and decision-making processes.
2. *Relevance*: the extent to which a program or line of business continues to make sense in regard to the problems or conditions to which it is intended to respond.
3. *Appropriateness*: the extent to which the design of a program or its major components, and the level of effort being made, are logical in light of the specific objectives to be achieved.
4. *Achievement of Intended Results*: the extent to which goals and objectives have been realized.
5. *Acceptance*: the extent to which the constituencies or customers for whom a program or line of business is designed judge it to be satisfactory.
6. *Secondary Impacts*: the extent to which other significant consequences, either intended or unintended, have occurred.
7. *Costs and Productivity*: the relationship among costs, inputs and outputs.
8. *Responsiveness*: an organization's ability to adapt to change in such factors as markets, competition, available funding or technology.
9. *Financial Benefits*: the matching of, and accounting for, revenues and costs and the accounting for and valuation of assets, liabilities and equity.
10. *Working Environment*: the extent to which an organization provides an appropriate work atmosphere for its employees.
11. *Protection of Assets*: the extent to which important assets – such as sources of supply, valuable property, key personnel, agreements and important records or information – are danger of losses that could threaten its successes, credibility, continuity and, perhaps, its very existence.
12. *Monitoring and reporting*: the extent to which key matters pertaining to performance and organization strength and are identified, reported and carefully monitored.¹

SOAs have gone to considerable lengths to comply with several components of the CCAF's Twelve Attributes of Effectiveness. Agencies have provided outlines of their prospective marketplaces and customer bases in order to contend with the responsiveness attribute. Annual reports have also reviewed factors that have affected their assets and have outlined strategies implemented by the agencies to protect and nurture their assets. As agencies must also account for the depreciation of assets, such

reporting is not only enlightening for the public, but a necessary element to ensure satisfactory financial results.

An overview of SOA annual reports indicates that agencies have made extensive use of performance measurement, although the measures differ greatly from agency to agency. This is understandable as agencies pursue many different roles and mandates making a standardized performance measurement scheme inadequate. One area that most legislators have taken a great interest in has been the efficiency of government and the prudent expenditure of tax dollars. It is therefore important to contrast financial reporting between departments and SOAs. A common practice for departments has been to present financial figures and their comparable financial targets that were established at the beginning of the fiscal year. SOAs, however, have provided data from previous years' operations to provide a comparison to assess financial performance.

Most SOAs have also compiled performance indicators to provide an appraisal of how the agency is serving its customers. Again the pursuit of such indicators is an attempt to satisfy CCAF criteria. Customer-related data in departmental annual reports usually consists of the number of customers served by the branch compared with similar data from previous years. Interested parties are likely to infer from such results that an increase in the number of customers served may be a result of enhanced service. For some SOAs, the performance measures are quite sophisticated. The Materials Distribution Agency, for example, has set standards for order processing and has measured and reported the agency's progress towards meeting or exceeding this standard. Similarly, the Mail Management Agency has compiled projected figures for

employee productivity per working hour. A review of SOA performance measures indicates, however, that indicators focussing on customer-related issues have been applied differently by separate agencies and that some agencies use less rigorous measures than others.

The instrument of choice for determining SOA customer satisfaction appears to be the customer survey. Many agencies have initiated customer surveys and have reported on the number of returns that have complimented organizations for their excellent service. While such results provide an indication of agency progress towards customer satisfaction, there has been little discussion as to why the results have been achieved, and what factors have resulted in such excellent feedback from customers. The Companies Office, for example, has reported that 80% of its clients have awarded the agency a service rating of "good" or "excellent" but the reasons why were not expanded upon, and the reader has been left to speculate on the reasons for such positive comments.² The Companies Office subsequently pledged to improve on its 80% figure by reducing the office noise level, removing clutter from office desks, and providing functional signage; however, the reasons for reinforcing these variables were not made clear.

Similar problems regarding lack of specificity have been evidenced in other SOA performance indicators. Many agencies have sought to address issues of employee satisfaction in their performance regimes. Most SOAs have featured employee outings or social activities as their contributions towards boosting collective employee morale. They will report with great enthusiasm that the agency has initiated a number of social activities, and will build such activities into a performance

indicator. Yet no justification has been provided to indicate why the number of employee outings is considered a relevant measure, and no data has been provided to indicate that employee morale has improved and this in turn has improved productivity. The employee satisfaction performance measure is but one example where the objectives have not been clearly specified, easily measurable or results-oriented. Stakeholders, as a result of these deficiencies, could be forced to rely on their personal judgement in order to determine if objectives have been accomplished.

A final comment with regard to performance measures presented in SOA annual reports involves other information that would contribute to the determination of agency efficiency, yet has not been provided for the edification of external interests. While SOAs have reported freely on the outputs of agencies, such as the number of customers served or the number of units sold, there has been little discussion on the resources used by the agency to achieve those results. The relationship between inputs, costs and outputs are a critical criteria proposed by the CCAF, yet very few SOAs have presented such information.

But the inability of SOAs to properly illustrate the relationship between inputs, costs and outputs could potentially hinder the interpretation of performance results. The majority of SOA performance indicators have focussed on two types of information: productivity measured by volume of output and financial information, and quality of service which is determined with the assistance of customer surveys. These two dimensions of performance, however, could potentially conflict with each other as agency heads attempt to achieve the best possible results. Greater efficiency in the form of improved bottom-line performance could be enhanced at the expense of

quality service provision. The opposite could be equally true. The SOA performance indicators would not be able to detect if an agency head was sacrificing one element of performance to enhance another. It must be noted that the difficulties encountered with the use of performance indicators in Manitoba have not been unique to the province; few jurisdictions have been able to create measures that have been able to paint a comprehensive picture of performance while accounting for resources used to achieve the results.

A second key piece of accountability information provided to external interests is information provided in advance of Committee of Supply. It has been tradition in Manitoba for departments to provide supplementary estimates to legislators and other interested parties to better detail departmental spending projections. SOAs, however, are not given the same treatment as other departmental branches. Instead, the SOA business plan is outlined to provide members with a clearer idea of SOA direction and initiatives. This outline, however, does not include important information such as contracts entered into by the agency or other types of financial arrangements negotiated by SOAs. It is reasoned that such matters must remain confidential in order to protect the commercial interests of the SOA.

While considerable detail is missing from the supplementary estimates, it does provide valuable data to give stakeholders considerable information on the direction of the agency. The supplementary estimates summarize the objectives of the agency and the critical success factors identified by the agency. The estimates offer a preview of program thrusts and the direction the agency is considering pursuing. An income statement is also provided, indicating the agency's projected revenue and expenses. In

short, information provided in the supplementary estimates is similar to the information made available during annual reports.

Legislators have made several comments on the efficacy of the supplementary estimates as an information source. During the Standing Committee on Public Accounts, one opposition legislator claimed that the existing treatment of SOAs during Estimates has resulted in “the disappearance in effect from Estimates of SOA’s plans and the difficulty to have the complete entity seen through the process of Estimates”.³ Comments have also been made regarding the financial data provided by agencies. Legislators have complained that the net, but only the net, revenue figures have been publicized by SOAs, whereas departments would produce full budgets for legislative scrutiny. As it stands now, legislators have no way to determine if the SOA is actually producing a zero net cost or even a net revenue flow to government. Opposition members have argued that they are not in a position to effectively debate SOA operations without those figures being provided.⁴

For its part, the Provincial Auditor has also advocated an increase in the flow of information from SOAs to external stakeholders. In particular, the Provincial Auditor has supported the introduction of summary budgets that would incorporate all departmental budgets (including SOA budgets) into one document to be advanced for legislative scrutiny. Summary budgets would allow external stakeholders to view the entire effect of the operations of the government-reporting entity.⁵

Treatment of SOAs during Question Period

If a goal of the SOA reporting process was to provide additional information to

elected members to allow them greater opportunities to offer criticism of SOA operations, then a preliminary review of the proceedings of Question Period indicates that the new sources of information have had little effect in generating increased debate. In total, SOAs have been the focus of minimal inquiry before Question Period. Since 1992, SOAs have been the focus of a question in Question Period on only five occasions. This lack of interest, however, may be attributed to the rather tame mandates pursued by SOAs. As Question Period tends to be a raucous forum where opposition members attempt to embarrass government ministers and get the attention of members of the media, it is understandable why the rather placid and incongruous SOAs are passed over in favour of high profile issues such as health care, education, and job creation. Nevertheless, a review of the rare instances where SOAs have been discussed before Question Period is useful as it may provide clues to valuable sources of information for opposition members, and it allows one to observe the ability of ministers to remain answerable for department activity.

A first occasion in which an SOA became the subject of inquiry during Question Period involved the Fleet Vehicles Agency. An opposition member, Mr. Jim Maloway (NDP – Elmwood) questioned the contracting policies of the agency. As the major supplier of automobiles to government departments, contracts to equip the Fleet Vehicles Agency are highly sought after by private suppliers, and of obvious interest to members of the opposition. What makes this opposition inquiry more notable is that in 1996, \$800,000 worth of business was awarded to an auto dealer with close ties to the governing Progressive Conservative Party while the remaining \$580,000 worth of business was divided among 10 less-connected auto dealers.⁶

The Minister of Government Services, Mr. Brian Pallister (PC – Portage la Prairie) was able to diffuse this criticism by effectively pointing to the contracting policy employed by Fleet Vehicles Agency. Contracting procedures for SOAs do not differ from those policies already employed by the Department of Government Services, the freedom to initiate different contracting procedures was not among the freedoms delegated to SOAs. The Minister responded to the question as follows:

When we do business with suppliers in this department, whichever supplier offers the best quality service at the lowest price to the people is the one that gets the job... If (politically connected auto dealer) can do the job, we will buy the vehicles from him. If (he) cannot do the job, I do not care what his politics are, our department will not buy vehicles from (him).⁷

On the previous day, it was insinuated by the same opposition member that members of the automobile industry were involved as participants on SOA advisory boards, a situation that the member likened to “putting the foxes in with the chickens” as these dealers could supposedly have an advantage in obtaining contracts due to this strategic positioning.⁸ At the very least, such an arrangement would contradict the very purpose of SOA advisory boards, to provide agency heads with management advice from stakeholders involved with the agency. As auto dealers do not represent Fleet Vehicles customer base, their presence on an advisory board could be considered highly unusual.

The Minister of Government Services was able to direct criticism away from his department by accusing the opposition member of fabricating the memorandum indicating the presence of auto dealers on the Fleet Vehicles board. The minister responded:

I would invite the member opposite, if he would choose to do a minimum amount of research, he could simply consult with the SOA annual reports... To continually rise in this House day after day and attempt to cast aspersions on the owners of private auto dealerships, does not pass to me as legitimate criticism and borders on simply being hateful and malicious.⁹

A second instance when an SOA was the subject of a Question Period inquiry involved the Pineland Forest Nursery. Since receiving its SOA designation in April 1995, this Hadashville, Manitoba-based nursery has often been singled out as an extraordinary performer. As an SOA the nursery has succeeded in eliminating a stifling long-term debt, produced sales of \$3.8 million in the 1997-98 fiscal year, and has successfully competed for seedling contracts across the country.¹⁰ With such superior financial performance, Pineland Forest Nursery has been mentioned as the most logical SOA candidate for privatization. Competitors and business groups have complained that Pineland has benefited from unfair government subsidization in the form of investment Manitoba taxpayers have made in the nursery since its establishment in 1953.¹¹

In 1998, the province received a commissioned report from private-sector consultants recommending the privatization of Pineland.¹² The report's release prompted questions from the opposition critic, Mr. Stan Struthers (NDP - Dauphin), as to the government's intentions in this regard. Of further concern to the opposition was the process to be employed by the government should it opt to pursue the privatization route. As the government had, according to the opposition, employed an anti-democratic and non-consultative process in its previous privatizations, the opposition sought to emphasize a fair process to ensure that the government was not

selling the nursery "in a very secret way to some of its own friends" in private industry.¹³ This latter point was highly significant as the employees of Pineland were considering an employee buyout of the nursery.

The minister responsible for the agency, Mr. J. Glen Cummings (PC - Ste. Rose), responded to the inquiry in a very non-committal fashion:

Yes we have been looking at what options are for the future of this nursery, but I can assure him that at no time will the best interests of the people who have made this thing work be endangered.¹⁴

The minister also clarified the financial position facing the nursery, points that had been raised in the consultant's report:

One of its impediments may well be how many taxpayers' dollars are we willing to commit for future expansion and enhancement of that operation. So I would be interested in the member's comments. Is he suggesting that we perhaps bankroll them with another \$5 million?¹⁵

A third occasion where SOAs were the subject of a Question Period inquiry involved the Department of Education's policy toward the Manitoba Textbook Bureau SOA. The opposition questioner, Ms. Mary Ann Mihychuk (NDP - St. James) questioned the policy as follows:

The minister has very recently issued another edict to all school divisions which, once again, raised concerns from the field. The edict forces school divisions to purchase 80 percent of their textbook grant from the Manitoba Textbook Bureau, even though the Bureau has had a surplus for the past two years and levies a 10% administrative charge. School divisions and teachers have argued that this will mean more costs to them and fewer textbooks and resources for children in classrooms.¹⁶

The edict, in this case, was a call by the deputy minister of education for schools to follow the already entrenched policy of the department.

The Minister of Education, Mrs. Linda McIntosh (PC - Assiniboia) responded

to the question by stating the purpose of the policy. The department's 80% guideline was implemented to ensure that schools in remote rural or northern areas could obtain the same materials as Winnipeg-based schools through the textbook bureau. The minister pledged that the department was in the process of re-examining the formula, as some school divisions had indicated that some materials could be obtained for less cost through outlets other than the textbook bureau.¹⁷

The final, and most intriguing case where an SOA was raised during Question Period involved The Property Registry. The question dealt with letters allegedly penned by Louis Riel that were purchased by the Province of Manitoba. The documents were subsequently transferred to the Property Registry for their preservation and safekeeping. The opposition critic, Ms. Diane McGifford (NDP - Osborne), questioned the pending sale of historical documents involving Louis Riel, the Hudson Bay Company, and other documents of immeasurable historical importance. It was argued by the opposition that the sale was precipitated by the Property Registry's recent conversion to SOA status and its new focus on profitability compromised its mandate to preserve and protect historical documentation in the public domain.¹⁸

The Minister of Consumer and Corporate Affairs, Mr. Mike Radcliffe (PC - River Heights) declared that the opposition critic's postulation was "inflammatory and salacious", but, unlike other ministers, was unable to provide any immediate details on the alleged behaviour of the SOA. The question was taken under advisement. The minister subsequently announced that the opposition critic was "a purveyor or must of stygian murk" and announced that the documents were not being sold, but were being

provided to local law firms for public display.¹⁹

So what is to be derived from the preceding examination of SOAs relevance during Question Period? From an informational standpoint, it is clear that opposition members did not make use of new SOA sources of reporting information as a basis for asking questions. With one exception, members of the opposition preferred to focus on matters of policy rather than matters of administration. The one instance where an agency's administrative procedure was questioned, the concern was eventually dismissed as superfluous.

With regard to the answerability component inherent in the parliamentary accountability regime, ministers have retained sufficient knowledge of the operations of their agencies to answer questions before the house when prompted. On the one occasion when a question was taken as notice, an answer was available the following day indicating that the minister was able to easily obtain the information when it was needed. Ministers also remained respectful of the framework outlined in SOA operating charters. Ministers were able to provide defenses of matters relating to policy pursued by SOAs, but never strayed into matters of administration.

Treatment of SOAs during Committee of Supply

While Question Period has tended to focus largely on policy issues of significant importance, the Committee of Supply has traditionally focused on more minute issues. Proceedings of Committee of Supply have focused on a line-by-line assessment of departmental spending priorities as outlined in the supplementary estimates. It is expected that the proceedings of the Committee of Supply will be able

to present a clearer picture of information sources used by legislators to examine performance of SOAs. Committee of supply allows MLAs to, among other things:

- debate the rationale for policy decisions,
- debate the nature of departmental and program objectives,
- debate the appropriateness of performance-related standards,
- debate the appropriateness of the relationship between expected program results and related costs, and
- debate the linkage between lessons learned in prior years and their application to planned activities.²⁰

It is common for public servants, including SOA agency heads, to provide support to ministers when departmental estimates are under review. Agency heads will, in fact, assist ministers in responding to questions posed by members of the opposition before Committee of Supply. While this process illustrates the reality that ministers cannot possibly have knowledge of all events that occur in their departments, it reinforces the principle of ministerial responsibility by continuing to make ministers the focal point of such exchanges. In addition, it brings home to ministers the fact that SOAs remain within the scope of their ministerial portfolios.

To this point, treatment of SOAs before Committee of Supply has centred on several discernable themes. Members of the official opposition New Democratic Party, suspicious of the SOA project since its inception, have continued to insinuate that the governing Progressive Conservative Party have had ulterior motives for their support of SOAs. This theory has been succinctly elucidated in the following address by an opposition MLA:

This government's general strategy is, I believe, to build up retained earnings in these SOAs through user fees, through excessive, exorbitant, highly increased fees since they became SOAs with the basic intention of

rewarding the public in the election with reduced fees for those particular services. Once again, this is just another shell game that this provincial government and this Minister of Finance have perfected over time.²¹

As such, the opposition has focused on fees assessed by SOAs during Estimates.

Ministers have repeatedly been asked to provide a comparison of fee structure for SOAs before the transition to SOA status and after. Where SOAs have increased fees, ministers have been asked to justify the increase. It is worth noting that for some SOAs, fees have been reduced due to the more cost-effective management of agencies.

Another theme that members of the opposition have focused on has been the state of SOA computer systems. Recently, both government and the private sector have been preoccupied with the Y2K computer virus that would supposedly render computers useless as of 1 January 2000. Ministers have been asked frequently to comment on the state of preparedness of the SOAs for the inevitable computer failures to take place in the new millennium. As adapting computer systems to avoid the Y2K virus is a costly procedure, ministers have also been asked to explain how the semi-autonomous SOAs will obtain the required funds to perform needed computer upgrading. Many SOAs have included year 2000 compliance among their performance measures.

A third theme pursued by the opposition has been the spectre of privatization or contracting out of public services. In one of the more notable instances, involving the Materials Distribution Agency (MDA), the minister was questioned about possible effects on pricing of the amalgamation of home care equipment distribution with the existing Materials Distribution Agency. In a previous comment, the minister

responsible for the MDA, Mr. Frank Pitura (PC- Morris) referred to the agency as “simply a service agency for the distribution of home care products”²² and therefore a potential candidate for privatization. The minister was asked by the opposition critic, Mr. Dave Chomiak (NDP- Kildonan) to justify the comment in light of the major differences between home care equipment and the other products supplied by the MDA.

I wonder if the Minister would not agree with the proposition that with respect to home care equipment, we are talking about something that is somewhat different than other materials distribution products. In fact, it is something that is for most individuals not an option but a necessity and in some cases a matter of life and death, and to that end the consideration of a changeover into private mode is something that would have to be dealt with independent of the overall materials distribution branch.²³

The minister was subsequently questioned about the long-term future of the agency.

Given the Manitoba Department of Health’s major reorganization into Regional Health Authorities (RHAs) that would be responsible for entering into contractual arrangements with suppliers of their choice, the opposition critic expressed doubt that the MDA would be able to sustain home care services:

The minister made reference to the fact that when dealing with the medium and long term to the RHAs and the fact that they may have a different viewpoint with respect to the purchase, does the Minister not see it as somewhat contradictory that the services are centralized? Does the Minister not agree that to have the service fragmented off would counteract the stated intention to provide for cost effectiveness?²⁴

In responding to the question, the Minister indicated that a long-term goal for the agency would be to “work with the RHAs and actually develop a relationship with them”, but was unable to commit to a secure future for home care supply distribution:

But that is not to say that when all is said and done that Materials

Distribution SOA will be the contractor of supply that the RHAs may wish to deal with. We are certainly going to do our bit from Materials Distribution Agency to ensure that RHAs know that we are there and that we are able to provide them with a very cost-effective service for their home care clientele.²⁵

The examination of SOAs before Committee of Supply has been punctuated by misunderstandings of opposition members as to how SOAs operate. Members have often expressed confusion about the uniqueness of SOA operations when compared to branch operations. Such difficulty in understanding SOAs may be evidenced as follows:

- Repeated calls by members of the opposition to explain how former branches operate differently as SOAs. Ministers have been frequently asked to explain the shift away from bureaucratic control, and the need for increased managerial flexibility to members of the opposition. This problem is most prevalent among newly-elected MLAs.
- Periodic calls by opposition members to explain how SOA surplus revenue is administered. This has proven a difficult concept for both opposition and government members; on several occasions ministers have responded to opposition questioning that SOA revenues are transferred into the Consolidated Revenue Fund only to be corrected by their bureaucrats.
- Constant misunderstanding of the role of SOA advisory boards. Opposition MLAs have failed to differentiate between the advisory capacity of SOA boards and corporate boards of directors or other government boards occupied by government order-in-council appointees. This has led to MLAs ascribing a greater role to the advisory boards than is actually practiced, and has resulted in spurious accusations of political favoritism.

A Comment on External Reporting of SOAs

In short, the treatment of SOAs before the Manitoba Legislative Assembly has been disappointing. Where it was thought that improved performance reporting would be the impetus for a more thorough review of SOA activities and a strengthening of government's accountability to the public, the perceived benefits have

failed to materialize. Furthermore, since SOAs are hardly central to any right/left ideological divide and their mandates have drawn little attention from electors, it was speculated that government and opposition MLAs could approach the review of SOAs in a constructive, non-partisan fashion dedicated to reviewing performance. While the inability of SOAs to attract greater attention during Question Period is not surprising for reasons stated earlier, the failure of MLAs to scrutinize the operations of SOAs before Committee of Supply remains puzzling. There are two schools of thought as to why the supposedly enhanced information component of the SOA program has failed to result in additional scrutiny.

One possible explanation is that MLAs have little use for performance-related information in the first place. Rather than concentrate on administrative intricacies or line-by-line examinations of financial information, MLAs would rather concentrate on broader, ideological differences in policy direction or concerns related to the constituencies the members represent. The nature of parliamentary process is viewed as a factor detrimental to valuable dialogue by MLAs on issues of SOA performance, and in Manitoba the level of partisanship is more pronounced than in other provinces. As a result, opposition MLAs when given the choice of discussion of issues relating to the performance or productivity of SOAs or working towards possibly embarrassing government members would invariably pursue the scandal route. Similarly government ministers would be reluctant to accept commentary on SOA operations as legitimate advice. Any hope that the performance of SOAs could be discussed in a civilized manner before the Legislative Assembly has been stymied due to the intense partisanship that exists within Manitoba's parliamentary system of governance.

Another view absolves parliamentarians from the blame in this matter and identifies a dearth of quality information as the reason behind the lack of comprehensive legislative scrutiny. In its 1995-96 report to the Legislative Assembly, the Provincial Auditor of Manitoba indicated that "accountability is not served simply because information is reported to the Legislative Assembly. The information must be actively used to assess the performance in relation to plans". The fact that the information supplied to the Legislative Assembly by SOAs has not been actively used by MLAs may indicate that its utility to MLAs is minimal.

Regardless of the Provincial Auditor's contentions, the information supplied by SOAs, while imperfect, represents a clear improvement over comparative data supplied by departments. In spite of their pleadings for improved government reporting, when opposition MLAs have been supplied with enhanced sources of performance reporting, they have continued to emphasize style over substance by resorting to partisanship rather than thoughtful discussion over agency issues. As the culture of the Manitoba legislature continues to exhibit such fierce levels of partisanship, it is doubtful that any further improvement to informational reporting will be able to supercede the indifference displayed by MLAs to the "real" issues of SOAs.

CHAPTER 5

INTERNAL ACCOUNTABILITY OF SOAs

For designers of New Public Management reforms, the major challenge has often been to develop an effective assignment of duties and powers that establish the basis for control and accountability. The Manitoba SOA project's response to this challenge has been to provide clear assignments of roles and responsibilities for all SOA players, and a performance indicator plan to ensure prospective and retrospective control for ministers. The Manitoba SOA project has also emphasized the need to maintain the ministers' traditional reporting relationship with Parliament, hence the need for strong communication between agencies and the minister's office while retaining the arms-length relationship that is crucial for improved management and financial performance of SOAs. Designers of the Manitoba SOA initiative consider these principles a sufficient resolution to the competing tensions of increased managerial freedom and the fulfilment of SOA parliamentary duties by ministers responsible for SOAs.

For accountability to be achieved, however, it is of obvious importance that these processes are respected and followed. As will be recalled, the similar agency model initiative in Great Britain has been plagued by ignorance of the accountability requirements. Ministers have interloped frequently into jurisdictions that, according to framework documents, were the purview of others. But is a similar situation true in Manitoba? Have SOA personnel been respectful of accountability requirements or is the confusion evidenced in Great Britain also a problem in Manitoba?

This chapter will examine and evaluate the relationships among the key actors

in Manitoba's SOA community to determine the nature and extent of the internal accountability being achieved. The relationships involved are sensitive and usually confidential in nature. The skills and personalities of the individuals involved play a significant, not easily measured, role in how the various actors interact with one another. Given the sensitive and dynamic nature of these relationships, and the absence of previous research that might have supplied well-formulated hypotheses to be explored, this research was necessarily qualitative and exploratory. To that end, a questionnaire was developed to ensure a core of common questions to facilitate comparison of agency relationships. (The questionnaire is included as Appendix A.)

This study will focus on the relationships within four agencies, selected generally on the basis of their visibility, size and budget, maturity and their relationships with their parent departments. With sixteen agencies in existence, no claim can be made that the four agencies selected for closer examination are in any way completely representative of the SOA population of Manitoba, which is diverse and will likely become more so. Generalizations based upon the four cases must be worded cautiously, but hopefully they provide insights into the crucial working relationships among the key actors in the SOA world. The findings for each of the SOAs investigated are preceded by a brief organizational history and profile.

Overview of the Study

It was determined that the Materials Distribution Agency, Manitoba Education Research and Learning Information Networks (MERLIN), Office of the Public Trustee and the Office of the Fire Commissioner constituted a representative group of

SOAs. As will be seen in a review of the histories and mandates of these agencies, those chosen operate under significantly different conditions. The mandates and histories of these agencies are as follows:

A. Materials Distribution Agency

The Materials Distribution Agency was created in 1974 to serve as a centralized materials manager for the Government of Manitoba. The goal of the agency was to take advantage of economies of scale to lower the cost of providing equipment and materials to other government departments.¹ Bulk ordering of office materials, it was believed, would result in less expensive unit costs to government. While the MDA's original customer base consisted only of government, the Government of Manitoba recently decided that the distribution of home care equipment could be achieved most efficiently through the MDA. As a result of its assumption of home care supply distribution, the MDA has had to alter its customer focus to include both government and the general public. With a clear product to be delivered and a clear customer orientation, the MDA was one of the most likely candidates to receive SOA status. MDA was the second branch to receive SOA status having made the transition 1 April 1993.

In terms of revenue, MDA was in receipt of \$14,360,800 in revenue for the 1997-98 fiscal year giving it the third-highest revenue of any Manitoba SOA. (Comparative financial statistics for the 1997-98 fiscal year for all Manitoba SOAs may be found in Appendix B.) For the same year, the agency achieved a net profit of \$965,300. This figure is the latest in a series of impressive financial results for the agency; the agency managed to retire \$732,200 in long-term debt six years ahead of

schedule.² The agency has been able to achieve these results with a staff of 32 employees. The agency's parent department is the Department of Government Services.

B. Office of the Public Trustee

The Office of the Public Trustee received its SOA designation on 1 April 1996. It was included in a group of six agencies that began the transition to SOA status on that date. While it has the second-largest staffing complement among Manitoba SOAs, its 1997-98 revenues of \$4,578, 200 place it in the middle in terms of overall sales. The Office of the Public Trustee has also achieved enviable financial performance having retired its long-term debt four years ahead of schedule.³

The mandate of the Public Trustee is to administer the financial affairs of incapacitated or deceased Manitobans. Therefore, not only does its client base consist of the general public, its clientele is vulnerable and usually unable to exercise voice or exit unlike usual customers. The Office of the Public Trustee is, therefore, one of the most politically sensitive organizations to have received SOA status. While the official opposition has generally been supportive of the agencies designated as SOAs, it opposed the designation of The Public Trustee on the grounds that traditional ministerial control and direction was required to ensure the proper management of client files.⁴ An opposition critic, Mr. Gord Mackintosh (NDP - St. John's), clarified this position by speaking before the Legislature against amendments to the Public Trustee Act; changes that were deemed necessary to incorporate the SOA transition:

We do not support this bill and we do not support the conversion to a special operating agency of the Public Trustee. The reason is because of

the purposes and roles of the Public Trustee as set out in the act, we have concern that there's a new objective, a new purpose and a new role for the Public Trustee's office and that new purpose is to profit. It is to profit, therefore, at the expense of the most vulnerable Manitobans... The Public Trustee is a very important agency for those in need, and by shifting to a special operating agency, early indications are that those in need are going to be wrongly denied assets and their interests will not be the main interest of the trustee's office.⁵

The Public Trustee derives its fees from clients or their estates in exchange for management services. The following table is provided to indicate the type of fees charged by the Office of the Public Trustee and to clarify the services they provide.

Table 5.1: Fees Charged by The Public Trustee

Fees for Administration of Estates	
Capital Receipts	2.5%
Capital Disbursements	2.5%
Income Receipts	3.0%
Asset Management Fee	3/5 of 1%
Minimum Fees for Services	
Deceased Estates	\$750.00
Trusts*	\$75.00
Client Administration*	\$100.00
Clients Receiving Social Allowances	\$15.00
*Fee for first year of service only.	

Recent incidents have magnified the sensitivity of the Public Trustee's mandate. An issue surrounding the proper management of client files has been magnified due to recent difficulties the Public Trustee has encountered with private companies that provide services to the elderly or infirm. In 1998, the Provincial Auditor of Manitoba uncovered evidence of billing irregularities as a result of improper invoicing by a private company that was retained by an employee of the Public Trustee.⁶ The audit, requested by the Public Trustee, resulted in a criminal investigation and prompted the

Public Trustee to implement more stringent internal controls to prevent a similar situation from recurring.⁷

C. Office of the Fire Commissioner

The Office of the Fire Commissioner dates back to 1876 when the first Fire Commissioner was appointed to administer the Fires Prevention Act. While the office remains one of the oldest provincial offices, it is one of the Province's newest SOAs having made the transition on 1 April 1996. Its most obvious function is to provide inspection services both during emergency situations and to ensure that fire codes are being enforced. The Office of the Fire Commissioner, however, has broadened its horizons considerably and has been providing unique products and services aimed towards fire prevention. The Fire Commissioner operates a Fire College in Brandon, MB that is used to train firefighters from Manitoba and around the world. The Fire College has in the past attracted students from as far away as Cuba and Libya. As well, the Office of the Fire Commissioner has been marketing fire safety programs to municipal governments across Canada. The office has entered into negotiations to become the international marketing association for the International Fire Services Training Academy. The services provided by, and markets pursued by the Office of the Fire Commissioner are much broader than the agency's name suggests.

While the Office of the Fire Commissioner earns revenue through its marketing and educational activities, its primary source of revenue remains a 1.25% levy that has been levied against all home insurance policies. The revenue was formerly transferred into a trust account in the province's consolidated revenue fund

and reallocated to the Fire Commissioner. The insurance companies, however, wanted greater accountability for the use of such funds and it was decided that SOA status would ensure a more efficient and effective spending of this levy.⁸

For the 1997-98 fiscal year, the Office of the Fire Commissioner achieved revenues of \$4,678,300 and net income of \$73,100. Its freedom to secure contracts from other jurisdictions has led to a 249% increase in tuition revenues for training or fire safety programs.⁹ The Office of the Fire Commissioner operates with a large staff of 42 people and contracts regularly with instructors to teach at the Fire College. The Office of the Fire Commissioner's parent department is the Department of Labour.

D. MERLIN

Manitoba Education Research and Learning Information Networks presents an anomaly in the SOA community. Other SOAs had operated under functioning mandates well before their transition to SOA status. MERLIN was established as a unit within the Department of Education in 1995. A 1993 Task Force on Distance Education recommended that the use of educational technology be mainstreamed into the Department's functions and that this be facilitated by a single coordinated, responsive and enabling mechanism.¹⁰ To that end, units of work that had been performed elsewhere within the department, as well as concepts and ideas for future government involvement were combined under the MERLIN umbrella. It was decided that the most efficient way to deliver existing and proposed services was through the SOA concept. MERLIN represents an interesting case study as the organization was in its infancy and did not have a stable policy mandate. The

government made certain allowances for the start-up; while other SOAs are reviewed after three years, MERLIN's review will take place after five.

Another interesting aspect of MERLIN's operations is the presence of a government organization known as the Council on Learning Technologies that serves as MERLIN's *de facto* advisory board. The Council was established to provide policy advice on learning technology directly to the minister, but its function was considered relevant to the functioning of MERLIN as well, hence its inclusion as advisory board.

As schools and post-secondary institutions strive to become more technologically adept, MERLIN provides a vital service by coordinating and providing technical support for educational facilities throughout the province. The agency acts as a broker of educational telecommunications (i.e., internet) equipment and technical support to allow all Manitobans the opportunity to access educational opportunities. The agency is also entrusted with the responsibility for future planning and identification of economic development opportunities resulting from the use of technology in classroom settings.¹¹

While the other three agencies to be reviewed in this study have achieved highly successful financial results, MERLIN has posted deficits since its beginning as an agency. MERLIN remains partially reliant on grants from the Department of Education, although the Department has reduced its grants as the agency has developed enough fee-for-service clients and has moved closer to self-sufficiency. MERLIN's clients are mostly school divisions, although school divisions are not legally bound to procure technological services through the agency. Government, however, had traditionally provided such technological services. Many school divisions were

angered at the province's decision to introduce fee-for-service technology charges through MERLIN, but the agency has been able to retain its client base by charging competitive prices. Overall, MERLIN achieved sales of \$1,229,000 giving it the second smallest budget of all Manitoba SOAs. The agency's staffing complement of 12 is also second smallest.

As has been seen, the four agencies chosen for this study represent a diverse cross section of SOAs currently in operation in Manitoba. Hopefully, this diversity will provide a variety of conditions in which to test agency actors' perceptions of accountability requirements. It will be recalled that the three key components of the SOA accountability framework were the minister's responsibility to report to Parliament, the need for a clear definition of roles and responsibilities for agency actors, and the development of a performance measurement scheme as a means of control. The following sections will review how these three components of the SOA accountability framework have functioned to this point in the SOA regime.

Perception of Minister's Responsibility to Parliament

As designers of the SOA accountability framework have sought to maintain the minister's duty to report before the Legislative Assembly for the actions of agencies, it was hypothesized that the arm's-length SOAs would necessitate the establishment of a relatively elaborate reporting mechanism between the two entities. To this point, however, few agencies have taken any noteworthy steps to reinforce the linkage between ministers' offices and agencies. It appears as though departments have adopted a status-quo position toward SOAs and communication between departments and

agencies have not changed substantially. As will be seen, however, the absence of more extensive reporting relationships between SOAs and ministers does not appear to pose a serious problem. Existing reporting procedures appear to provide a steady and sufficient flow of timely information to ministers for them to meet the accountability demands of the Legislature and the public. However, it is also important to recall that neither the Legislature nor apparently the general public have shown much interest in the performance of SOAs. Their narrow mandates, internal orientation and lack of impact on the lives of most citizens all seem to contribute to an absence of controversy and interest in SOAs.

Prior to examining this subject further, it must be noted that the operations of the Government of Manitoba are comparatively small scale in nature making face-to-face contact and ongoing communication much easier than in larger government systems such as Great Britain or New Zealand. Furthermore, the Government of Manitoba's operations have been geographically concentrated in the City of Winnipeg. Hypothetically, this situation would make it more realistic for ministers to have first hand knowledge and immediate access to SOAs, thereby facilitating their ability to account for SOA actions.

To date it appears that deputy minister's preferred method of keeping abreast of SOA activities is the scheduling of regular meetings. Deputy ministers will commonly schedule regular meetings with agency heads to discuss issues of mutual interest. For some agencies meetings may be held on a monthly basis; for others meetings are scheduled quarterly. For all agencies surveyed, it was clear that this free flow of information was maintained between these intermittent meetings. Deputy ministers

rarely expressed reluctance to contact SOAs whenever they had questions or required specific information of SOAs, in spite of the arms-length relationship. Most deputies reported that *ad hoc* telephone contact was made with SOAs on a weekly basis.

It also appears as though the uniqueness of SOAs is not reflected in the quantity or content of meetings scheduled to keep departmental officials apprised of SOA activities. Most deputy ministers conceded that there was little distinction between meetings taken to keep informed of branch activities and similar meetings with SOAs. There was one notable deviation from this pattern in the Department of Education where the relationship between the deputy minister and agency is likely more indicative of the type of relationship envisioned by designers of the accountability framework

The relationship, I would say is different in degree not in kind. Because MERLIN has the status that it does, and (the agency head) is empowered through the flexible relationship the government has with him, he doesn't have to come talk to me about what he's going to do. And he doesn't need to. And I don't want him to. Whereas with some of my other staff, they frequently require to obtain my approval on things. I trust his judgement as to when he feels that he had to come to me with something he may know that I don't.¹²

The results of the interviews indicate that agency heads remain wary of the need to keep officials informed should agencies consider pursuing initiatives that could in any way be construed as controversial in nature. Most agencies indicated that they would discuss sensitive managerial areas with deputy ministers as part of the information gathering process. In one instance, when the MERLIN agency was pursuing the sensitive issue of charging school divisions for equipment, the agency provided briefing notes explaining the rationale behind changes to agency operations,

and alerting ministers and senior staff that the issue was being discussed¹³ Most other agency heads surveyed revealed that they had consulted extensively with deputies and ministers prior to pursuing activities that could be considered sensitive. While agency heads have frequently mentioned managerial freedom as one of the primary benefits of SOA status, it is clear that they also realize there are caveats to their managerial freedom, and have taken the required initiative to ensure that ministers' obligations to the legislature can be followed through.

The provision of information by agency heads, however, is nullified if deputy ministers do not transmit the information to the ministerial level. The use of briefing notes has been rare; agency heads have preferred to transmit concerns upward through the departmental hierarchy using deputy ministers as a conduit. It is at this point where the provision of information becomes blurry. Most deputy ministers interviewed would quickly alert ministers to the concerns expressed by agency heads as a matter of process. Most deputy ministers have scheduled regular meetings with ministers to brief them on the operations of SOAs, and any concerns expressed by agency heads are usually mentioned during the course of these meetings. It is important to note these meetings between ministers and deputy ministers differ greatly from meetings concerning branches. One deputy minister indicated his decision to "profile" the agency differently during meetings with the minister; as SOA activities would not conform to the same department-wide reporting procedure as would branches.¹⁴ Another deputy minister indicated that his meetings with his minister regarding SOAs were "more informational than directional", as information on the SOA was presented without the need for the minister to provide direction.

Other deputy ministers, however, would act as a filter between ministers and SOAs and transmit information to ministers at their discretion. If deputy ministers did not consider matters raised by the SOA to be of a critical importance to ministers, the concerns would likely not be communicated to ministers. It was reasoned that ministers did not need to concern themselves with every aspect of agency operation, therefore deputies would disseminate their perceptions of the most important issues for minister's consideration and transmit them accordingly.

As it has been established that agency heads have sufficient opportunity to communicate their concerns with the upper echelons of government, it is equally important to consider minister's ability to demand information from an agency. The latter, of course, is a crucial component of ministerial responsibility, as ministers must remain answerable for the actions of agencies. As such, it is important that they be able to access relevant information when they require it.

A previous chapter has documented the lack of interest displayed by legislators towards SOAs during Question Period, thereby making it difficult to assess the responsiveness of the SOAs chosen for this study to minister's needs for information. Minister's offices have, however, made periodic requests for information based on constituent inquiries or questions from external stakeholders. Ministers interviewed for this study indicated willingness to request information from SOAs. Similarly, agency heads report steady contact between agencies and minister's offices. It is important to note that all agency heads interviewed for this study, while emphasizing the need to be accountable to the minister responsible for the agency, have never felt to be directly accountable to the Legislative Assembly. Agency heads have never felt

pressured to answer, either before the Legislative Assembly or the media, the policy decisions pursued by the agency or their administration of agency affairs. Judging by the responses provided by agency heads, it appears as though the minister's responsibility to remain answerable for the actions of agencies has not been affected by the switch to an arms-length relationship.

Perception of Roles and Responsibilities

As a feature central to the quasi-contractual nature of SOAs, the roles and responsibilities defined in operating charters are of obvious importance. Yet in spite of the apparent simplicity of this contract relationship, it is evident that agency heads, deputy ministers and ministers have varying perceptions of the roles and responsibilities outlined in operating charters and how they are to be applied during the course of day-to-day operations. It was anticipated that questions regarding the initial definition of roles and responsibilities would provide the most insight on the views of SOA officials towards the new reporting measures. The opportunity to clearly define the inaugural codification of roles and responsibilities was considered to be a matter of great importance. Such definitions would in theory direct and regulate agency officials' dealings with one another during the early stages of agency operations until they could be refined and updated over time.

For most agencies, the definitions of roles and responsibilities was considered to be a "team effort" as various SOA officials, especially agency heads and deputy ministers, contributed to their formulation. Ministers surveyed for this study were not directly involved in the exercise of mapping out roles and responsibilities because those

negotiations had taken place under previous ministers. It appears, however, that in defining roles and responsibilities, the emphasis has not been on discussing how to better conduct relations between departments and agencies but how best to conform precedents established by other agencies. The emphasis on standardized arrangements limits the opportunity for successive ministers to alter the interactive patterns with SOAs. Still, it is likely that the personality and leadership style of individual ministers will influence to some not-easily-measured extent, the frequency between and the content of dealings between ministers and SOAs. One deputy minister indicated “we put a lot of effort into getting the template right” when asked to comment on his role in compiling operating charters.¹⁵ As this deputy minister was responsible for numerous service-oriented organizations that could be potential candidates for SOAs, the emphasis on the template is understandable. However, as this practice of trying to create templates, or accepting models created by other departments is widespread, it contributes to the impression that the nature of SOAs is fairly standard and that the roles and responsibilities may be defined as a one-size-fits-all paradigm allowing certain allowances for unique aspects of agencies.

Further evidence of the use of template models for ministerial roles in relation to SOA roles is found in the case of the Department of Education. The operating charter for the MERLIN agency defined a straight-line relationship between the minister and agency head. In cases where the minister is otherwise occupied, however, the agency head was expected to consult with a deputy minister. The Department of Education employs two deputies, one responsible for public schools, the other responsible for post-secondary studies. As a template model was used, deputy

ministers were never incorporated into the roles and responsibilities. This situation was ultimately settled with further negotiation:

Special Operating Agencies still need to have a functional relationship with some high level bureaucrat. Somebody with the bureaucracy had to be given ownership... If everybody's in control then nobody's in control, and that's what was starting to happen. In reality politicians are not bureaucrats, they don't have time and they're not there. It felt that it was important to establish one deputy as the person that was in constant contact, so I appointed myself, and (agency head) and myself have maintained a close relationship.¹⁶

While this settlement makes practical sense, it is the product of the type of discussion that was envisioned during the initial compilation of roles and responsibilities. The Department has not, however, sought to re-formulate operating charters in light of the amended reporting relationship. This could potentially result in confusion for parties who are interested in identifying responsibility for particular actions. If the deputy rather than the agency head becomes the main policy advisor to the minister on SOA matters and this is not understood outside of the relatively closed circle of the SOA itself, accountability becomes blurred. In the case of Education, the amended reporting relationship has been accepted and appears to be well understood by the relevant individuals within the department and MERLIN, but official documents do not reflect the new relationships.

A second test to gauge the perceptions of SOA officials towards operating charters involves management disagreements. It was expected that in cases where ministers or deputy ministers disagreed with management decisions by the agency head, the ministers or deputies would prevail in spite of the operating charter's contention that agency heads remain responsible for the management of the agency. Such a situation would represent erosion of the quasi-contract and could compromise

the SOA accountability framework. Ministers and deputy ministers were asked to comment upon what admittedly were hypothetical situations, as conflicts between SOA officials have been rare.

The ministers surveyed professed respect for the relationships outlined in operating charters. They defended the right of agency heads to manage without interference from other sources. One minister cited excessive control as a root cause of bureaucratic inefficiency, and indicated his comfort with having the agency head manage the agency for the sake of efficiency.¹⁷ Another minister contrasted the role of a minister responsible for an SOA to being a member on a board of directors. The minister, under such conditions would have the right to direct the SOA should the need arise, but the most likely form of action would be an internal or external audit. While contacting SOA employees directly regarding problems would be overly intrusive, the minister declared that it would not be inappropriate to ask the agency head to occasionally review certain processes or to fix certain problems.¹⁸

Ministers were not able to provide examples where agency mandates or policy frameworks required amendment as the ministers interviewed had not seen fit, or had not been requested, to initiate any changes. This is not surprising considering that stability of mandate was an important criterion for approving SOA designation. Ministers have been asked to consider requests by SOAs to expand into different markets or offer different products. Most ministers have advocated expansion of SOA presence in these areas. It appears that the issues of competition and market expansion have been the only SOA issue brought to the cabinet table.

For deputy ministers the definition of their role, in contrast to the role they

fulfil with a departmental branch, is markedly different. While deputies must also defer to agency heads on issues of management, they must also concern themselves with advising ministers on policy matters. Further, deputy ministers have traditionally fulfilled more intrusive roles in departmental management. Most have been able to reconcile the need to yield control with the need for more effective management. The preferred vehicle used by deputy ministers to resolve management differences is dialogue, and as has been evidenced in the previous section they have rarely been reluctant to contact agency heads. One deputy minister has characterized the ideal situation:

If it doesn't work we'll talk. He's the person that has to wear the goat horns. It's my job to insulate him from other people. But if I'm spending a lot of time putting firewalls up for him, we have to talk.¹⁹

Of course, the subject matter discussed during these meetings differs by department. One deputy indicated that disagreement over management direction is more a reflection on the deputy's leadership than perceived incompetence from the agency head:

A lot of mistakes can be attributed to poor leadership and poor communication. If (agency head) did something that was really wacko, I'd have to re-evaluate my performance²⁰

However, other deputy ministers indicated that their preferred solution to management disagreement would be to revert back to branch mode and attempt to intervene in agency management. According to one deputy minister "autonomy ends if there's a fundamental disagreement".²¹ Other deputies would seek to have conflict mediated by the minister if an attempt to reach consensus on appropriate management results in an arrangement with which the deputy minister is uncomfortable. Although

most ministers and deputies appear to have embraced the new division between SOAs and ministers' offices, the latter two comments would appear to indicate that for some deputies old habits die-hard.

A third issue used to highlight how the definitions of roles and responsibilities have been perceived involves the agency's business plan. Agency heads are responsible for the achievement of objectives and targets stated in the business plan, making it reasonable to assume they have some say in how those targets are determined. Operating charters indicate that the only other agency officials with authority over business plans are the advisory boards who are entitled to review and comment on the plan, ministers who may also comment on the plans prior to approval, and the Treasury Board who must approve them as well.

All SOAs considered for this study have favoured what they have termed a "bottom-up" approach to formulating the business plan. A draft business plan is composed at the SOA level involving a wide range of SOA employees. The plan is then circulated upward through the hierarchy to advisory boards and ministers. Deputy ministers report that scrutiny at the advisory board level is quite thorough, as agency heads are required to explain the targets that have been set as well as budgetary projections. The input from advisory boards has been beneficial to SOA agency heads, all of whom have praised the advisory board concept as an invaluable tool in the management of the agency.

For all agencies surveyed, the advisory boards have effectively fulfilled the advisory capacity defined in operating charters with one exception. The Council on Learning Technologies, the advisory board for MERLIN, has been provided with the

authority to change the business plan. The agency head, however, maintains this is not a problem as any objections to the advisory board's decisions could be adjudicated by the minister.

As for the ministers, while it is common for ministers to ask questions of the business plan, experience has been that ministers have not involved themselves extensively with the business plan. One minister indicated his comfort level with his departmental officials, allowing him to approve business plans with little need for clarification or amendment.²² Another minister has taken an interest in the composition of the advisory board, seeking reassurance that quality business people serve on advisory boards in order to ensure a thorough review of the business plan by competent business people prior to its overall acceptance.²³

Finally, all agencies reported that the Treasury Board Secretariat has been extensively involved in the business plan process and had had considerably more input and demanded more changes, than other participants. Although its involvement is limited to one interval per year, Treasury Board Secretariat analysts have consistently forced changes to business plans prior to approval. Some SOA officials have indicated that the mentality of Treasury Board Secretariat towards agencies has not changed, and that Treasury Board Secretariat treats SOAs as they would branches.²⁴ Others have characterized Treasury Board Secretariat as not having thorough knowledge of the business SOAs are involved in making them ill-equipped to offer substantive influence over business plans.²⁵ The involvement of Treasury Board Secretariat is thus more pronounced than the basic approval function as indicated in operating charters. As the influence of Treasury Board Secretariat remains hidden, it is difficult to precisely assess

fault for not achieving results if it cannot be determined how the targets were compiled.

Perceptions of Performance Measurement

Much like the agency's business plan, SOA performance indicators are considered crucial pieces of information for the control of agencies, especially by ministers and deputy ministers. It is, therefore, important to assess the respective comfort levels of agency officials toward performance measures. It is anticipated that if performance measures are truly valued by SOA officials, they will be well utilized and a subject of great interest during their compilation. Alas, the Manitoba SOA experience with performance indicators appears to be similar to experiences of other governments; SOAs have invested resources in the generation of performance indicators but the data has been subject to low levels of utilization for varying reasons.²⁶

With regard to the formulation of performance indicators, most agencies reported that measures were generated at the agency level and included with the business plan for review by the advisory board, minister, and Treasury Board Secretariat. However, the interest of senior management in the indicators appears negligible when contrasted with their interest in the financial and directional components of the agency business plan. Agency heads indicated that upper management has been inclined to accept the performance indicators generated by agencies with very little amendment.

Responses by deputy ministers provide some indication as to why the

performance measures have not been the subject of increased scrutiny during the business plan approval process. One deputy minister indicated that familiarity with the overall agency operations is a necessary prerequisite to properly formulating performance indicators. As a result, agency heads are best suited to formulate their performance measures, especially when agency operations involve complex technological areas.²⁷ This view was echoed by the ministers interviewed for this study, as they would prefer to defer to professionals within the civil service with a greater knowledge of agency operations.²⁸ Given the lack of changes to the agency generated indicators by those with the authority to do so, it is reasonable to assume that the performance measures represent reasonable goals for the agencies to attain and are therefore a fair benchmark for judging the managerial performance of agency heads. This negates any possible criticisms that outsiders have set unreasonable performance standards for agencies, thereby making agency head evaluation the subject of controversy. At the same time, the lack of attention to the establishment of performance indicators by ministers and deputy ministers may also be an indication that performance measures may be of minimal importance in the overall control of SOAs.

It is hoped that this latter concern may be clarified by examining how performance indicators are used as a method of control by SOA officials. Regrettably, the interviews with SOA officials provided little evidence of any common patterns of usage of SOA performance indicators, although the interviews were useful in revealing certain themes about reliance upon performance-related data. The interviews left the impression that SOA official's perception of the importance of performance indicators

is subjective, depending largely on the officials previous experiences with such data and their respective management styles. As a result, some officials took a much greater interest in performance indicators than did others.

For example, there was a large degree of difference in the way performance indicators were used by the ministers interviewed for this study. One minister indicated his unqualified support for the performance indicator project being pursued by the SOA initiative. As this minister served as a civil servant prior to his pursuit of a political career, he recognized the need to create an objective way to demonstrate that a good job was being done within government departments. The minister maintained that performance indicators were able to provide him with a clear indication of agency performance, including measures that demonstrated how the agency was serving its client base. Of these measures, the minister indicated that data on the number of customers served by the agency, and the number of inquiries fielded by the agency provided him with the assurance that the agency was effectively fulfilling its service mandate.²⁹

Another minister indicated less qualified support for performance indicators. Rather than concentrate on the extensive performance indicators supplied to him by the agency, the minister indicated his satisfaction with consulting financial data as his preferred method of determining how the agency was performing. As well, any indications of problems within the agencies in his department would not come from the performance measures, but from the ministers' informal consultations with external stakeholders. The minister indicated his willingness to accept feedback from the external community and to demand explanation and change from SOAs in the

event that such conversations were negative.³⁰

Deputy ministers expressed similar mixed assessments of performance indicators. One deputy minister saw them as providing critical information for monitoring the overall direction of the agency. In particular, he paid close attention to the quarterly reports from the SOA and used such information to initiate changes to specific aspects of SOA operations. He recognized that indicators could not serve as the basis for a full-scale review.³¹

The remaining three deputy ministers interviewed did not display the same degree of enthusiasm towards performance indicators. Most deputies indicated that they rarely consulted performance measures; for the most part the measures are reviewed annually by deputy ministers in conjunction with the agency head but have not been used as a tool for the day-to-day supervision of agency matters. When asked to identify specific "bottom-line" indicators that could give them clear indications of agency performance, most deputies opted to bypass performance data altogether and consult financial information instead. Furthermore, as agency heads played a substantial role in the determination of performance indicators, it was expected that they would be more inclined to use the data as a management tool. But the interviews indicate that agency heads have placed more emphasis in securing external sources of information to guide performance-related agency decision making.

We have already seen that ministers and deputy ministers have allowed their informal consultations with external stakeholders to take precedence over performance data. One deputy minister indicated that he considered the level of "flak" he received at annual meetings of the Manitoba Association of Urban Municipalities and Fire

Chiefs to be a reliable indicator of agency performance.³² Another deputy considered a flurry of complaints over agency operations the most accurate measure available to him.³³ Agency officials placed considerable reliance on external sources of performance related information to the point where it could be argued that external influences have superseded performance indicators.

Agency heads have also enthusiastically developed customer surveys in order to capture greater feedback from clients. Two of the agencies considered for this study had already implemented substantial customer survey programs while a third was in the process of designing a survey in time for the upcoming fiscal year.

As for the influence of customer surveys, it is clear that survey data has been taken very seriously by agency heads. The Materials Distribution Agency introduced an additional shift of casual evening workers in order to improve order completion figures that were determined in customer surveys. This agency has, in fact, become extremely reliant on customer survey data to the point where the agency is attempting to generate more diverse customer data to reflect the different products offered by the agency.³⁴ MERLIN has reported similar reliance on customer surveys, to the point that their customers have complained that they're "fed up" with being surveyed constantly.³⁵ The influence of such survey data is not limited to agency heads; deputy ministers have closely monitored the results of surveys while ministers have expressed the need for agencies to develop more customer related measures.

One problem that has been encountered by the SOA program to this point has been the integration of customer survey data with the performance indicators. Most agencies have sought to compile performance targets on issues that have been measured

in customer surveys. A failure to better to co-ordinate the generation of customer survey data with the preparation of agency business plans has been the major impediment to achieving enhanced indicators. One agency reported that its client surveys were performed at the end of the year, thereby making its timing incompatible with the agency's business plan formulation process.³⁶ As a result, agencies have neglected the opportunity to buttress the existing performance indicator system by incorporating customer-related data. At the same time, the results of the customer surveys remain hidden from external stakeholders. Given the considerable influence of customer surveys on the management of agencies, a valuable performance-related tool remains camouflaged from outside view leaving some to question how exactly decisions are made.

One final issue that merits discussion here involves agency officials' chronic ignorance of performance indicators. In spite of widespread support from within the SOA community for performance indicators, to this point they have not served as a tool to facilitate management and monitoring of agencies. Agency officials provided several reasons for this state of affairs.

The most common criticism of performance indicators involved the type of data that was generated. One deputy minister politely described performance indicators as "widget counting", and stated that indicators would be of little use unless customer feedback and volume-type numbers could be incorporated into the system.³⁷ Another deputy minister maintained that indicators lack of specificity made them difficult to use in a day-to-day stewardship of agencies:

If they were focusing on certain areas they would be used as a resource, but not

as a tool to aid in the management of the agency.³⁸

Similar concerns were expressed by another deputy minister who considered the existing performance indicators as superfluous as they could not provide meaningful data on the critical operations of the agency:

(SOAs have been) woefully inadequate at getting good performance indicators. We have all kinds of outcome measurements but they're really not performance indicators.

The fact that I do 2200 inspections means squat. How are they done? Why were they done? The quality of those inspections – even if there was only 100 of them done, did they make a difference? And how do you measure that? And if you can't measure it why are you doing it?³⁹

Agency heads also expressed concerns regarding the generation of performance indicators. One agency head maintained that there was a constant need for SOAs to continue refining their performance indicators in order for them to remain valid.

Another agency head professed difficulties in defining baseline measures and determining how critical success factors should be measured:

(Our operations are) based on technology which has a very short life cycle, and often we don't have a benchmark to track against and don't have a life cycle long enough to establish where we were three years ago.⁴⁰

As the previous discussion has indicated, there is a considerable discrepancy between the processes that have been identified as critical components of the SOA accountability framework and the way the processes have been followed and respected by the representative group of agencies identified for this study.

CHAPTER 6

CONCLUSIONS

The success of the Manitoba SOA initiative has contributed greatly to the debate on the refocusing of government operations away from rules and procedures, while embracing the supposedly rational behaviour associated with competition in the competitive marketplace. The strong financial performance of Manitoba's SOAs has strengthened arguments of those who claimed that a more corporate style of management would be the best remedy for the waste and inefficiency that has long been associated with government. Government ministers have commonly sung the praises of SOAs, crediting the model with saving countless taxpayer dollars and for promoting a more creative and exciting style of management. Other provinces have watched the Manitoba SOA experiment with great interest, and many appear prepared to duplicate the model in their respective jurisdictions. But while the Manitoba SOA model has been applauded for its outstanding financial results, such enthusiasm must be tempered by the realization that much of the project's success is attributable to the outstanding group of managers who have shepherded the agencies through their inaugural years. The financial successes have masked the fact that the SOA model remains a highly untested vehicle for the reform of government.

Critics of agency model manifestations inevitably claim that such models will compromise the accountability of ministers and their responsibility to remain answerable for the activities of agencies. It is difficult, however, to draw similar conclusions with respect to the Manitoba SOA model. This is not due to the superior strength of the SOA model, but because the Manitoba model has yet to be followed

the way its designers had originally intended. Many of the more important elements of the SOA model implemented to facilitate the accountability of ministers have been consistently ignored by agency officials. For example, agency officials have continuously neglected the straightforward assignment of roles and responsibilities outlined in agency operating charters making the precise assignment of responsibility difficult. The agency performance indicator plan, intended as a primary method of control for ministers, has been plagued by a disturbing lack of rigour, and has resulted in the increased influence of external factors, some of which are largely beyond the control of agency managers. A comprehensive examination of agency activities has been impeded by an ineffective reporting scheme. Legislators and external stakeholders entrusted with the role of scrutinizing agency operations have been confronted with a paucity of relevant performance-related information that has failed to produce an accurate portrayal of agency activities.

The review of similar agency model programmes indicated that although governments were influenced by a clear theoretical base in the form of public choice and managerialism, putting the theory into practice was an awkward task. Great Britain, New Zealand and the Government of Canada all encountered varying degrees of difficulty in reconciling the ministers' need to report to Parliament, clarifying the roles and responsibilities of agency officials, and devising a performance reporting scheme that provides ministers with sufficient control while providing an accurate picture of the performance of agency officials for external stakeholders. In critiquing the agency model experiment in Great Britain, Colin Talbot indicated that this attempt to structure the activities of ministers has resulted in "a mess with little clarity and

much scope for confusion and conflict."¹ To use such pointed language in describing the similar situation that has emerged in Manitoba would be inaccurate, in spite of the fact that symptoms of confusion have been equally prevalent. It appears as though agencies and ministries in Manitoba have succeeded in groping along towards mutually amenable solutions to the competing needs for increased managerial freedom while preserving parliamentary accountability, even though the solutions differ greatly from the intended model. In many respects, it appears as though treatment of SOAs by departments differs little from similar treatment afforded to departmental branches. As well, the mandates pursued by Manitoba SOAs are much less controversial than similar agencies in Great Britain. While Manitoba agencies such as the Food Development Centre or The Property Registry perform valuable government functions, their rather predictable mandates make them unlikely epicentres for conflict. But will such conflict be able to be restrained as Manitoba's SOA concept is expanded into more precarious areas? It will be recalled that the Government of Manitoba has identified 50 additional SOA candidates throughout the province. As the candidates with the clearest service functions and least controversial mandates have already received SOA designation, any future SOAs will likely have more sensitive service mandates and demand more attention from ministers and the legislature. Will such a disorganized system be able to retain its credibility as it ventures into more politically sensitive areas?

This apparent state of disorganization has occurred in the absence of any sustained debate over the implications of the SOA model for accountability. SOAs have been the subject of a Question Period inquiry on only five occasions. A thorough

review of agency activities before Committee of Supply has failed to materialize. Instead members have sought to figure out what exactly an SOA does, or to continue with partisan rancour. The culture of the Legislative Assembly is one of permanent electioneering that eschews debate on technical issues in favour of strong partisanship in all aspects of the proceedings. This partisan flavour has been perpetuated by tight control over legislative proceedings by the governing party, which has carefully controlled standing committees and favoured short legislative sessions. As a result, the potential for conflict between the freedom implied by the agency model and the conventions of responsible cabinet-parliamentary government have yet to be comprehensively examined by legislators.

The importance of reinvigorating the Manitoba SOA model cannot be underestimated. What is needed is not so much a reformulation of the model, but a re-emphasis on the more critical elements of the model. What follows are some suggestions that would serve to reemphasize the more important components of the SOA model. They would hopefully lead to a greater realization among agency officials that SOAs represent a new paradigm for performing government operations and their unique processes require respect if the model is to live up to its potential.

Proposal 1: Schedule Periodic Meetings to Re-evaluate Roles and Responsibilities

As has been evidenced by the survey of agency officials, while the agency operating charter was conceptualized as a key ingredient for delineating the governance of SOAs, they have not been accepted as such by agency officials. Rather than undertake a thorough discussion of agency reporting relationships, SOAs have been

satisfied with adopting similar charters developed by other agencies or jurisdictions. The lack of attention to the defined roles and responsibilities is further evidenced by periodic ignorance of the boundaries outlined. While charters indicate the sole responsibility for agency administration belongs to agency heads, deputy ministers have sought to influence the administration of agencies on several occasions. Such lapses make it difficult to properly assign responsibility for any potential problems that occur in agencies.

A proper discussion of roles and responsibilities to be pursued by agency officials should be initiated during the proposal phase, prior to the approval of SOA designation. Agency officials should also consider initiating annual meetings to review the existing roles and responsibilities framework to determine if it is an accurate portrayal of the structuring of agency relationships. Finally, operating charters need to present the role of the Treasury Board Secretariat in greater detail so that outsiders may determine its role in agency operations.

Proposal 2: Integrate External Sources of Information into the Performance Indicator Scheme

There is considerable similarity in the criticism of performance indicators used by Manitoba SOAs and criticisms of performance measurement in general. Manitoba has been unable to develop measures that accurately portray the linkage between output and the number of resources used to achieve that level of output. This, of course, has long been a puzzle to designers of performance measurement schemes and not endemic to Manitoba. Measures that are able to illustrate efficiency in greater

detail will hopefully be developed as governments continue to experiment with performance measurement.

But Manitoba could do a lot to enhance its performance reporting. It was observed that critical sources of performance information, such as customer surveys or informal consultations with stakeholders, may have superseded performance indicators in the eyes of certain agency officials. Given the lack of meaningful information provided in the existing performance indicators, it is hardly surprising that officials have adopted alternative methods of determining the performance of agencies. SOAs should experiment by incorporating external sources into the existing performance indicator regime. In some cases, the improvement of performance indicators could be accomplished by scheduling customer surveys to coincide with the determination of performance indicators during the formulation of the business plan. It is hoped that improved performance reporting can detract from the attention given to financial results so that SOAs can also highlight the excellent customer service provided by agencies.

Proposal 3: Enhance SOA Reporting to the Community

It has been maintained that SOA reporting has not reflected the true activities of SOAs. Annual reports have served more as promotional tools than accountability instruments. Legislators have constantly ignored the information provided in annual reports. Annual reports should continue to work towards fully implementing the reporting criteria proposed by the Canadian Comprehensive Auditing Foundation. Annual reports could also be strengthened considerably by including more relevant

performance data. SOAs may want to reconsider the need for corporate secrecy, and produce more thorough reporting information in the interests of accountability.

In spite of the aforementioned difficulties, the Manitoba SOA project has contributed greatly to the revitalization of government service in Manitoba. But the continued success of the SOA model depends on the perceptions of people involved directly with the project. The model cannot remain static; it needs to be nurtured and amended to reflect the experiences of agencies as they confront new challenges on a daily basis.

APPENDIX A

QUESTIONNAIRES FOR SOA OFFICIALS

A. Questionnaire for Chief Operating Officers

Reporting to Parliament

1. Does your agency take any particular steps to notify the Minister of any potentially politically sensitive activities before they are initiated? How does this notification take place?
2. Do you feel yourself to be in any way directly accountable to the Legislature?
3. Has the Legislature, perhaps through its committees, shown much interest in the operations of the agency?

Roles and Responsibilities

4. Has there been an occasion when a Minister, or his/her staff, has contacted you directly with regard to a particular facet of the operation of the SOA?
5. What is the frequency and nature of your contact with the Deputy Minister or other departmental officials?
6. What is the extent and nature of your dealings with the Treasury Board Secretariat?

Performance Measurement

7. Has your agency taken any steps to monitor its performance aside from the mandated reporting regimen imposed by the Treasury Board Secretariat?
8. Have you seen fit to alter the operations of your agency based on performance measurement data generated by your agency? Could you provide an example?
9. Have you ever been asked to alter the operations of the agency for factors that have not been subject to performance measures?

B. Questionnaire for Deputy Ministers

Reporting to Parliament

1. Have you taken any special steps to keep the Minister apprised of SOA activities in light of the new "arm's length" relationship between SOAs and departments?

Roles and Responsibilities

2. What is the frequency and nature of your contact with the Chief Operating Officer or other SOA officials?
3. How much of a role do you normally play in the definition of roles and responsibilities in the agency's framework document?
4. Do you or other departmental officials play any role in setting the budget of the agency?
5. What do you do if you disagree with the Chief Executive Officer's management of the agency?
6. What role do you play in the appointment of the Chief Executive Officer and Advisory Board members?

Performance Measurement

7. How much of a role do you play in the development of the agency's performance indicators?
8. How frequently do you consult performance measurement data that is presented by the SOAs?
9. Have you ever initiated a review of SOA performance based on what you considered to be an unsatisfactory quarterly or annual report? If so, how was this review initiated?
10. What sources of performance measurement have been the most valuable to you? How often do you consult these sources?
11. Is there a specific "bottom-line" performance measure that you consult to gauge the performance of the agency?

C. Questionnaire for Cabinet Ministers

Reporting to Parliament

1. Have there been any instances where you have been confronted by a question in the Legislative Assembly dealing with the operations of the agency? If so, how did you get the information needed to answer the question? (Question will refer to specific questions posed in the legislature dealing with SOA activities where applicable).
2. Is there a system in place within the department to inform you of any developments within the agency—in particular, issues that could potentially be raised in the legislature? (if yes) Is such a system present within all branches of the department, or is the SOA a special case?

Roles and Responsibilities

3. How much of a role do you normally play in the definition of roles and responsibilities in the agency framework document?
4. Could you explain the process you would use to change the SOA's policy framework—how would you initiate such a process, and how would you ensure that it was carried out to your satisfaction?
5. Fulfilment of an agency's mandate is usually dependent on the resources at the agency's disposal. What role, if any, do you play in setting and/or approving the budget of the agency?
6. Do you play a role in appointing the Chief Operating Officer or Advisory Board members?
7. Have you ever had reason to alter the SOA's policy framework?
8. Over the course of the past year, how many times have you been in contact with the COO?
9. What do you do if you disagree with the Chief Operating Officer's management of the agency?

Performance Measurement

10. How much input do you have into the definition of agency performance measures?
11. Have you ever initiated a review of SOA performance based on what you

considered to be an unsatisfactory quarterly or annual report? If yes, could you describe the process by which this review was initiated?

12. Which sources of performance measurement (i.e., quarterly reports, etc.) has been most valuable to you? How often do you consult these sources?
13. Is there a specific "bottom-line" performance measure that you consult to gauge the performance of the agency?
14. When you consult performance-related data produced by the SOAs, what type of information are you looking for? Which specific performance measures have been particularly useful to you?
15. Are there other any other forms of performance reporting to keep you apprised of agency progress between the quarterly reports? Do you think the current level of performance reporting is satisfactory?

SPECIAL OPERATING AGENCIES 1997/98 FINANCIAL RESULTS

	REVENUES \$(000s)	EXPENSES \$(000s)	NET INCOME (LOSS) \$(000s)	REVENUE SHARING \$(000s)	RETAINED EARNINGS RESERVES \$(000s)
Civil Legal Services	3,148.1	2,688.7	459.4	-	1,099.2
Companies Office	3,426.3	1,610.5	1,815.8	1,500.0	1,102.6
Fleet Vehicles Agency	18,028.6	16,170.3	1,858.3	-	9,480.1
Food Development Centre	1,676.7	1,790.1	(113.4)	-	(9.1)
Industrial Technology Centre	2,589.0	2,408.3	180.7	-	411.1
Land Management Services	2,609.2	2,183.6	425.6	500.0	1,173.1
Mail Management Agency	5,140.9	4,939.0	201.9	-	367.8
Manitoba Education, Research and Learning Information Networks (MERLIN)	1,229.0	1,333.2	(104.2)	-	(343.5)
Manitoba Text Book Bureau	7,725.6	7,691.1	34.5	-	46.3
Materials Distribution Agency	14,360.8	13,395.5	965.3	-	1,635.6
Office of the Fire Commissioner	4,678.3	4,605.2	73.1	-	(272.8)
Organization and Staff Development	1,222.8	1,144.1	78.7	-	162.3
Pineland Forest Nursery	3,868.3	3,734.6	133.7	-	642.5
The Property Registry	24,966.9	20,067.4	4,899.5	1,800.0	3,099.5
The Public Trustee	4,578.2	4,206.2	372.0	-	1,557.6
Vital Statistics Agency	2,260.6	1,836.4	424.2	170.0	1,502.4

SOA FINANCIAL RESULTS

APPENDIX B

ENDNOTES

Chapter 1:

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