Reinventing Service: Processes and Prospects for Municipal Alternative Service Delivery

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The Institute of
Public Administration of Canada
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THE GOVERNANCE NETWORK

NEW DIRECTIONS – NUMBER 14

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ACKNOWLEDGEMENTS

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EXECUTIVE SUMMARY

This study of municipal alternative service delivery (ASD), undertaken by the Institute of Public Administration of Canada (IPAC) and The Governance Network (TGN), fills a large knowledge gap. Municipalities across Canada are exploring new ways of delivering services by using alternative service-delivery methods. But which ones are they using? What is working? How are municipalities managing change? What should municipalities consider to ensure that the new solutions are successful? Based on five roundtables and thirteen case studies, the project puts answers and options in the hands of decision-makers and expands the discussion of the significance and impact of municipal ASD.

Municipal ASD arrangements are being used to support investment in everything from information technology infrastructure to transit, as well as the operation of services such as parking enforcement, vehicle-towing services, and solid-waste and sewage collection and treatment. Some projects, such as the need to develop government on-line, have been driven by government-wide priorities, but many of them involve individual champions who have demonstrated both vision and commitment.

Alternative service-delivery arrangements are also being used to increase capacity through shared service arrangements between municipalities that reduce costs, simplify administration and improve service delivery. Such arrangements are expected to improve service delivery to citizens, increase operational flexibility, consolidate operations, advance new capital infrastructure, share facilities with other governments and sectors, partner to take advantage of private-sector skills, save costs, and, in some instances, serve social mandates.

The challenge for municipal governments is to ensure that the appropriate ASD arrangements are chosen in order to meet required outcomes.

This study attempts to answer the following questions:

- What organizational arrangements are municipalities using to expand their capacity to meet their needs?
- When forming arrangements to ensure that each one meets its objectives, what steps should municipal governments take?
- What capacities do municipal governments need to ensure that the appropriate arrangement is chosen, that it serves the public interest, and that planning, performance, reporting and accountability arrangements are in place?

What is clear from this study is that these complex and multiple challenges are leading to a need to rethink contemporary municipal governance. In the era of ASD, municipal public management has taken a new inflection, requires new skills, and faces new challenges.

SOMMAIRE EXÉCUTIF

Entreprise par l'Institut d'administration publique du Canada (IAPC) et le Réseau sur la gouvernance (TGN), cette étude relative à la diversification des modes de prestation des services (DMPS) dans l'administration municipale comble de grandes lacunes dans le domaine. En effet, les municipalités de partout au Canada explorent actuellement de nouvelles façons de dispenser leurs services par le truchement d'autres méthodes de prestation. Lesquelles de ces méthodes utilisent-elles ? Qu'est-ce qui marche ? Comment les municipalités gèrent-elles le changement auquel elles adhèrent ? Que devraient-elles considérer pour s'assurer de la réussite des nouvelles solutions ? Reposant sur cinq tables rondes et treize études de cas, le projet remet les réponses et les options entre les mains des décisionnaires et élargit la discussion de l'importance et la portée de la DMPS dans l'administration municipale.

Les nouveaux mécanismes de prestation des services municipaux sont actuellement utilisés à l'appui de l'investissement tant dans l'infrastructure de la technologie de l'information que les transports, ainsi que le fonctionnement de services tels que l'application des règlements relatifs au stationnement, le remorquage de véhicules, le ramassage des ordures, le traitement des déchets solides, la collecte et le traitement des eaux usées. Certains projets, notamment celui de lancer le Gouvernement en ligne, ont été conduits dans le cadre des objectifs prioritaires de l'administration fédérale. Mais, bon nombre d'entre eux ont nécessité l'engagement de champions qui ont su faire preuve de vision et de détermination.

De nouveaux modes de prestation de services sont également adoptés pour accroître les ressources par le biais d'ententes de services partagés entre les municipalités qui permettent de réduire les coûts, de simplifier l'administration et d'améliorer la prestation de service. De telles ententes ont pour but d'améliorer la qualité des services offerts aux citoyens, d'augmenter la flexibilité opérationnelle, de consolider les opérations, de faire avancer la nouvelle gestion des capitaux, de partager les lieux avec d'autres gouvernements et secteurs, de s'associer afin de bénéficier des compétences du secteur privé, d'épargner sur les coûts et, dans certains cas, de s'acquitter de mandats sociaux.

Pour atteindre les résultats escomptés, le défi des administrations municipales est de s'entendre sur le choix adéquat de solutions ou options proposées.

Dans le cadre de cette étude, nous tentons de répondre aux questions suivantes :

- Quelles mesures organisationnelles les municipalités adoptent-elles pour parvenir à satisfaire à leurs besoins ?
- Pour s'assurer que chacune des mesures adoptées répond à son objectif, quelles démarches les administrations municipales doivent-elles entreprendre ?
- Quelles capacités les administrations municipales nécessitent-elles pour faire en sorte que les dispositions appropriées soient prises, que l'intérêt public soit servi et que les mesures afférentes à la planification, au rendement, à la présentation des rapports et à la reddition de compte soient en place ?

Il ressort clairement de cette étude que les défis complexes et multiples relevés ici conduisent au besoin de repenser l'administration municipale contemporaine. À l'heure de la DMPS, la gestion publique municipale a pris une nouvelle inflexion : elle requiert de nouvelles compétences et a de nouveaux défis à relever.

INTRODUCTION

This study of municipal alternative service delivery (ASD), undertaken by the Institute of Public Administration of Canada (IPAC) and The Governance Network (TGN), fills a large knowledge gap. Municipalities across Canada are exploring new ways of delivering services by using alternative service-delivery methods. But which ones are they using? What is working? How are municipalities managing change? What should municipalities consider to ensure that the new solutions are successful? Based on five roundtables and thirteen case studies, the project puts answers and options in the hands of decision-makers and expands the discussion of the significance and impact of municipal ASD.

Most services are delivered locally. Doing so efficiently, economically and with regard to values of the public good is a major challenge for the municipalities of Canada. There are 4,154 municipalities in the country. These include rural, urban and northern cities, regional groupings, villages and towns. All of these are expected to make sure that there is modern, efficient infrastructure and that there is the capacity to provide a wide range of services to their citizens in areas such as health, social services, housing, public safety, transportation, public works, finances and taxation, and local economic development.

Municipalities face a number of challenges: ongoing citizen pressure to improve service delivery, an increased number of service responsibilities, and diminished resources. Smaller, rural and northern municipalities face an additional challenge: workers and resources are moving to urban areas, causing what could be called a "capacity crisis" related to the difficulty of hiring and retaining both white collar and skilled trades workers and, in some cases, of maintaining civic sustainability.

As well, it should be noted that municipalities are a level of government, as opposed to an order of government as defined in the Constitution, with responsibilities in most jurisdictions assigned by the province or territory. As such, many municipalities face legal and administrative challenges as they attempt to meet their obligations through ASD projects.

Exploring New Arrangements and Redefining ASD

In their quest to ensure healthy communities and dynamic, competitive cities, Canadian municipalities are exploring new organizational solutions, or alternate service-delivery options. Municipal ASD arrangements are being used to support investment in everything from information technology infrastructure to transit, as well as the operation of services such as parking enforcement, vehicle-towing services, and solid-waste and sewage collection and treatment. Some projects, such as the need to develop government on-line, have been driven by government-wide priorities, but many of them involve individual champions who have demonstrated both vision and commitment.

Alternative service-delivery arrangements are also being used to increase capacity through shared service arrangements between municipalities that reduce costs, simplify administration and improve service delivery. Such arrangements are expected to improve service delivery to citizens, increase operational flexibility, consolidate operations, advance new capital infrastructure, share facilities with other governments and sectors, partner to take advantage of private-sector skills, save costs, and, in some instances, serve social mandates.

Alternative service delivery can be defined as *an organizational option or response to the challenge of improving the capacity of governments to manage change, promote innovation and meet their infrastructure and service-delivery obligations more efficiently and effectively*. These arrangements can be categorized as either delegated or collaborative. At the municipal level, delegated arrangements include service agencies and, outside the government machinery, private-sector agents and contracting-out arrangements, including employee takeovers.

Collaborative arrangements or partnerships can be defined as "arrangements between a government organization and one or more parties in which they agree to co-operate on the delivery of a program or service that fulfils objectives of the Government of Canada, where there is: delineation of authority and responsibility among partners; joint investment of resources (such as time, funding, expertise); allocation of risk among partners; and mutual or complementary benefits."[1] The parties can include other government departments, jurisdictions and sectors, including the voluntary and private sectors.

Alternative service-delivery arrangements can bring private-sector skills to the table, notably those related to flexibility, efficiency and good management. It should be noted, however, that the new public management's assumption that all that is needed is to import private-sector processes into the public sector is now being questioned. Increasingly, the notion of stewardship is being considered; it bridges market approaches and broader public-sector responsibilities and focuses on maintaining public-sector values.

Taking the Plunge

The challenge for municipal governments is to ensure that the appropriate ASD arrangements are chosen in order to meet required outcomes.

In his seminal book, *The Lexus and the Olive Tree*, Thomas Friedman writes that "[t]he trick for governments today is to get the quality of their states up at the same time as they get the size of their states down."[2] How can this be accomplished? How can municipal governments meet their service objectives if they are not delivering them? How can they

maintain accountability? In order to successfully manage alternative service delivery, municipalities must develop different capacities. As Friedman points out, capacity-building does not need to mean growth: it can mean sharing functions by forming partnerships within and between jurisdictions. The United Nations notes that when governments concentrate on capacity-building, they focus on institution-building, technical adequacy and development of human resources.

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Methodology

The study begins with a literature review, which reveals a surprising shortage of attention to municipal ASD challenges within the Canadian context, or by Canadian scholars, in recent years. In contrast, a rich discussion is occurring elsewhere in the English-speaking world: Australia, the United Kingdom and especially the United States have produced intriguing discussions about the value, means and challenges for new organizational forms generally, particularly in municipalities. Innovative partnerships, creative approaches to the challenges of encouraging public-sector worker buy-in, a reassessment of the use of social mandates, and an examination of the profound changes in municipal public management and governance ushered in by the growth of ASD solutions are among the key issues discussed in the literature. Our review includes a bibliography of key publications on municipal ASD over the last five years.

Following this overview, we offer a collection of case studies gathered from across the country. These cases describe the creative approaches to service-delivery solutions taken by a diverse range of municipal governments. The case studies are divided into three broad phases of policy formulation and implementation. The first phase, "Assessing Capacity and Thinking through Options," examines processes that have been used to get the discussion started. The second phase, "Crossing Boundaries: Working together to Deliver Differently," presents case studies of municipalities working in partnerships to deliver services differently. The final set of case studies, under the phase of "Managing New ASD Models," showcases innovative modes of delivering services.

Each case study offers some background about the delivery issue and then examines the innovation employed by the municipality to develop an alternative approach to its delivery needs. We then consider the challenges posed by these efforts and summarize the lessons learned by each municipality in overcoming the challenges in establishing alternative service delivery.

There is both a range of options and valuable lessons to be learned from the municipal experience to date. The case studies presented here were generated out of an extensive consultation effort on the part of IPAC and TGN. Roundtables were held in Edmonton, Halifax, Ottawa, Toronto and Vancouver and were attended by participants interested in the practice of, and prospects for, ASD in municipalities. Participants were chosen from all levels of government, from academia, the private sector, and NGOs with an interest in municipal service delivery. Wide-ranging, thoughtful and constructive discussion ensued at all the roundtables. It was out of these discussions, illustrated by the case studies emerging from them and our review of the current literature, that we have crafted the "Guidelines for Managing a Municipal Service Improvement Strategy," with which the study concludes.

Perspectives among the participants on improving service delivery through ASD varied depending on the location. For example, the Nova Scotia roundtable was made up largely of small, rural municipalities that face challenges related to scarce resources, a diverse range of counties, towns and municipalities, and the (often unintended) impact of provincial legislation. In Alberta, the two major municipalities of Edmonton and Calgary are unique in the province. Toronto and Ottawa are still struggling to manage the impacts of amalgamation, while Vancouver has a special set of responsibilities that are the result of the provincial municipal act. Finally, as noted in the case study from the Northwest Territories, northern municipalities face specific challenges related to resources and geographic location.

Nonetheless, there was widespread support for the creation of a "checklist of considerations" to which municipalities could refer when looking to improve service. Participants worked to develop guidelines that are non-prescriptive, include alternative service-delivery options, and offer signposts and recommendations.

The guidelines provide general principles on effective ASD implementation. These principles call for accountability, transparency, efficiency and effectiveness, responsiveness, forward vision, and the rule of law. The guidelines make recommendations in areas of capacity and the change process, the choosing of options, the implementation of strategies, and the conduct of performance measurement. It is hoped that the accumulated experience and wisdom gathered in these consensus guidelines will aid municipal decision-makers and managers to meet challenging service delivery needs through innovative ASD solutions.

Further work needs to be done to understand more fully the practice and potential of municipal alternative service delivery in Canada. Specifically, there is a need to examine

more fully the results of municipal ASD arrangements to determine whether they meet their objectives and serve the public interest.

A REVIEW OF THE RECENT LITERATURE ON ASD

As unlikely a place as it may initially seem to be with which to start a discussion of the literature around municipal alternative service delivery (ASD), we begin in a small Baptist church on the outskirts of Boston in May 1992. In the presence of 300 panicked mourners, a gang of young thugs swarmed into a funeral and repeatedly stabbed one of those in attendance because they considered his presence to be an affront to their slain gang brethren. This horrific event focused and galvanized a demand in Boston to deal with the parallel spirals of homicides and gangs.

The result of these events was the development of a crime prevention program that became a model across the United States in the 1990s. This law enforcement philosophy in Boston was based on social service and neighbourhood relations. As the scholar John Buntin observed, in comparing various models of the 1990s, the Boston success "was the result of an extraordinary web of partnerships between local, state and federal law enforcement agencies, non profit organizations and social service agencies, and the city's African-American clergy." [3]

With a sudden jump in the homicide rate in 2000—01, it appeared that the Boston approach had an Achilles heel in its lack of adequate follow-up. While Buntin doesn't address the matter in his article, one might wonder if the complexity of the partnership network may have left the Boston model susceptible to a breakdown in its follow-up measures. Those on the ground in Boston don't hold this view. According to the Boston police department Superintendent Paul Joyce, "You can see with all of our strategies, we're not moving away from partnerships."

Whether they are partnerships or other innovative organizational forms, all levels of government are using alternative service-delivery arrangements to achieve broader public-sector goals related to modernization. There are many management tools that governments can use to meet their objectives, and the use of alternative service-delivery arrangements, when appropriate, is one of them.

While municipalities often delegate activities through divestiture and contracting-out to service providers, the literature suggests that much of the attention at present is being focused on forming partnerships. The "alternative" in ASD usually refers to someone new with whom governments deliver public services – whether that someone is found or created. And, the Boston network of partnerships in crime prevention highlights many of the issues involved in ASD efforts: innovative approaches with tangible immediate results that sometimes lead to questions about responsibility and accountability, and occasionally sober reconsideration over the long run.

This review will examine some key issues in municipal ASD that have been addressed in the professional and scholarly literature over the last five years. There remains a keen scholarly enthusiasm to press on with the ASD agenda, and there are a number of issues arising from the ASD wave of the 1990s that have called for sober reconsideration. This

has been particularly evident around questions of social objectives and the larger impact on governance. The cost-saving motives that often drove ASD efforts didn't always take full cognizance of some of these larger considerations, considerations that need attention if the ASD agenda is to achieve its objectives at a price that is not socially unacceptable.

A few caveats are in order, particularly as language around these issues often gets tricky. There is a diverse set of terms, including out-sourcing, contracting-out, privatization, commercialization, divestiture, and public-private partnerships. Some writers use these terms virtually synonymously, while others insist on distinctions (sometimes quite fine ones).[4] In this document, "contracting-out" and "out-sourcing" are used synonymously; "commercialization" refers to the charging of fees for a service that had previously been free of charge; "divestiture" refers to a complete selling off of some asset or service by the government, though some form of regulation may be maintained; and "partnership" refers to any joining with another agent to provide a service, with "public-private" partnerships (P3s) indicating that the partner is a for-profit agent (as opposed to a non-profit or another level of government). For simplicity's sake, "privatization" will be used generically to refer to all ASD activity that involves a for-profit agent providing government services. These definitions are offered for clarification, not to lay claim to any final word on semantics.

Second, while the focus of this volume in the "New Direction" series is on ASD in Canadian municipalities, it is a striking fact that there is a dearth of literature in Canada on ASD during the period covered by this review. The surge of Canadian-focused interest on this topic from the mid-1990s has not been followed-up.[5] Nevertheless, as the purpose of this review is to provide the background and context for current ASD thinking in the Canadian municipal context, it is appropriate that our main focus in this review be on developments in the United States, since it has been the American philosophy and experience of ASD that has driven thinking and practice in Canada.

For insight into recent scholarship, a good place with which to begin is the topic of partnerships. On the intermunicipal front, an exemplary case is that of watershed management.[6] Many large cities in the U.S. have found that partnering with their (often much poorer) rural municipal cousins can lead to improved water quality and reduced costs. For example, New York City has formed partnerships with the many small towns located in the 1,600-square-mile upstate watershed that supplies ninety per cent of the water used by millions of New Yorkers. The city's concern that leaky septic tanks and farm run-off was damaging its water led it to work with the rural municipalities to establish a comprehensive plan: New York City paid the towns and counties $240 million to build sewage-treatment plants, reduce the number of leaky septic tanks, and invest in environmentally sustainable growth. This initiative is said to have saved New York City water customers $5 billion or more in new plant filtration infrastructure.

A similar bold initiative was undertaken by Philadelphia, which has developed a program that looks at the city's entire water system, from what flows through the tap in downtown households to the recreational quality of the upstream water. As part of its water plan, Philadelphia is spearheading a multijurisdictional study of the entire watershed. Through

this initiative, city water officials are actively reaching out to smaller cities, county governments and citizens' groups concerned with protecting the water quality along their smaller streams and creeks. As an example of its proactive partnership approach, Philadelphia identified the Berks County Conservancy, a hundred miles north of the city, as a partner. Consequently, it is helping the conservancy develop an Internet site to keep supporters informed about local water-quality issues.

The more complex forms of partnership in the ASD portfolio are public-private partnerships (P3s). American examples provide numerous instances of successful municipal initiatives on this front. In an article in *Governing*, Diane Kittower reviews a number of such success stories. For instance, in Washington D.C., the first new elementary school in twenty years was built when one community was confronted with the closure of its existing school as the latter fell below safety standards. The resulting agreement saw a private company agreeing to build the new school in return for the opportunity to buy a portion of the school's acreage, which was to be used to build a 218-unit market-rate apartment building. Kittower describes it this way: "Funding for the new school came from an $11 million bond the developer issued under the city's auspices; instead of paying real estate taxes on the apartment house site, the developer will pay off the 35-year bond." As a consequence, there was no financial risk to the city, the company got a valuable property, and the community – rather than losing its local elementary school – got a new 47,000-square-foot facility.[7]

In Dallas, a logistical problem stood in the way of an expansion of a maintenance facility that Southwest Airlines urgently needed at its Love Field headquarters. Though keen to cooperate, the city had a service centre – including a police substation and water services – standing on the twenty-one acres next to the airport where Southwest wanted to expand. While the city was able to find a convenient relocation site for its service centre, it could not afford to construct the new centre with the urgency expressed by the airline. Consequently, Southwest offered to build the police station and water service centre and donate them to the city. Meanwhile, the aviation department bought the original twenty-one-acre service centre site needed by Southwest from the city and leased it to the airline. As a result of these arrangements, Southwest was able to begin construction of its expansion project on schedule. The revenue of the sale covered the city's costs for the new site of its service centre, and the airline was able to guarantee 165 new jobs and strengthen its commitment to the airport in Dallas.

Monmouth, Illinois, a town already experienced with P3s when it contracted out its waste-water operations in 1991, needed cost-savings in 1997. It created a task force that eventually asked the company responsible for the existing waste-water contract to come up with a proposal for privatization of the town's public works department. The company proposed taking over water, street maintenance, garbage pick-up and a fleet of cars, trucks and utility vehicles on a ten-year contract and charging the town $1.3 million annually. This constituted a $300,000 annual saving for Monmouth, compared to what it had been spending through the town's public works department. Additionally, the town maintained ownership of all its equipment and had an option for a ten-year renewal. This was agreed to under the conditions that the company provide the same level of service as

that under the city's department. The company instituted monthly rather than bimonthly meter readings, provided more training of employees and more flaggers during repair work, and ensured that public works technology was Y2K compliant.

These kinds of contractual relationships, with the possibility of cost-savings generated from market-force principles and practices, are the most salient features of much of the municipal ASD agenda. Such advantages and accomplishments, however, do not come without prices of their own. Entering the field of service-delivery privatization requires vigilant preparation. As Kittower concludes in her 2001 article, "What makes these partnerships successful, participants report, is research, comprehensive planning, willingness to share risks and understanding that the public and private sectors have … different points of view."[8]

In an article he wrote for *Municipal World* in 2003, Malcolm Morley expands on this perspective. On the matter of risk, he observes, "Risks start to develop prior to the creation of the partnership. If risks are to be minimized and clearly understood, a great deal of work is required prior to the formation of the partnership. Objectives must be clear, partner selection criteria must be developed, the risks to be managed must be identified, research must be undertaken into potential partners, and an effective selection process must be created."[9] He goes on to explain that inappropriate partner selection is the most common reason for P3 failures.

He also reiterates Kittower's emphasis on recognizing and addressing the important differences between the cultures of private- and public-sector organizations. A successful partnership hinges on the mutual trust and understanding that can only be established with effort over time. A municipal council has to include these potential cultural obstacles into its calculations and limit its potential partners to those with whom its research demonstrates the city can work productively.

Morley concludes that the benefits that accrue to local governments from P3s require a sophisticated understanding of the private sector's perspectives and objectives, a proactive management of risks and rewards, and an appreciation of how qualitative issues can often cause partnerships to fail to realize their potential or goals. It is to some of these difficult qualitative issues, rather than the dollars-and-cents budgetary benefits, that we will turn in concluding this review. Two other matters need to be addressed, however, before we turn to a discussion of these qualitative issues.

First, while there is near unanimous support regarding the potential economic benefits of public-private partnerships, including privatization, it is worth remembering that there are dissenting voices. In many circumstances, ASD has not delivered the desired or expected results. For instance, John Hood and Neil McGarvey argue that Scottish local governments are not well equipped for the effective risk management necessary to successfully implement P3s. The authors conclude that, given the greater capacity in risk-transfer negotiation enjoyed by the commercial operators, the probability is increased that P3 initiatives will provide poor value for money for Scottish local governments.[10] Damian Grimshaw et al., basing themselves on detailed case studies,

argue first that empirical evidence casts doubt on the potential for performance gains in P3, because private-public partnerships can add to the potential for new rigidities, despite the standard salutary rhetoric on the flexibility and adaptability benefits of ASD. Secondly, Grimshaw and his colleagues claim that evident power imbalances between public and private partners means that whatever gains are made will not be distributed equitably.[11]

In another article, Grimshaw et al. argue for a more realistic assessment of the politics of contracting for P3. To begin with, they point out the misguided nature of the tendency to herald the success of P3 and privatization through the economic benefits in the first year and/or first contract. They argue that this is a deceptive orientation, as it is in this first stage that the government negotiates from the strongest position. Thus, these economic benefits may not be the beginning of the benefits but the beginning of the end: "Once services have been outsourced and personnel have been transferred or exported, the cost of re-establishing in-house provision becomes prohibitive, thereby strengthening the hand of the providers."[12]

In a similar vein, they point out that the decreased in-house technical capacity of the government in a P3 situation often requires the full exertion of their efforts to simply monitor the adequacy of service delivery and contract fulfilment. Consequently, the contracting government partner may not be in a position to effectively oversee the strategic implications of the private partner's indirect influence on policy, whereas the private partner may be in a position to promote solutions that strengthen the public partner's reliance on the private partner in future contractual considerations. As they explain it, "A key issue is whether purchasers are able to define their own direction, or whether this is increasingly compromised by the involvement of the private sector supplier in shaping strategy in which it has a direct interest."[13]

Writing about the Canadian context, James McDavid argues that in the case of solid waste, substantial savings from contracting-out occur only in communities with a population of less than 10,000.[14] David Adams and Michael Hess, writing from the Australian context, argue that in the ASD literature efficiencies are narrowly interpreted, the role of ideology is underestimated, and that "[f]or busy public sector managers there is a strong temptation to simply embrace the new doctrines and fads without critically examining the likely outcomes or the complexities of applying them to the local situation."[15]

Finally, as Pauline Vaillancourt Rosenau has observed, measuring the economic gains of ASD is a self-deluding process if those gains are not measured against the eventual social costs that could arise as a consequence of such programs. For instance, if P3 results in workers with diminished wages, job security and pensions, working in conditions of reduced safety considerations and without union representation, what will be the long term cost of the claims on government for welfare and health benefits? A failure to take these externalities seriously could make some ASD initiatives look like little more that a cash transfer out of the taxpayers' pockets to private-service providers.[16]

While there may be a tendency for Canadians to look at the American experience with alternative service delivery, given the remarkable influence of our southern neighbour, we shouldn't overlook the pioneering municipal experience elsewhere, particularly so for the United Kingdom. However, it is also profitable to look at some developments in Australia. [17]

Australia has been one of the leaders in new public management and ASD initiatives, and recent new directions there are of particular interest. Adams and Hess write about Australia's experience of using what the authors call "the social market approach" as an alternative to competitive tendering and contracting. They look specifically at the experience in the Tasmanian Department of Community and Health Services in the latter half of the 1990s. There, a concern with gaining greater efficiencies was balanced against the dangers of alienating or even losing the substantial intellectual capital essential to the field that had been built by the public purse. What developed was an approach that could be described as a strategic alliance, or partnership, with their workforce.

On the basis of the lessons learned from this experience, the Adams and Hess argue for a shift in emphasis away from competition, self-interest and market forces to a focus on contestability, benchmarking, re-engineering and collaborative partnerships. As they explain it, "In the social market approach, the relationships are being deliberately constructed outside of the market model to enable a focus on reciprocity, collaboration and policy learning."[18] While no literature appears to follow up as to what degree this social market approach will be taken up in Australia, it is an interesting development in one of the leading countries of the field of ASD.

There have also been some noteworthy shifts in another pioneer in the field, the United Kingdom. Writing about the U.K. experience, Kevin Lavery refers to the "English contracting revolution."[19] He characterizes it as one of the most comprehensive systems of local government contracting anywhere. This situation, resulting from the Compulsory Competitive Tendering system imposed on local governments in 1980 and frequently revised by the central government since, has a number of qualities markedly different from those in the American approach.

British local governments almost always "contract-in" – encouraging their employees to compete with the private sector. This is in distinct contrast to the vast majority of U.S. local governments that, with a few high-profile exceptions that we'll return to below, exclusively contract-out. Also, unlike the U.S. approach, U.K. local governments tend to favour "complete contracting," which places full responsibility in one partner's hands. American local governments prefer to retain a proportion of the work in-house or to contract with multiple partners. The British have been more willing also to contract-out professional support services such as computing and financial services. The British – as opposed to the American tendency to pursue the kind of intergovernmental partnering noted above in the case of watersheds – work more frequently on an *intra*governmental contracting basis. This involves transferring the budget from the support function to front-line departments and giving the latter the freedom to buy the service from outside.[20]

An interesting development in ASD in the U.K. has arisen over the question of employee protection. In the early years of Compulsory Competitive Tendering, one of the cost-savings in terms of pay and working conditions achieved by contracting-out was in the downgrading of jobs or the transferring of employees. This situation became unsettled in the latter 1990s due to European Community legislation. The EC's "Acquired Rights" directive required that, in contracting-out circumstances, employee numbers, terms and conditions be maintained for a "reasonable" period of time – often in the range of a year. As a consequence of this development, Lavery observes, there has been a drop-off of private-sector interest in contracting to deliver local government services.[21]

Consideration of this development in the U.K.-E.C. context provides a useful segue into a discussion of what Malcolm Morley called the "qualitative issues" at play in the field of ASD.[22] One of the trickiest challenges in ASD is on the labour-relations front. Public employees and their, frequently strong, unions are often the largest obstacle in the ASD process.[23] Similarly, post—contracting-out diminished wages are often perceived as a larger social ill by a wider segment of the general public.[24] Dealing with employee impact, therefore, is a major concern for effective and successful ASD. Among the issues that municipalities need to address are loss of jobs, wage and benefit reduction, erosion of workplace trust, and the challenges of changing circumstances.

Besides the more obvious means for addressing these concerns, such as openness, transparency, fairness and effective communications, a number of U.S. cities have developed more focused, procedural innovations that address the concerns of public-sector workers whose jobs may be at risk. A potentially important innovation in this regard, though it is not as widespread in the U.S. as it is in the U.K., has been the development of "managed competition." In the American context, where the practice has been pioneered by cities such as Phoenix, Indianapolis and Charlotte, N.C., "managed competition" refers specifically to a situation in which in-house public employees compete with private-sector firms for city service-delivery contracts.[25]

Private-sector players complain that allowing in-house competition creates an unfair, non-level field of competition. However, while taxpayers may be best served when private-sector firms can provide equal value for reduced costs, it wouldn't seem prudent to automatically discount the participation of those who already have established experience in providing the service. Why should publicly funded expertise be automatically disqualified from contributing to improved quality and economy of service delivery?

Certainly, the inclusion of in-house bids can contribute to a significant increase of buy-in by public employees. Additionally, some pioneering cities have offered further incentives through "gain-sharing" programs that provide a formula whereby public employees can gain directly through cost-savings to the public purse through their efforts.[26]

The authors who have taken on this issue directly find that for the most part there have been significant, and largely successful, initiatives to minimize the impact of privatization on public employees. They find that public employees usually do not suffer job loss or wage decline and, in fact, sometimes benefit from wage increases. It appears to be primarily in the area of fringe benefits that public-service employees lose ground through privatization.[27] The protection of public employee jobs and wages is often written into the contract for service delivery. This particular solution leads to consideration of another area of qualitative concern, which has impact on quantitative considerations, in ASD: imposition of "social mandates."

Margaret Swanton examines the consequences of these conflicting qualitative and quantitative imperatives in government contracting.[28] As she characterizes the conflict, there is, on the one hand, the imperative to provide simplified delivery of services, creating more efficient and economical processes. In contrast to this trend, some observers and stakeholders consider it essential to impose social goal-oriented imperatives on direct service providers through contracting clauses. This latter trend may counteract the former imperative and complicates the processes that the interests of efficiency and economy would dictate need to be simplified.

Swanton argues that a lax attitude towards the impact of complicating service delivery in this way disguises the costs of social mandates and thereby inhibits the capacity to either measure or evaluate them. She identifies five key social mandates that have been imposed by contractual clauses: unemployment concerns, assessed by service industry and/or geographical area; wage and benefit levels, to ensure the maintenance of perceived socially acceptable levels in contracted service deliverers; that all "substantial owners" of contracting firms not be delinquent in child support payments; a variety of environmental protection measures; and affirmative-action requirements for the hiring of, and contracting with, women and visible minorities.

It may be that these social goals are well served by imposing them as conditions on ASD contracts. However, in the absence of measurements to determine the relative costs of complicating the processes of service delivery, Swanton argues, this cannot be assessed. It is impossible to evaluate whether these social mandates are producing value for money or if indeed these social goals would be better achieved via alternative routes.

This concern for achieving social goals through what were originally conceived as budget-driven initiatives draws attention to the larger questions of governance being recognized in the municipal ASD field. As Robin Johnson and Norman Walzer point out, municipalities provide the greatest variety of local services and therefore have the greatest opportunities to reinvent governance through contracting. Using results from surveys of 447 U.S. cities in 1988 and 1997, Johnson and Walzer observe that this precept is born out by experience. In U.S. municipalities, there has been increasing use of contracting-out, managed competition, and wider evaluation techniques (integrating both the public and employees into the process). There has also been a more systematic approach to performance evaluation and monitoring, and generally a more innovative approach to governance. [29]

Some of the changes to governance ushered in by the shift to ASD are those internal to the operations of government. For instance, a number of authors suggest – admittedly in a speculative vein – that the new working practices required for an in-house bid to be successful under managed competition would have broader benefits. These new practices could be expected to radiate throughout the offices of the local government, as departmental managers endeavour to improve their own performance through the application of tangible and successful best practices.

Adrian Moore and Wade Hudson describe another potentially important internal impact. In contrast to Grimshaw et al.'s concerns, they consider the possible positive contribution of privatization to improved policy-making processes: "The goal is to free policy advisors to advance policy options that are in the public's best interest but may be contrary to the self-interests of the department."[30] For example, privatization approaches can eliminate, or at least reduce, the capacity of, and motivation for, service departments to "capture" the policy process. Therefore, the motivation and ability to promote policy that increases a service department's budget and prominence – at the expense of policy options that would better serve the public good – are eliminated.

A number of recent monographs on municipal ASD provide analyses that go beyond the internal operations of government to the larger implications of governance. Particularly interesting in this regard is *Collaborative Public Management*, by Robert Agranoff and Michael McGuire. They set out both to demonstrate the ways that multi-organizational, multi-actor collaboration is utilized by cities and to elevate the theoretical understanding of these affairs – an understanding that has been lacking in public administration scholarship. Agranoff and McGuire want to show that the skills and capacities required for the networked governance of collaborative public management are substantially different from those associated traditionally with public administration and how this empirical reality is inconsistent with the standard approaches still employed by researchers and practitioners weaned on bureaucracy and the direct provision of public goods and services:[31] "In spite of the apparent salience of collaborative management … a knowledge base equivalent to – or even close to – the paradigm of bureaucratic management does not yet exist."[32]

Based on 237 surveys of Midwest U.S. cities, and six more detailed case studies, Agranoff and McGuire arrive at a series of categorizations that can be valuable for assessing the options, required skills, and organizational practices in ASD. They trace collaboration along two axes: the vertical axis of cooperative federalism, which takes into account the working relationships that municipalities establish with senior governments; and the horizontal axis, which entails intermunicipal arrangements and alliances with non-governmental actors, both private sector and not-for-profit. Additionally, the authors identify two scales against which collaborative public management can be measured: collaborative strategy and collaborative activity. The preceding has to be seen in the context of a municipality responding to the specific conditions of its immediate environment and circumstances. Charting a municipality's actual collaborative practices within these dimensions encourages the thinking through of such management practices

as a form of network management, requiring skills that emphasize the network's fluidity, malleability and contingency. As they describe the situation,

> Collaborative management is an elusive target to measure precisely, given the multiple players and possible strategies a city may pursue. The allocation and utilization of management resources expended is fluid – it varies across time and space within a given program or project. Managing in collaborative structures involves a complex sequence of moves and countermoves, adjustments and readjustments, actions and non-actions. Some moves are more consequential than others. Some moves merely establish the context for making other moves. Others serve as a breach point between failed and inconsequential moves and the promise of eventual success.[33]

Despite these observational challenges, Agranoff and McGuire argue that there is an identifiable and predictable logic of collaborative management that can assist researchers in explaining how and why managers allocate resources in a given context. From a finite number of combinations of activity and purpose combinations available to cities, the authors propose analytical sets of models and activities for the improvement of researchers' understanding of what is actually happening in this form of network management.

The six models of collaborative practice are charted along the scales of strategy and activity. They break down in this way:

The *jurisdiction-based management* model is that employed by the most proactive cities. This approach is the most active and opportunistic. Cities using this approach are looking for opportunities to enhance the breadth and depth of their governance through various forms of partnership. Likewise, they are attuned to wrinkles and nuances that enable them to make the most effective use of such opportunities. This is the most elaborate and complex approach to collaborative management. It is the furthest along both the strategy and activity scales.

At the opposite extreme is the *abstinence* model. Among the reasons a city may take this approach may be the concern with committing to the kind of matching fund-type programs that are often entailed in vertical collaboration, or a city may be reticent about inviting others into areas of jurisdiction it properly considers its own. Also, some cities simply don't have the managerial resources to engage in the sophisticated processes required for effective jurisdiction-based management.

The *top-down* model is high on activity but low on strategy. For instance, cities using this approach will apply for participation in the programs of senior government, feeling that such participation is essential for achieving their municipal objectives. Despite complaining about the amount of paperwork and red tape involved, though, they do not

develop the strategic approach of the jurisdiction-based manager, who negotiates exceptions and finds loopholes that benefit his or her city's needs.

The *donor-recipient* model is somewhere between the top-down model and the jurisdiction-based model. It is more active and strategic than the former but less so than the latter. This can be a reflection of managerial resources or indicate a smaller appetite for risk-taking at the political level.

The *reactive management* model is located somewhere halfway on both scales. This approach will be found in cities under considerable pressure. The city may have the resources to pursue collaboration but often finds that the commitments of time and money to do so successfully cannot be afforded.

Finally, the *contented management* model is very low on collaborative activity, though it is highly strategic. Such cities are usually thriving and fast-growing, often suburbs that have little desire to bring senior governments into their affairs. They generally exercise a great deal of strategic discretion in identifying the collaborations into which they will enter. [34]

Agranoff and McGuire flesh out these models by identifying twenty activities that can be broken down into five categories of collaborative management activities; these categories are further distinguished by their vertical or horizontal focus.

Vertical activities comprise the categories of "information-seeking" and "adjustment seeking." Information-seeking activities include finding out about general program information from senior governments, finding new funding for programs and projects, seeking interpretation of standards and rules for existing programs (or for those under consideration), general guidance about programs, and technical assistance. Adjustment-seeking programs, also directed towards senior levels of government, include the seeking of relief, flexibility or waiver from regulatory constraints, seeking relief or flexibility from the constraints of statutory law, requesting changes in official policy, seeking funding innovation of existing programs, requesting model program involvement, and requesting performance-based discretion.

Horizontal activities can be divided into three categories: policy-making and strategy-making; resource exchange; and project-based activities. These are, of course, directed towards other municipalities and non-governmental organizations.

The policy-making and strategy-making category includes activities that gain policy-making assistance, that engage the municipality in formal partnerships, that engage the municipality in joint policy-making and strategy-making, and that consolidate policy efforts.

The category of resource exchange includes the seeking of financial resources from sources other than senior governments, employing joint financial incentives, and contracting with partners from program planning and implementation.

Finally, the category of project-based activities includes the establishment of a partnership for a project and the seeking of technical assistance.[35]

With these elaborated frameworks, Agranoff and McGuire are working towards a richer theoretical understanding of collaborative management. This analysis allows them to look more closely at the skills and conditions unique to the network management of collaborative government and ASD. While the skills of single-organization managers – e.g., planning, organizing and leading – are well-documented and time-tested remedies, the network manager's skills are communicative and collaborative. Network managers must be strong at synthesizing information, conceptually framing and selling their ideas and perspectives to potential partners, and thereby bringing partners together into a common-purpose network.

In this way, such managers also have to develop what the authors call "groupware." The emphasis on information management, and the need for strong social capital within the network, means that those who come into such groupware-based networks must shed the ideological baggage of their own organizations. In this way, the trust, norms and operations unique to the network can be productively and collaboratively established. Furthermore, effective groupware requires effective shared learning, which is premised on an environment conducive to dialogue rooted in principles of civil discourse: all are listened to, and the conditions of sincerity, comprehensibility, accuracy and legitimacy are met.[36] As Agranoff and McGuire explain, "The jurisdiction-based manager facilitates collaborative discussions that create shared meaning, result in mechanisms other than arguing and debating, bring out added knowledge, and enable participants to formulate ideas and processes for joint action."[37]

The key to holding any network together, in the absence of a formal charter, is a shared sense of trust. At one level, the skills distinctive to the collaborative manager create the conditions for trust to thrive. This trust is the glue in the collaborative networks that serve as the vehicles of ASD.

At a more abstract level, Phillip Cooper, in his 2003 monograph about the practical implications of the new public management and governance, provides a similar analysis.[38] He also explains the distinctive dimensions of this new governance with a vertical-horizontal cross-axes analysis, though his terms differ from those used by Agranoff and McGuire. In Cooper's assessment, what needs to be refocused is the role of public-contract management as a function of government. What makes this management complex and challenging is that the public manager operates at the intersection of a vertical, authority-based model and a horizontal, negotiation-based one. The vertical model draws its authority, resources, and influences from the constitutional and political processes at the heart of governing. The horizontal model operates on negotiations between two or more presumably equal participants who create individual relationships governing their behaviour and who decide which parties will handle certain discrete functions.

The horizontal relationship is based on the concept of contract and is in many respects in tension with the vertical, authority-based approach. This tension, occasioned by the demands of ASD, requires a new kind of public manager in the face of emerging new relations of governance. While his terms of analysis differ, Cooper shares with Agranoff and McGuire the conviction that these considerations require us to look at the new outward focus of government and the ensuing changes to its culture, thinking and practices. This new contract-management – a management orientation all its own and often much more complex and demanding than operations management – is an emergent theme in the literature. Exercising this new contract management effectively, it is suggested, has the potential to transform government and reinvent the very nature of governance.

These possibilities can be seen operating under the apparently innocuous concept of "performance-based contracting." Stated at its simplest, performance-based contracting spells out not the means but the ends a contractor must achieve. The municipality identifies the results it wants to achieve in its contract and allows the contractor optimum discretion in choosing the means to achieve those results. As discussed above, however, it is never exactly that simple, since the larger public good must be served and particular social objectives are sometimes integrated into the process.

Performance-based contracting, according to Adrian Moore and Wade Hudson, has emerged as the state-of-the-art ASD tool. This new tool revolutionizes public management practices and functions: "Government's management role changes from prescribing and monitoring inputs to collecting and generating the results-based data needed to measure the output of the work performed."[39] Performance-based contracting allows the municipality to better identify and assess the precise service it is getting for its taxpayer dollar. Exercising this new tool effectively, however, requires – as the above authors observed – a reinvention of the new public manager's skill-set. Indeed, as Moore and Hudson argue, two new sets of skills are required.

At an immediate level, the new contract-managing public servant requires detailed knowledge of contract law, measuring and accounting techniques, understanding of competitive markets, knowledge of how to value assets and make cost comparisons, and skill in managing competitive bids. This new skill-set is the contract manager's minimum level of competence. To thrive in the role, though, the contract-manager needs another skill-set: the soft skills of working with people, personalities and relationships. The skills of negotiation, conflict resolution and communication are just as important as the hard, quantitative ones.[40]

Perhaps most central of all is the need for a reinvented mind-set. The old hierarchical, vertical, chain-of-command mentality associated with traditional government bureaucracy and authority has to give way to the new, nimble, adaptive mind-set appropriate to the effective management of the layered networks that constitute effective governance under the new conditions of ASD. As Moore and Hudson elaborate, "Perhaps most important is a mental flexibility and adaptation that helps one to separate
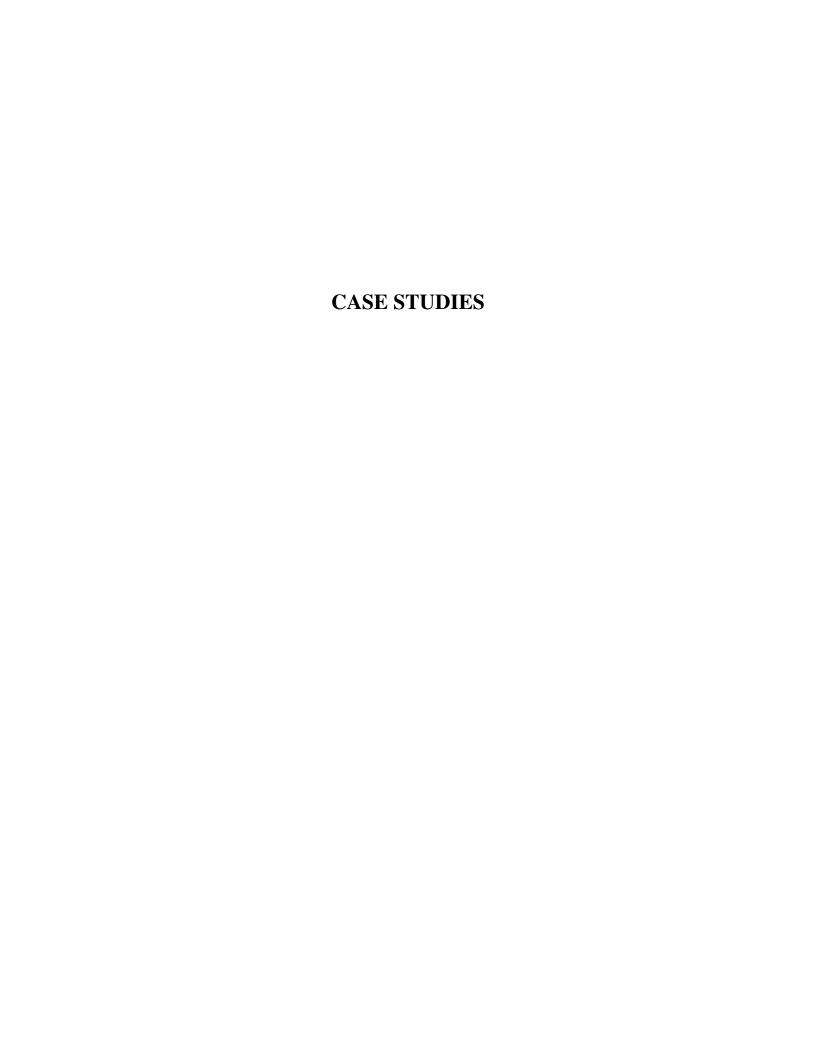
the unique features of a specific contract or issue from general principles and policies to recognize and deal with unanticipated and changing circumstances."[41]

This description of the newly emerging public manager and associated governance resonates with the marriage of ASD practice to the social learning model, as it has been synthesized in the work of Gilles Paquet.[42] John Langford describes the current dilemma in his contribution to an IPAC/KPMG publication on ASD in 1997:

> Herding alternative service delivery mechanisms into a limited number of corrals and branding them as members of a certain "type" is traditionally a prefatory step towards establishing boilerplate regimes of governance rules for each type. In the eyes of some, it is an attempt to bureaucratize a process that, allowed to develop more freely, would contribute substantially to the transformation of the modern state. In the eyes of others, it is an essential prerequisite to the preservation of democratic government in the midst of an unravelling state. Can we find room between these two positions to begin to develop effective governance regimes for groups of alternative service delivery mechanisms? [43]

Alternative service-delivery partnerships, in their most common and controversial form of privatization, can be a process of calculated harnessing of the self-serving avarice of capitalism. Capitalism encourages the maximization of profit. Governments employing these more controversial forms of ASD try to use this force to improve their bottom line in delivering services, but they must keep control of the reins because not all means acceptable in the marketplace would be acceptable in the public sector. So there are two dangers: Holding the reins too tightly prevents the achievement of the fullest possible benefits of private-sector avarice, but not holding them tightly enough risks letting that avarice out of control, damaging social objectives and undermining policy, leading to erosion of the public good and quite possibly scandal and public backlash.

In conclusion, it might be wise to remember where we began this discussion of ASD: in a small Baptist church, where a gang attack at a funeral galvanized demands by a community for an end to violence and the sweeping innovations in public safety and law-enforcement services. The economic and logistic opportunities of municipal ASD have been recognized in the literature today. The discussions and case studies in this report provide important learning tools for taking advantage of these opportunities. However, as we look to the future, harnessing economic forces for the public good – but with an awareness of the potential social and political implications – and re-imagining a democracy suited to the new networked governance appears to be the challenge for the next phase of the municipal ASD experience.

CASE STUDIES

1. ASSESSING CAPACITY AND THINKING THROUGH OPTIONS

The City of Toronto's Alternative Service-Delivery Initiative

The Issue

After the Government of Ontario amalgamated a number of smaller cities and boroughs of the greater Toronto region into one large supercity, the new City of Toronto confronted a number of unprecedented challenges. Among these was dealing with the financial burden of the realignment of services in the amalgamated municipality.

In response to these conditions, in March 2001, Toronto city council charged the municipality's administration with the duty to review its programs, services and delivery mechanisms for accountable and economy-enhancing alternatives. It was in this context that the city's public administration began the ASD initiative.

The Innovation

The city's ASD initiative can be considered in terms of the processes established and the structure put in place to implement those processes.

Processes

The initial set of processes established by the city had five steps. (Later, another step was added):

1. Select candidates for alternative service delivery.
2. Select models and assess options. On the basis of these assessments, recommend a specific model.
3. Develop a strategy for implementing the chosen model.
4. Implement that strategy; bring the desired model into operation.
5. Once the model of alternative service delivery is in operation, continue monitoring its operations and evaluate the results.

Implementation of these processes also required a new municipal structure dedicated to putting these steps into operation.

Structure

With city council overseeing – and ultimately being responsible for the ASD program – an ASD Reference Group, composed of city councillors and reporting back directly to the council, was created. This Reference Group worked in close collaboration with the Executive Management Team, which was responsible for the ASD initiative within the city's public administration. The Reference Group, whose initial responsibility included the identification of ASD candidate services, was eventually disbanded. This put the Executive Management Team in a direct relationship with council and contributed to a reformulation of the process for selecting possible candidate services for ASD. This point will be returned to below. The Executive Management Team was, in effect, the

ASD steering committee. It approved ASD processes, set priorities, allocated resources to the review teams, and monitored progress.

The Executive Management Team directly oversaw the ASD Policy Workgroup, which had the task of coordinating with the departmental sponsors, while establishing technical workgroups that worked out the specifics of any particular ASD operation. Also, the chief administrative officer of the city played a role in ensuring consistency of implementation, particularly in relation to labour issues and due diligence.

The Challenges

In its early years, the City of Toronto's alternative service-delivery initiative faced a number of challenges. One set of challenges related to the widespread negative perceptions associated with the initiative. For some, "alternative service delivery" was regarded as little more than a euphemism for contracting-out. In this regard, the outcome of the evaluation process was cynically regarded by some as predetermined – notwithstanding efforts to ensure a thorough and fair evaluation of ASD candidate services. This set of issues was partially addressed by the addition of a sixth step into the processes described above. This new step was an internal service-improvement option. It enabled potential ASD candidate services to be temporarily de-qualified for review through efforts by staff to achieve stipulated improvements in-house. Even among those who supported the ASD initiative, however, this step was often perceived as unnecessarily time-consuming.

Another set of challenges arose around establishing a consultation protocol. The objective was to ensure justifiable decisions and to maintain the credibility of the program. This set of challenges came to a head when it proved necessary to reorganize the processes for identifying viable ASD candidates. As mentioned above, under the initial protocol, the Reference Group had been responsible for identifying candidates. At that point, the CAO had the responsibility of initiating a service's review for ASD appropriateness. This approach resulted in a backlash from the departments, alienating the people whose experience and expertise were most needed to achieve an effective review procedure. Consequently, the structure and process was reorganized so that the departments initiated all ASD evaluations: they now take the lead in the five-step process described above. This has presented new challenges, as the decentralized nature of the protocol lacks the oversight mechanisms that could ensure a standard and rigorous establishment of appropriate support processes from corporate staff.

Several other challenges also presented themselves: providing adequate support to review teams; handling sometimes disapproving media scrutiny; and dealing with questionable political commitment to the program and its protocols by council. On one occasion, city council circumvented the established ASD protocol in the interest of short-term budgetary savings. This compounded doubts about the credibility of the initiative in the eyes of city workers and their unions, hurting ongoing efforts to cultivate goodwill and cooperation and exacerbating the first set of challenges.

The Lessons Learned

So far, four lessons have been learned from what is still an ongoing process. These lessons can also be viewed as adjustments to the expectations and demands of the four key constituencies involved in the ASD creation process – the departments, corporate staff, the unions, and the political leaders of city council:

1. A decentralized approach ensures departmental ownership, thereby enhancing responsibility and accountability. The unsuccessful initial approach, to direct the services identified for ASD through the Reference Group and the CAO, along with its eventual departmental backlash, illustrates the value of the decentralized approach. Proper implementation of an effective review requires the active support of those who know the services at stake. Their sense of ownership is essential to success.
2. The need for decentralization resulted in other lessons learned. Corporate staff must fully understand the importance of their role. Developing support processes, and maintaining realistic timelines, should be a priority in their work plans.
3. To ensure a cooperative relationship with the unions and city workers, the process cannot be characterized as contracting-out. The sixth step, discussed above, was added for this reason: it provides city workers and their union the opportunity to achieve targeted improvements through in-house initiatives.
4. Political leaders have to be persuaded of the fact that potential financial benefits of ASD are a long-term objective. Alternative service delivery is not a quick fix for budgetary pressures. Further, attempting to use them in this way threatens to weaken goodwill, and efforts to cultivate that goodwill, and ultimately undermines the initiative.

The Government of the Northwest Territories Task Team Report on ASD Options

The Issue

A case study of a different nature is found in the Government of the Northwest Territories (GNWT) Task Team Report on ASD Options. Faced with uniquely challenging circumstances of ASD for northern municipalities, this government report explores potential innovations that the territorial government could engage in on behalf of its municipalities. Specific challenges for alternative service delivery include limited territorial and municipal financial resources and the relative small size and geographical isolation of municipalities in the NWT. The report assessed the options of customizing and adapting proven strategies from larger, southern jurisdictions to the decidedly unique environs of small, northern municipalities.

The Options

In addition to discussions of alternate revenue-generating measures, the report considers a variety of ASD options that it believes would be uniquely appropriate for communities in the NWT.

Energy Management Contracts

This approach involves hiring an energy service company to retrofit a municipality's facilities with energy-saving equipment and appliances. Under the approach, the municipality would continue to pay for a benchmarked amount of power based on average historical use, with the difference accruing to the company to cover the cost of the retrofits and an acceptable profit margin. After an agreed-upon period, the new equipment would transfer back to the municipality, and any future savings then accrue solely to the municipality. Since the northern climate forces NWT municipalities to use large amounts of energy, it was felt that the potential savings with this method, in this context, could be substantial.

Government Service Partnerships

This approach involves municipalities forging partnerships. There are a number of potential forms considered.

One municipality contracts its services to another.
Under this arrangement, the contractor municipality is offered a better return on infrastructure investment by being given the right to sell unused capacity to a "contractee" municipality. The contractee spends less on the service, since it does not have to maintain its own infrastructure or pay a labour force. An identified challenge with this approach is that the long distances between municipalities may make it difficult or impractical to share certain services.

Two or more municipalities form a regional authority to run a service.
This is similar to the contractual relationship above. The difference is that, rather than a specific service being contracted from one municipality to the other, in this case assets are jointly owned and operated.

Two or more municipalities contract-out a package of services to the private sector.
Under this approach, municipalities working together will be able to increase the volume of business being offered to the private sector and will thereby generate greater competitive pressure, in turn increasing the likelihood of greater cost-savings. This approach is also predicted to increase the likelihood of bringing more innovative systems and technological solutions to the area. It would also reduce the impact of geographical isolation of the municipalities. A drawback to this approach is that it could price potential local providers out of the market.

The Innovation
The GNWT recognizes that, despite its own fiscal constraints, it has a large role to play in facilitating the successful introduction of such ASD programs by its municipalities. For one thing, the challenges in creating such solutions are significant; before municipalities pursue this route there would need to be a demonstration that cost-savings would improve service. Therefore, it is imperative that the GNWT not undermine the cost-saving and service-improvement incentive by using any such partnership success as justification for clawing back municipal infrastructure funding in the future.

The Task Team Report on ASD Options also recognizes the municipalities' fiscal restraints and outlines initiatives the GNWT could undertake – respecting its own limitations – that could benefit municipal ASD efforts. After a review of standard ASD options, and a look at their applicability in water, waste-water and recreation-services operations, the report itemizes the means by which the GNWT could facilitate municipal ASD options, without putting an undue burden on the territorial government's own purse. These are broken down into three categories: finance, technical and education support.

Finance
GNWT Guarantees
The GNWT could act as a guarantor up to a certain value of municipal capital infrastructure. This could be problematic depending on the GNWT's aggregate level of debt relative to its statutory limit under the NWT Act.

Incentives to Access GNWT Capital Funds
The territorial government could allow preferred access to scarce capital dollars for those municipalities that make an effort to access other funding sources and partnerships.

Municipal Financing Authority

The GNWT could assist municipalities in establishing and operating a municipal financing authority, allowing them to pool their borrowing power and guarantee each other's debts. This would have the additional benefit of strengthening municipal bonds and encouraging the use of moral suasion between municipalities to keep their respective fiscal houses in order. In this case, the GNWT would pay for the necessary consultants to create such a system for the NWT municipalities, or it could help those municipalities negotiate membership in British Columbia's already operating system.

Technical

Legal Expertise

The GNWT could allow municipalities access to its legal staff when drafting partnership templates, customizing such documents to serve particular arrangements, and negotiating and communicating with the potential service provider's legal counsel. This would reduce duplication of efforts and costs. Such lending of territorial services could extend beyond legal services to include engineering and financial-planning services.

Permanent Resource Position in MACA

The Department of Municipal and Community Affairs (MACA) could establish a position charged specifically with facilitating public-private partnerships (P3s). This person would undergo formal training and be available as a resource to municipalities contemplating such partnership arrangements.

Secondment of a GNWT or Municipal Employee

The GNWT could help reduce considerably the high cost of expert consultants to municipalities looking at ASD options by financing the seconding of one of its own, or a municipal employee, for a certain period of time (six months to a year) to participate fully in a P3 arrangement in a southern jurisdiction. At the end of the secondment period, the employee would return with invaluable experience in the full range of considerations for operating an effective ASD partnership program.

Education

Public Education

Public education is considered essential for the success of any ASD initiative. The GNWT could assist municipalities with advertisements and pamphlets that clarify the issues and convey the sense of urgency on a needed solution.

Private Education

The GNWT could also help in the equally important area of educating private developers, financiers and subcontractors on the municipal governments' objectives and priorities. Also, education on the required skill-sets, resources and partners, within the private sector, would aid municipalities in their ASD efforts.

Host Workshops

The GNWT may be in a more suitable position than municipalities to host workshops aimed at introducing potential service providers to municipalities and northern subcontractors. Such workshops could also educate financial institutions regarding the nature and future of P3s in NWT municipalities, enabling them to put future loan applications into better perspective.

In addition to the options listed under these three categories, two other possibilities are mentioned:

Facilitate Regional Bundling

The GNWT could make the policy/regulatory changes required to facilitate the bundling of regional contracts for such things as landfill remediation plans or water-treatment operations.

Change Proposal Evaluation Criteria

The GNWT could alter its REP/tender evaluation criteria to include points for historical involvement and financial support to NWT municipalities. This would encourage private-sector contributions to community interests.

Halifax Regional Municipality: Implementing ASD

The Issue

In 1996, the Halifax Regional Municipality (HRM) was created from the four municipalities of Halifax, Dartmouth, Bedford and Halifax County. The new city faced specific challenges related to costs rising faster than revenues, mounting taxpayer demands for improved services, and technology creating new demands and expectations. The HRM itself was committed to seeking new organizational solutions that allowed it to remain responsive to the client, provide effective service and save money.

Amalgamation provided the HRM with a rich array of ASD experience from the four municipalities. For example, competition in one municipality was the approach used for landscape maintenance; contracting-out was used for parking enforcement, solid-waste collection, legal services and grass-cutting; special operating agencies (SOAs) were created for the management of recreation centres; public-private partnerships were used for the Harbour Solutions and Organic Composting programs; and volunteerism in the areas of fire service, recreation and trail maintenance were encouraged.

The HRM wanted to develop a framework for further alternative service-delivery approaches, bearing in mind the following objectives: it wanted to improve the corporation's business focus; share and allocate risks appropriately; engage the citizens and the voluntary sector in governance; gain access to external capabilities; reduce or control operating costs; provide capital funds; and stimulate the local economy.

The Innovation

The HRM realized that in implementing its program it had to maintain accountability to citizens for the delivery of municipal services and that public service was the ultimate goal of any delivery. The question was, who could face each challenge most effectively and efficiently?

The HRM developed a framework for examining ASD options based on three core issues. The first related to knowing the service: before the HRM could explore organizational options, it needed to know the current service levels, benefits or rationale for providing the service, existing service-delivery methods, direct and indirect costs, performance indicators and benchmarking data, and short- and long-term objectives.

The second issue related to community capacity. The HRM needed to know what potential suppliers or partners existed, their capabilities and credibility related to their experience, the capacity of their equipment and, indeed, their interest – if any – in working for the municipality.

The third area of the framework related to pubic expectations regarding the level of service and, therefore, the impact of those on the specifications of the work and the performance measures.

The Challenges

The example used relates to the HRM's efforts to find a new way of getting the grass cut. The municipality had to define the service: what exactly were the specifications? For example, were there different requirements for cutting fields versus surrounding grass? Was it necessary to pick up grass clippings and to "whipper snip" around trees? Would fertilizer be used and, if so, how? What requirements would there be regarding providing information to the local community, and what provisions would be in place so that the community could call for service and complaints?

Before contractors could be approached, specifications were also required regarding exact locations and boundaries, the total area to be cut, the length of grass expected, the frequency of cutting, the timing of the cutting, the disposal of cuttings, and the response to calls.

When finding the contractor, the HRM looked for experience, equipment capacity, references, a work plan including supervision, contingency plans, and the impact of hiring the firm in the marketplace. It also assessed community issues, notably those related to the timing of the work to be done.

Regarding performance, the HRM had to determine what was measurable and observable, develop checklists for evaluation, timetables for reporting and response times, and penalties.

Lessons Learned

To use the example of grass cutting, finding the right approach took more than one attempt. In the process, the lessons learned by the HRM were straightforward but reliant on strong research:

1. Know the service and the expectations: the service to be delivered by a contractor must be well defined and clearly identified. Only then is it possible for the municipality to delineate precise expectations of what the job is, how it is to be done, and what constitutes a dereliction of contract.
2. Know the costs: if the taxpayer is to be served by ASD; the municipality must have a sophisticated breakdown of the costs of delivering the service. Only this allows an appropriate evaluation of contractors' bids.
3. Know the contractor or partner: in the end, the municipality and its elected members will be accountable for the quality of the service delivered. Therefore, all potential partners must be assessed for their business reliability and their aptitude for working with and accommodating the particular needs of the public sector.

4. Know the risks: while a clear understanding of the work, the cost of doing the work and the partner to be delegated the job provides the best tools for eliminating risk, there may be other potential risks. Only a well-developed understanding of these – how they can be avoided and dealt with should they nevertheless materialize – allows a confident use of ASD.

The City of Ottawa's Competitive Service Delivery Review Process

The Issue

After the Government of Ontario amalgamated a number of smaller cities and boroughs in the greater Ottawa region into one large supercity, the new City of Ottawa confronted a number of unprecedented challenges. As various large and small, urban and rural municipalities worked to integrate services, the new city faced an additional financial burdens of service realignments and harmonization.

Largely as a response to these conditions, Ottawa turned to alternative service-delivery options and eventually developed the Competitive Service Delivery Review for the transportation, utilities and public works (TUPW) department. The city decided that the initiative would need to meet the conditions of the city's corporate mission statement, which requires the enhancement of life by focusing on service, leadership and value for money, and also meet the terms of the TUPW department's vision statement, which calls for seamless, integrated and environmentally responsible on-the-street services that meet community expectations and provide optimal value.

The Innovation

Ottawa developed and normalized a review process for accessing the competitive options in delivering TUPW services. After the scoping phase, in which they examined the options available to them, Ottawa worked out a project framework and developed a manual for stakeholders. The framework included four major steps, which themselves were broken down into substeps.

The first step is known as "Opportunity Identification"; step two is called "Service Delivery Option Analysis." Both of these steps rely on a common set of tools, guidelines and business and service definitions. They involve stakeholder participation, communication, consideration of best practices and benchmarking, assessments of cost, and competition guidelines, including a contracting strategy and managed competition. These steps are guided by vision and mission statements, agreed-upon mandates and priorities, policies and principles, assessment of services and service levels, and performance measurement. As will be seen, these latter considerations are partially generated from later steps for better future identification and analysis.

Step one entails performing a competitiveness assessment and identifying candidates for review. An important aspect includes the "Opportunity Identification Scoring Criteria," which determine candidates for review. These criteria are assigned fixed percentages of value against which any particular service is assessed. These criteria include the ability to clearly define scope and performance expectations (10%); performance achieved against established targets, measures or benchmarks, which in turn is broken down into potential expected efficiency gains in dollars (30%), and potential service-quality gains (15%); the degree of control exercised (15%); the availability of delivery options and

alternate providers (10%); the degree of difficulty expected in aligning stakeholders (10%); and, finally, the relevance and weight of the event or circumstance that triggered the review of this particular service (10%).

Following the opportunity identification processes of step one, an annual "Competitive Service Delivery Plan" is presented to the city's relevant standing committee. This committee then analyses the delivery options. The possibilities include maintaining internally delivered service unchanged, maintaining internal delivery under re-engineered conditions, managed competition, contracting-out, public-private partnerships, and other options that may be appropriate to the circumstances.

Step two includes profiling existing service-delivery processes, determining option evaluation criteria, short-listing options, evaluating options, refining preferred options, and, finally, concludes with developing a "Competitive Service Delivery Plan."

The third step is the most straightforward in the review process. It entails designing the appropriate delivery mechanism, either by selecting the appropriate provider or re-engineering as required, according to the determination made in the "Competitive Service Delivery Plan." This step feeds targeted information back into the business and service definitions, which will contribute to steps one and two in future phases of the review process.

Step four is the implementation and validation of the delivery plan. This step includes both the substeps of implementing the plan and the management of performance. This contributes to the business and service definitions for future exercises of steps one and two of subsequent reviews in the assessment of benefits and results generated out of the managed implementation of the service-delivery plan.

The Challenges

Among the key challenges faced in establishing the "Competitive Service Delivery Plan" were

- obtaining executive sponsorship – the project needed commitment from senior management;
- tackling significant barriers. Collective agreements had to be assessed to determine what was truly possible;
- investing time. Such investment was needed to assure the involvement of all necessary parties, including unions, human resources and other related departments;
- implementing a strong, diverse project team;
- committing resources. This included the removal of the project team from daily operations, allowing them to focus on this particular project;
- providing training; and
- developing easy-to-use work tools.

The Lessons Learned

1. Executive sponsorship is a key influence – staff will not do this on their own.
2. Acknowledge the needs of your union executive. They cannot endorse the process, and may become a barrier, if they feel that they have been caught by surprise or left in the dark. The program can be the tool for unions to prove they provide the best value.
3. Silence assumes that private must be better. The best way to avoid having this unstated assumption about the municipality's perspective pollute the ideal atmosphere of cooperation is to maintain effective and open channels of communication.
4. Senior management time is required to vet the process. To move ahead, a process such as this requires the ongoing involvement of senior management to provide assurance that it is heading in the right direction.
5. It is necessary to address the culture that says, "We've done all of this before." People are always wary of change, and one of the safest ways to dismiss discomfiting change is to not call it change. Championing innovation involves the confidence to persist in the face of much naysaying.

2. CROSSING BOUNDARIES: WORKING TOGETHER TO DELIVER DIFFERENTLY

Strait Region Energy Industry Municipal Planning Committee: Intermunicipal Agreement for Canso Strait Municipalities regarding Natural Gas Development

The Issue

Offshore natural gas development in Nova Scotia has resulted in the construction of a natural-gas pipeline with landfill in Goldboro, Guysborough County, where the gas is processed in a separation plant. From here, the natural gas is shipped by pipeline to the United States. In addition, two lateral pipelines from Goldboro to Point Tupper, Richmond County, carry natural-gas liquids for fractionation and natural gas for use by the industries there.

As the demand for natural gas grows, development is expected to grow, resulting in the construction of more pipelines as well as gas processing, transmission and distribution activities and facilities. The development of these facilities could in turn lead to other energy industry opportunities related to supply base and support activity, petrochemicals and electricity generation; there is also the potential for a deep-water ice-free port in the region to meet global energy needs.

As the natural-gas industry grows, the desire and expectation is that the region will experience a boom economy. The provincial government has said that economic development must benefit Nova Scotians, and the municipalities in the Strait Region are determined to have a say in how the development occurs. Their goal is to promote economic development and to prepare for the potential growth so that they are able to capitalize on the benefits, while mitigating any possible downsides as diverse as land-use and noise pollution. Related to land use, for example, the municipalities want to ensure that policies are in place to protect not only the urban areas but also the coastal zones.

Four of the nine municipalities of the Strait Region are bounded by the body of water known as the Canso Strait. The municipalities were looking for a mechanism that would allow them to work together in partnership to develop a common land-use and infrastructure strategy to better manage the expected growth and development of the energy industry in the region. One of their goals was to prevent developers from trading communities off against each other and also to ensure that rural and coastal areas were as well protected as urban ones, which traditionally have more restrictions on their land-use development. Another goal was to improve communication with the province as the infrastructure demands grew to meet the needs of the energy industry growth. The mechanism would have to include opportunities for citizen input and feedback.

The Innovation

After consultation with the provincial government, eight of the nine municipalities signed an intermunicipal partnership agreement under the Municipal Government Act of Nova Scotia. The agreement in essence created a regional platform that allowed the nine communities to interact both with higher levels of government and with industry. For example, the agreement means that the eight municipalities, as one voice, can approach the provincial government to ensure that provincial infrastructure development (such as road construction) meets the needs of the entire region. Regarding industry, the regional platform allows the municipalities to work together when negotiating with industry to ensure, for example, a convergence of offshore pipelines in Goldboro and associated development of onshore processing facilities and the coexistence of the regional fishery.

Specifically, the intermunicipal agreement calls for the municipalities to develop a Strait Region master infrastructure plan (including other levels of government) that will promote strategies for land-use planning, housing, drinking and industrial water, waste-water collection and treatment, hospital and educational facilities, transportation (including roads, rail, airport and port), telecommunications, commercial development and industrial parks. The municipalities have also agreed under the partnership to develop a Strait of Canso Port land-use master development plan for maximum efficiency of existing infrastructure, facilities and land, location and development opportunities in each of the Canso Strait ports, and new sites for further development.

The governance details include the creation of a committee made up of the mayor or warden of each partner municipality. They have adopted different voting methods for financial and non-financial maters. A cost-sharing formula determines how the cost of operations and the capital assets of the committee will be borne. A subcommittee of CAOs was set up parallel to the main group. Members include the Municipality of the County of Antigonish, the Town of Antigonish; the Municipality of the District of Guysborough; the Municipality of the County of Inverness; the Town of Mulgrave; the Town of Port Hawkesbury; the Municipality of the County of Richmond; and the Municipality of the District of St Mary's.

The Challenges

One of the committee's main challenges is keeping the focus on regional priority: on occasion, resources and energy have gone into projects that are not critical to the infrastructure and development plans. The partnership has found that gaining regional consensus on priorities is difficult and that it can be easier to focus on, and lobby for, a local priority, particularly if it is supported by all the mayors.

Similarly, there is a temptation to become sidetracked by incremental issues, such as whether members should share services like engineering. Some projects were not successful: an attempt to create a regional marketing agency in the early days of the committee foundered.

Lessons Learned
The following are the lessons learned from this project:

1. Politicians need to have the lead. The project succeeds because there is political leadership and buy-in among the participating partners. A CAO subcommittee has played an important role in coordinating information flow and staff time, thus ensuring that momentum is continued.
2. Provincial support is important. The province supported the creation of the entity, provided initial funding, and has accepted the responsibility and accountability regime. It has also provided financial resources for the planning process, and provided in-kind support (for example, when the provincial mapping group supplied research at no cost). The minister has praised the initiative publicly, as well. This support has been critical both to the start-up and the ongoing operational success of the partnership.

The Greater Vancouver Region: The cities^PLUS Partnership

The Issue

From 2001 to 2003, nine cities around the world participated in a unique competition to design sustainable urban systems. The goal was to develop staged 100-year plans that would lead to urban sustainability. Sponsored by the International Gas Union (IGU), the competition involved cities from Japan, Canada, Russia, Germany, India, Argentina, China and the USA/Mexico. The Canadian entry, **cities**^PLUS won the grand prize.

The national competitive process selected Greater Vancouver Regional District (GVRD) as the Canadian entry. The project involved a collaborative exercise between governments, the private sector, academia and civil society, and included input from eleven other cities and towns across the country.

The Innovation

The **cities**^PLUS partnership ran over two years and was led by four key players, each of whom represented the four sectors (private, NGO, public and academic). They included Sheltair Group (a consulting firm), the Liu Institute for Global Issues, Michael Harcourt and Lloyd Axworthy.

A multisectoral advisory board of senior representatives of major financial contributors (over $75,000) was formed and involved seven government departments, ten private donors, one foundation and three NGOs. The board met several times a year to provide feedback and advice on content and issues.

To begin with, eighteen "foundation teams" were set up to get baseline data around urban issues such as air, water and transportation. They were multisectoral and multidisciplinary and were also involved in setting visions, end-state goals, targets, time-frames and identification of strategies and implementation plans.

Breakfast meetings, with approximately eighty local interest groups and individuals, built around specific issues such as climate change, were held in the GVRD. A national consultation with eleven municipalities, the Federation of Canadian Municipalities, and the International Council for Local Environmental Initiatives was also held. By the end of the process, over 500 communities, groups, organizations and individual experts had contributed.

The **cities**^PLUS project won. Perhaps more important, the project resulted in the plan being adopted by the GVRD's twenty-one member municipalities and in new relationships and dialogue about planning and current infrastructure development of a new Strategic Region Initiative, built on the existing Liveable Region Strategic Plan.

The Challenges

A major challenge was the lack of a structure for clear accountability. The private-sector partner managed the project, but it was not hired and did not report to anyone. Half the finances were paid to it directly. The advisory board of funders had no fiduciary or legal responsibility. The GVRD, which had the biggest investment in the process, had an even smaller financial involvement.

Another barrier to such an arrangement was the inability of public-sector entities to enter into partnerships or, if they did the project themselves, to avoid a bidding process. It is unlikely that the **cities**^PLUS project could have succeeded if the partners had not known each other and not had so many overlapping relationships.

Lessons Learned

This was an extremely complicated and long-term partnership, and many lessons were learned in its implementation and ongoing management:

1. Partners need to transcend their personal interest in favour of a shared goal. The success of the project was due to the shared commitment to winning the competition.
2. Partnership agreements need to spell out the authority and accountability of each partner: multipartner partnerships need to have clear contractual obligations and roles. This is particularly evident when there is a wide cross-section of participants, in this case including many players from the public sector, the private sector, academia, and NGOs
3. Copyright and intellectual property concerns are different in the public and private sectors. The private sector wants to build its intellectual property in order to capitalize on it; the public sector wants to disseminate ideas as quickly as possible in order to build ownership across a wide constituency. This is further complicated if the intellectual property is owned by the collective engagement of the partners.
4. There should be an explicit arrangement for conflict management. A project with so many, and such diverse, partners is bound to encounter conflict. Having a strong system in place to manage that conflict creates the best conditions for progress and success.
5. It is important to distinguish between partners, consultants, financial donors and engaged citizens or volunteers. All participants bring their own strengths, weakness, biases and insights. Gaining the best contribution from the range of participants requires attention to the detail of who the partners are and what they offer.

BizPaL - Business Permits and Licences: A Federal-Provincial-Municipal Partnership

The Issue
Through surveys and focus-testing, businesses have said that they want governments to reduce the burden of compliance. Businesses believe that the various levels of government are taxing their time and efforts by subjecting them to duplicate information requests, redundant and convoluted processes, and inconsistent and overlapping inquiries, resulting in loss of productivity and competitiveness. Furthermore, because of the complexity of the interjurisdictional regulatory and compliance system, businesses are faced with involuntary non-compliance. Consequently, the Government of Canada is moving forward with a smart regulation strategy intended to contribute to innovation and economic growth and to reduce the administrative burden on business. One of these commitments is BizPaL.

The Innovation
BizPaL is a federal-provincial-municipal initiative that provides businesses with an integrated on-line licence and permit service that streamlines and harmonizes business processes and regulations across the three levels of government.

Licences and permits are the expression of regulations. BizPaL will transform the way the federal, provincial and municipal governments interact with and deliver licences and permits to their business clients. The initiative streamlines and harmonizes critical services in a client-centric fashion, thereby greatly enhancing clients' understanding of and compliance with their obligations and reducing the time it takes to comply. From the business clients' perspective, BizPaL will provide a personalized list of applicable permits and licences across all three levels of government at a one-stop facility where the client can apply and pay for, manage and maintain permits and licences.

From the governments' perspective, BizPaL will clearly highlight overlapping and inconsistent regulations and will identify opportunities to enhance, harmonize, and streamline multilevel processes through service and business-process mapping across the three levels of government. Within BizPaL's governance structure, a service transformation and regulatory review committee will pursue and champion identified transformation and regulatory harmonization opportunities. By tackling the expression of regulations with the three levels of government, it is hoped that BizPaL becomes a catalyst for transforming how the government delivers permits and licences to the business community.

The lion's share of licences and permits are handled at the municipal level. BizPaL will enable municipalities to conduct this business in a more efficient manner. Municipalities will organize and provide public access to the necessary information. The program will help applicants develop a user-friendly web interface, if they don't already possess that

capacity. If they already have the capacity, the program will be customized to work with applicants' web interface.

The Challenges
The development of BizPaL faces a number of challenges:

- Convincing potential partners to buy-in without a product in place is difficult.
- Bringing partners together physically is logistically and fiscally challenging.
- Ensuring effective accountability in a complex partnership network is complex.
- Ensuring long-term funding in a context where one partner is driving the initiative, but who is supposed eventually to pass responsibility onto the other partners once the program is launched, is an issue.
- Funding is a major challenge.
- Exploring the potential for innovative governance structures (e.g., a non-profit corporation to facilitate the pooling of partners' money, in the face of legal obstacles to government participation on NGO boards) is time-consuming.

Lessons Learned
Among the lessons learned in the development of BizPaL are the following:

1. Process mapping is valuable for harmonization and streamlining among partners. An effective map allows all partners to deliberately coordinate their own input in a manner that best facilitates the collaborative objective.
2. Thorough research and being prepared for potential obstacles and objections is important. It is not enough to prepare for potential impediments, but a successful project requires research that allows a reaction-range of options for unanticipated impediments.
3. Spending money to facilitate collaboration is necessary. Especially in projects involving geographically dispersed partners, funds are required to bring the parties together and establish bonds of trust, understanding and cooperation.
4. Effort should be made to engage, work and communicate with partners constantly (e.g., through biweekly meetings).
5. Encourage partners to take ownership. If the project is initially driven by one partner but the objective is shared ownership, institutional inertia requires a proactive effort to trigger and encourage that distribution of ownership.

Edmonton and Calgary, Working in Partnership

The Issue

Edmonton and Calgary have a longstanding rivalry within the province of Alberta that has been fuelled by "the battle of Alberta." – whether the battle is between the Oilers and the Flames in hockey, or the Eskimos and the Stampeders in football, that fact has been a defining cliché of the two cities' mutual regard.

However, given a context of common challenges unique to the two largest cities in the province, as well as the larger concern in recent years for an urban agenda that could correct the unfavourable conditions confronting Canadian cities across the country, these traditional rivals have found that there is more to be gained in cooperation and participation than in competition and isolation.

Edmonton and Calgary have begun considering intergovernmental cooperation as a basis for creating innovative options for strategically identifying and resolving mutual issues. Their first collaboration was in successfully convincing the province to share the fuel tax. The positive impact on revenues has had its own benefit for the quality of municipal services, but it also pointed to what could be achieved through cooperation.

The Innovation

Subsequent to this first success, the two cities formed an informal working partnership that did not involve a signed agreement. From the perspective of the participants, the partnership's strength lay in its informality. Beginning with a concerted effort to address the above-mentioned fuel tax issue, the partnership grew with a small number of meetings and was sustained by the public support and drive of the two mayors and by the city managers behind the scenes.

Realizing that Edmonton and Calgary were more alike than not, the departments in the two cities started sharing business practices, ideas and innovations in the areas of assessment, budgets, land development (building permits), development agreements, and environment (brownfields). Even without a written agreement, the cities have established intergovernmental offices. These offices use minimal staffing and share resources and office space. The cities' councils have started looking at means to formalize the partnership to ensure continuity.

This partnership has allowed the cities to present a common front on a number of issues, thereby increasing the influence that either one would have had alone. They have provided joint positions and submissions to the Alberta Future Summit, Alberta's Commission on Learning, the Federation of Canadian Municipalities, the Alberta Urban Municipalities Association, the Alberta Association of Municipal Districts and Counties, and the Alberta Federal Council.

The Challenges

Resisting the easy resumption of rivalry has been a major challenge. The regular focus on the cities' sporting rivalry, and an assumption about the natural competitiveness of the province's two major cities, encourages both mass media and city staff to fall into the narrative of civic rivalry: the battle of Alberta. In this case, a major challenge for the parties has been to think beyond this narrow framing of the issues and the relationship.

Additionally, any such partnership must constantly be prepared for the divergent political cultures and agendas that will inevitably distinguish any two cities. This problem is further aggravated by the fact that cities do not have a single voice with which to express those differences. Cities without political parties, and therefore no governing party discipline, have situations in which every council member is a kind of party of his or her own. Such a context requires constant communication, mediation and negotiation.

Just as tricky as dealing with elected representatives, is the challenge of not getting bogged down in each city's own bureaucracy. Not only is it necessary to work through the "red tape" to establish common workable objectives, but (as with elected representatives) municipal civil servants may also be resistant to the partnership, out of a misplaced civic loyalty. At both the elected and unelected levels, there is a danger that such resisters to partnership will run the ship of cooperation aground, even as the proponents work to gradually win them over to the virtues of civic partnerships.

Lessons Learned

1. *Don't wait for permission*: This is particularly relevant from an administrative point of view. There has to be a willingness to take the initiative necessary to make the partnership work. In the case of Edmonton and Calgary, the personal commitment of the civic managers has been very important.
2. *There is no threat to working together*: Get over the competition. It's an old and tired notion that, just because your sports teams compete tooth-and-nail, your cities can't cooperate for mutual benefit.
3. *Don't be swayed by internal resistance*: Resist the temptation to distrust. There will be naysayers in your own shop who question the value of partnership. You'll never know the benefit of partnership if you don't give it a legitimate try.
4. *Respect each other's position*: This is what has worked in the Edmonton and Calgary partnership. The politicians don't always agree with each other on their own council, let alone with another council; administrations also have differing views. But for the most part, a common position on the big picture can be worked out between well-meaning partners. In cases where differences prove irreconcilable, those conditions are established and clarified early in the process.
5. *Communication is critical*: Talk, talk, talk. The responsible agents of the Edmonton and Calgary partnership communicate as if they were in the same city. They do so at least once a day. Channels of communication are kept open for when they are most needed.

3. MANAGING NEW ASD MODELS

The Regional Municipality of Peel's "Managed Competition" Initiative

The Issue

The Region of Peel is an upper-tier municipality located just west of the City of Toronto. It is the second-largest municipality in Ontario, with a population over 1.1 million. It is a rapidly growing metropolitan area that features a dynamic blend of agricultural, industrial and residential development.

One of the goals of the Region of Peel's public works department is to deliver the highest level of services at the lowest cost to taxpayers. This goal is part of the department's mission to be leaders in the public works industry.

The Innovation

In the fall of 1999, Peel regional council voted to approve a bidding process to promote competition between the business community and public works, through what was called "Managed Competition." Under this approach, both public agencies and private companies can submit bids to provide service to the municipality of Peel Region. Bids are evaluated on the cost of delivering the service, as well as the technology and know-how applied in delivering the service. The winning bid is the one that provides the highest quality service at the lowest cost.

Presently, the Managed Competition process covers only services provided by the public works department, as reflected in the Managed Competition 5-year Plan (2001—05). The managers of public works developed the plan with input from staff. Each activity in the plan is screened according to the "Managed Competition Handbook" and will be reviewed each year at budget time to ensure the plan continues to meet the objectives of the Managed Competition program.

Every activity deemed appropriate for competition must be assessed against these sixteen steps:
1. A plan is developed for a specific activity.
2. A "competition plan" is approved by the commissioner of public works.
3. The plan goes to the Competition Advisory Group, for council and industry review.
4. The competition plan is put before council.
5. Teams and procedures for the competition are set up.
6. The Competition Package Scoping Team prepares requests for bids.
7. There are peer reviews.
8. The bid is issued to prospective vendors.
9. A Competitive Bid Team then prepares and submits the bid.
10. Bidding-period questions are addressed.
11. Bid documents are submitted and received.

12. The Bid Evaluation Team evaluates bids and recommends an award.
13. Senior staff reviews the award.
14. If the award is approved, council is asked to approve and award the contract.
15. The Competition Audit Team confirms staff bid to the actual bidder.
16. The contract is administered in an ongoing manner in order to oversee overall performance issues.

The Challenge

Peel Region faced a number of challenges in setting up the "Managed Competition" initiative. Most of the challenges were administrative and process-oriented. For example, auditing processes had to be customized to meet the particular needs of Managed Competition – this took a year and a half to put into place. Similarly, work processes had to be more thoroughly thought out and organized in order to accommodate new responsibilities for staff and managers. To address these concerns, a new Talent Management program was put in place to provide cross-training for staff and managers. The program is free, open to all staff, and provided during work hours. Finally, administrative processes were established to "red flag" certain reporting requirements, ensuring that proper information was generated for auditing purposes.

Not surprisingly, worker anxiety about job loss had to be addressed. Peel Region was determined to maintain a strong sense of trust and ensured continuous communication through information and Q&A sessions. As well, it has encouraged staff buy-in through a gain-sharing program whereby workers directly profit by contributing to greater economy within the municipality's operations.

Lessons Learned

Peel Region learned a number of lessons from its Managed Competition initiative:

1. Senior staff must be on-board from the start. Initiatives such as this one are fragile and can be easily derailed if misunderstood or misinterpreted.
2. It is necessary to have a system that ensures accurate documentation and record-keeping. This is the first step in creating a knowledge-management system that will ensure transparency and a corporate memory.
3. Clear communication, "even before the beginning," must be established between staff and management. This could be seen as a second step in knowledge management. A widespread awareness is likely to build more goodwill.
4. There must be a conscious program for improved contract administration and management. Managing contracts is nothing new for government, but managing a larger number of contracts with higher expectations for transparency and performance measurement places this activity in a completely different realm.
5. Involving the union from the start is ideal, if it will participate. Maintaining good relations with staff, though often difficult, is critical. It is vital that discussions on this topic with the unions be proposed.
6. Detailed project planning/timing must be thought through.
7. A proper risk-assessment process must be established.
8. A high-quality performance inspection and rating process must be instituted to ensure accountability and fairness.

Vancouver: The Neighbourhood Integrated Service Team

The Issue
The City of Vancouver was looking for an alternative approach to help its residents work together to find local solutions for local problems. These problems included, but were not restricted to, issues related to garbage, noise, illegal activity, and health and safety. The "alternative" program became a cooperative and information-sharing process called the Neighbourhood Integrated Service Team (NIST).

Implemented in 1995, NIST has the following goal: "To lead, to provide and to facilitate integrated, community-based service delivery." Its specific objectives include:

- moving decision-making and responsibility for solving local issues directly to *front-line* workers;
- ensuring more effective, responsive service delivery that works with community resources in solving local issues;
- increasing the focus on learning and cooperative, creative problem-solving;
- developing more productive and improved relationships between staff and the community;
- creating a more flexible organization; and
- increasing the support of local initiatives arising from community-based problem-solving.

The NIST program was built on an extensive pre-existing network of city services and community agencies throughout the City of Vancouver. For example, of the 7,500 full-time city employees, 3,000 were already deployed in the community providing service in libraries, community centres, fire halls, community police offices, street maintenance, garbage collections, inspections, and health services. However, before NIST, few of these staff shared information or worked cooperatively.

The Innovation
Because of NIST, sixteen teams have been established and allocated responsibility for a particular area of the city. More than 200 city staff, drawn from various departments such as police, fire-fighting, engineering, planning, permits and licences, community centres, libraries, as well as outside agencies such as health, and social services, are members of the teams. Staff members work together using a multidisciplinary approach, sharing information and coordinating their efforts to resolve issues.

Each team established its own working relationship with the community and with individual team members. Teams determine when, where and how often to meet, how to respond to issues, how to secure resources from city hall, and how to engage citizens in local area problem-solving. Typically, teams meet every three to four weeks for one to one and half hours in a city facility in the community. Team members communicate regularly by phone, fax and the Internet. NIST staff also act as the link back to their

home departments, where they can access the appropriate staff involved in specific local issues.

Each team has a facilitator who provides leadership, coordinates information, suggests structure and brings the team together. The facilitator also sits on a steering committee for the NIST program. The steering committee comprises one representative from each team and provides overall direction for the program.

The program has succeeded in bringing government services to the streets and providing local solutions to local problems. It is also being used as a model for similar programs in the province and has been attracting attention from jurisdictions across North America.

The Challenges

Immigration is changing the face of Vancouver. There are more than seventy languages spoken in Vancouver. Recent waves of immigration have introduced new ideas, new religious and cultural events, and new publications to the city. Similarly, the city's neighbourhoods are changing. Citizens are demanding better access to local government and its services. They expect to be part of the strategies and solutions that influence the quality of life in their communities. Thus, the number of residents with whom NIST interacts to resolve issues around service delivery is growing. These residents are diverse, sophisticated, and demographically older.

NIST is also facing the fact that ensuring the ongoing liveability of neighbourhoods includes a wide-ranging and diverse set of issues such as affordable housing, recreation, services, sustainability, the environment, cultural differences, personal safety, transportation, globalization, and complex interactions that involve almost every city department.

Lessons Learned

The NIST experiment has taught many lessons:

1. Establishing and nurturing partnerships is essential to the success of programs such as NIST.
2. The sustainability of the program depends on the continued commitment of senior management, front-line city staff and the continued support of Vancouver residents.
3. Sharing the program's success and benefits and adopting it as a philosophy of how the city does business across the broader organization helps sustain its creativity and innovation.

Winnipeg's Special Service Units

The Issue

In the spring of 1997, Winnipeg city council made a commitment to the people of the city that civic government would be more affordable and efficient. The principles for that commitment were outlined in a report entitled *Reshaping Our Civic Government*. Council promised cost reductions, innovations, and alternative methods of service delivery.

The city auditor scanned North America for ASD best practices and recommended that the city adopt as policy a made-in-Winnipeg ASD framework. Some basic strategies were suggested:

1. Select leaders to champion initiatives and build support inside and outside government.
2. Establish financial goals and policy priorities.
3. Inform the public and stakeholders of progress and results.
4. Identify the efficiencies and inefficiencies of existing service delivery.
5. Develop proper cost-accounting systems.
6. Involve employees and their unions.
7. Evaluate the competition's interest and ability to compete in the marketplace.
8. Value independent verification of cost estimates, bids and proposals.
9. Develop performance measures and a plan for monitoring outcomes.

Meanwhile, the Province of Manitoba and the City of Winnipeg struck an informal alliance among politicians and senior officials to pursue joint reforms. The initiative was called PIPS (Partnership in Public Service). The two governments identified potential projects where they could rationalize service delivery, avoid overlap and duplication, and increase capacity and economies of scale. Provincial interest stemmed from pressure to reduce or hold the line on expenditures within its legislated balanced budget parameters. Manitoba Urban Affairs budgeted and made significant annual grants to the city. For example, the province saw PIPS as an opportunity to cooperate with the city to find efficiencies in service delivery. Because of provincial involvement, Winnipeg had little difficulty in securing Manitoba's support to amend The City of Winnipeg Act to enable the creation of ASD arrangements. Amendments on designation of ASD forms, the governing body, operating charter, delegated authorities, and financial arrangements were built into a new part of the Act for "Special Service Units." This helped institutionalize organizational change at city hall.

It became apparent early on that the city had many prospects whose needs were conducive to an agency model. The secretary to treasury board and the city auditor championed the province's SOAs based on their proven track record. Council established a task force to recommend a process for integrating SOAs within civic government. Their mandate was to create SOAs that consolidated services across departments, tested innovative delivery systems, and incorporated business-like management practices.

The Innovation

Early in 1998, council adopted the Policy and Framework for Alternative Service Delivery in the City of Winnipeg. It outlined a framework for case-by-case review of city services to evaluate the most appropriate mechanisms for delivering affordable, responsive, and sustainable services in special service units (SSUs). The policy provided for a variety of organizational options (hence the term "special service units"), including public-private partnerships, contracting-out, privatization, continuous improvement and, not surprisingly, SOAs.

The framework set the direction, ground rules, and process for consistent ASD decision-making. Council delegated an ASD committee as the structure for prioritizing, reviewing and evaluating candidates.

There are five steps in the SSU process:

- generation, in which candidates for ASD are sought;
- identification and planning, in which a feasibility study is undertaken to determine what might be the best option, and what would be required to get there;
- development, in which an ASD solution is negotiated;
- implementation of the formal agreement; and
- monitoring and evaluation.

The key to Winnipeg's approach was how it connected ASD with the city's corporate planning. The city auditor's *Focus on Winnipeg Services* report resulted in the adoption of innovative business-modelling software, called the *Management Reference Model for Government Services*. It shifted the focus to citizens and services by identifying activities, resources and internal services that supported public services; by mapping organizational roles, responsibilities, authorities, and accountabilities; and by linking services to policy outcomes.

The policy process includes an ASD committee made up of city councillors. The council at large intervenes at four critical junctures: generation, at which time council approves the proposed ASD agenda; identification and planning, in which it approves the ASD solution in principle based on the feasibility study; development, at which time it approves the agreement; and monitoring and evaluation through an annual ASD evaluation report.

During 1998—99, the model was applied across all city departments, resulting in descriptions for 260 discrete public services. This information allowed the city to

- define core versus non-core services;
- link public services to Plan Winnipeg … Towards 2010;
- set service baselines and targets in Serving Citizens – The City of Winnipeg's Action Plan 2000-2002;
- create a framework for activity-based costing and program-based budgeting;

- clarify accounting and responsibility relationships; and
- support city restructuring and ASD opportunities.

Four SOAs have been created by the City of Winnipeg: the Animal Services Agency, the Glacial Sand and Gravel SOA (discussed below), the Golf Services SOA; and the Fleet Management Agency. The last three are expected to earn a profit and have been granted specific flexibilities in their charters to help them achieve this goal. Each SOA prepares a business plan with five-year projections, as well as an annual report.

The Challenges
The policy has been in effect for four years and overall has worked well. The main challenges appear to revolve around the process. The city has learned that specific policy issues related to the creation of the SSUs are not addressed by council before the development stage of the project, by which time a significant amount of work has already been done. The administration is now looking at ways in which specific policy issues related to the creation of an ASD arrangement (e.g., "Do we care if the entity competes against the private sector?") are raised earlier in the process.

A second challenge relates to the complexity of the process. The policy is written so that considerable burden falls on the city organization being considered for ASD. It is responsible for making the case for, and managing the process of, instituting its ASD program. The city is finding out that the process is so cumbersome, time-consuming and resource-intensive that managers are reluctant to put forward candidates for consideration. One manager who took his organization through the process of becoming an SOA stated that, had he realized the work involved, he would probably not have put his organization forward as a candidate.

Related to this, there is a realization that the process does not allow for considerations of the candidate organization's size or complexity. That is to say, while the process may be worthwhile for a large organization, it is unnecessarily complex and burdensome for others. Flexibility is needed if more candidates are to be brought forth.

The city was taken to court by an interest group that maintained that, because the consultations were inadequate, the city had not followed the policy. This suggests a downside to having an expressed policy as opposed to a less specific framework.

To resolve these issues, the city is considering reframing the ASD policy as a more flexible framework and permitting an examination, early on in the process, of the core policy issues of any proposed arrangement.

Lessons Learned
1. Have a political champion. Since the ASD policy's inception in 1998, one city councillor has championed the process, both as a member of the ASD committee and in city council. His role in creating understanding and support at the political level for both the concept and for individual initiatives is critical.

2. Ensure you have capacity. The city had to get the province to pass legislation to allow Winnipeg to create SSUs.
3. City policies often conflict with the goals of the SSUs. A number of the SOAs have a mandate to become self-sufficient through the generation of revenue. However, experience is showing that the wide range of administrative policies may make this difficult.
4. Determining the appropriate degree of "arm's length" can be difficult. The SOAs are not large organizations, yet they are part of the enterprise-wide accounting system and are required to report quarterly on their business plan. It may be that these requirements are unnecessarily complex.
5. There are different approaches for different realities. Differences in the provincial approach and the uniqueness of the city's realities meant accepting some risk.
6. Progress on SOAs can benefit from the support and active involvement of city unions. Partnering with civic administration can be attributed to union leadership's progressive perspective on government reform and to a proactive strategy that anticipated expiration of job security in 1999. Paul Moist, then-president of C.U.P.E. Local 500, offered the following comment: "We are prepared to give it a chance and sit down with the city. I truly believe the public expects efficiencies, and, if we can do that with SOAs, that would be great."

Winnipeg: The Glacial Sand and Gravel SOA

The Issue
As part of the Winnipeg special service unit (SSU) policy, the city's sand and gravel pits were brought forward for review. The pits had provided granular products (sand and gravel, treated sand) for city use since 1882, operating from the Birds Hill area north of the city. One impetus for the assessment of what was then a city department was the fact that the private sector had offered the city $3 million for the facility. As part of the assessment of the bid, the city also analysed the pits from the perspective of turning them into a special operating agency (SOA).

The Innovation
The Glacial Sand and Gravel Special Operating Agency became the city's second SOA in 2001. It has six permanent employees, $2.5 million in annual revenues, and $15 million in assets. The SOA sells sand and gravel to the city for street maintenance, local water and sewer infrastructure maintenance and water abrasives. It also sells products to other government agencies and the private sector.

The city has been forced to buy its sand and gravel products from Glacial. As of January 2004, this commitment was rescinded, meaning that the pit no longer had a captive market and was forced to compete with the private sector for its business. This move towards full competition was written into the charter of the SOA when it was formed.

The Challenges
The first challenge to the SOA occurred as it moved through the City of Winnipeg approvals process. There are five steps in the City of Winnipeg SSU policy:

- generation, in which candidates for ASD are sought;
- identification and planning, in which a feasibility study is undertaken to determine what might be the best option and what would be required to get there;
- development, in which an ASD solution is negotiated;
- implementation of the formal agreement; and
- monitoring and evaluation.

When the proposal reached the development stage, a private-sector interest group challenged the creation of the SOA before council, arguing that it would unfairly compete with the private sector. The group, arguing that the city had not followed its own policy or consulted adequately, mounted a legal challenge.

Once formed, the SOA learned that it did not have all the tools required to meet its objectives, specifically that of being totally independent within three years of its inception (January 2004). As an SOA, Glacial has learned that a number of city policies

work against its stated objectives. For example, city regulations said that it could not sign a three-year contract with a potential client. The SOA is quite small (six employees), and the reporting requirements to the city (e.g., quarterly reports) are unnecessarily onerous and do not reflect the seasonal nature of its work – traditionally, it has little to report in the first quarter, and most of the entity's activities occur in the fourth quarter (winter); nonetheless, the city requires formal quarterly reports.

Another concern relates to the mandatory use of certain city systems, such as its financial systems: the systems are too robust for the needs and the capacity of this small organization and thus are fairly expensive and result in a return of questionable value.

Lessons Learned
1. Cities must resolve policy issues earlier on in the agency-creation process. Departments are reluctant to go through a fairly onerous process, only to find that it could get derailed at the penultimate (development) stage. This will involve rethinking the application of the policy through the decision-making process.
2. There is a need to ensure that city policies are synchronous with the objectives of the SOA and do not, in fact, impede its ability to meet its goals. Small organizations such as Glacial Sand and Gravel are finding that administrative costs to meet the requirements of the city administration are too great for the SOA to sustain and impede its ability to meet the bottom line. Certain rules that restrict the organization's ability to make a profit or specific arrangements could be waived so that the SOA can work with existing administrative policies (such as purchasing and accounting) relative to its capacity, perhaps by simplifying procedural requirements. This would mean looking at specific corporate city requirements and restrictions from the point of view of an arm's-length organization whose business practices are based on its need to compete with the private sector and meet financial and performance targets.
3. The SOAs should be able to use informal channels and deal with senior city officials in order to resolve issues. Glacial Sand and Gravel has learned that, as an SOA, it has less access to informal means than does a city department.

The Prairie Centre of Excellence for Research on Immigration and Integration: Building a Successful Network

The Issue
While this case study deals specifically with a research network, potential application is not restricted to this particular form and, according to public servants in Alberta, indeed constitutes an alternative form of service delivery. While it could aid municipalities in research efforts, perhaps even allowing for research initiatives that wouldn't even be possible for an individual municipality, such networks may also provide the means with which to coordinate access to information and services for their citizens.

While there is no single approach or model that offers the exclusive recipe for a successful research network, the one reviewed here has proven distinctly successful.

The Innovation
The Prairie Centre of Excellence for Research on Immigration and Integration, one of four centres of excellence established in spring 1996 under grants from the Social Sciences and Humanities Council and Citizenship and Immigration Canada, was set up under an umbrella program called the Metropolis Project. Metropolis is a partnership of policy-makers, researchers, and NGO representatives who currently come from twenty-seven countries and international organizations.

The Prairie Centre network brings together six prairie universities and 110 university researchers. This network has successfully augmented the volume and quality of research on immigration and immigrant integration.

The success of the network can be attributed to the following five conditions for success:

1. the presence of a strong, dominating idea, supported and sponsored by a group leader, that entails a worthwhile goal and a compelling deadline;
2. a willingness to rethink assumptions and change attitudes as required;
3. a willingness to see the world through the cognitive maps of others;
4. a belief in the value of partnerships, sharing information and coordinating efforts; and
5. the building of mutual trust and the maintenance of the integrity of the team and of the network.

The co-directors and a professional coordinator manage the network's day-to-day activities. An internal agreement signed by the key participants defines the centre's organizational structure. This agreement addresses a wide range of issues, including financial reporting requirements, annual report requirements, partner organizations, and conflict-of-interest and dispute resolution.

The highest decision-making authority is the board of governors, which includes representatives of the participating universities and partners and sponsors of the centre. The board is responsible to the funders. A standing domain research committee, appointed by the governors, drives the work of the network.

The Challenges

There are a number of challenges in maintaining the network. For one, it is expensive to maintain and operate, largely due to the more complex communications needs compared to those of a similar centre in a single setting. The coordination of activities across the network through the complex communications media is significantly time-consuming. Also, it is not uncommon for these non-hierarchical structures to have a variety of challenges based on the exercise of power. In keeping with this latter concern, the Prairie Centre, through the complexity and diversity inherent in the Metropolis Project, while widening the academic appeal of the project, has also created tensions among stakeholders.

In sum, it has been a particular challenge to achieve and maintain the commitment and loyalty of affiliated researchers; balance strategic research planning with investigator-driven research; sharpen the focus on critical policy issues of interest to policy-makers and practitioners; build research teams (cross-city, cross-university and cross-centre); strengthen the role of domain leaders; develop stronger relations with service providers, policy-makers, and the private sector; develop stronger relations with the provinces and municipalities; and establish stronger partnerships with researchers outside of Canada.

Lessons Learned

The lessons learned in forming and maintaining this research network may apply to municipalities looking to create similar networked arrangements.

1. Bringing together diverse cultures can result in tensions arising from differing perceptions of needs and values. These tensions can be managed if a conscious effort is made to recognize these differences and be sensitive to them.
2. It has proven imperative in a network of diverse participants to maintain a dual focus on the task and performance, on the one hand, and group building, on the other hand. Maintaining support and loyalty across a diverse group necessitates a balance between the "task area" and the "social / emotional area."
3. Managing a geographically dispersed network requires effective use of new communications technology (e.g., e-mail, teleconferencing, database management, text-base management, web sites).
4. There is a synergy and value in properly executed, collaborative and multidisciplinary efforts, though it is expensive, time-consuming, and creates power conflicts among those with divergent external responsibilities.
5. A strong dominating idea, a clear goal and a deadline are imperative for success.
6. Secure financial support is required.
7. Participants must be willing to see situations through the perspective of others.
8. Building trust between dispersed participants is essential to the long-term success of such a network.

Public-Private Partnerships at the City of Ottawa

The Issue

In October 2002, Ottawa city council decided to go down the ASD path and identified as priority several P3 projects. These included a couple of recreational facilities: a domed stadium soccer field and an arena complex of skating surfaces.

The City of Ottawa adopted a rigorous process to manage these private-public partnerships. First, it created an office in the city administration whose task would be to direct work on P3s. A process of "requests for qualifications" (RFQ) was adopted, as was a rigorous system of "requests for proposals" (RFP). Once finalists are selected (under the watchful eye of a "fairness commissioner"), negotiations begin on a partnership between the city and a private-sector firm to develop and implement services to the public.

The Innovation

The city, in its P3 processes, set out to create an improved recreational infrastructure for the municipality at minimal expense and risk to the city. These objectives are reflected in the two cases examined below.

The Hornet's Nest domed soccer field was built collaboratively. The city extended its services to the building and installed the artificial turf, which cost $1.1 million. The private partner, meanwhile, erected the permanent dome and expanded the existing field house, which cost $1.5 million. Subsequent to construction, the partner operated the facility independent of the city and charged user-fees for its operation. In return, the partner pays rent equal to the city's capital and interest costs, over the twenty-five-year agreement.

As a consequence, the community benefits from a state-of-the-art facility, with no net cost to the city, and the municipal risk is limited to the services and turf.

In providing the west-end ice surfaces, the city worked with a non-profit partner that was responsible for constructing and operating a new facility – four ice surfaces, an indoor field house, food and beverage concessions and other complementary uses. The city has agreed to purchase 2,400 hours of prime ice time at $143 an hour. The public-sector comparator is $250 per hour. Any hours in excess of the 2,400 will be available to the public for a fee of $205 hour.

The city and the partner have entered into a Municipal Capital Facilities Agreement for guarantee of the project loan, at $25.6 million, and exemption from property taxes and development charges. The city will establish an operating reserve, funded by an $850,000 contribution from the private-sector partner, annual contributions from the city, and fifty per cent of net cash flows. Once operating, this reserve will equal a one-year obligation, with surpluses being used to repay contributions from the private-sector partner and the city.

The private-sector partner will establish a life-cycle fund valued at one per cent of construction costs, to be funded through fifty per cent of the net cash flows. The private-sector partner will also be responsible for providing an annual audit to demonstrate that flow of funds respects the terms of agreement. Any excess funds are earmarked to support community recreation, as per the not-for-profit charter of the private partner. Finally, the facility reverts back to the city at a nominal cost at the end of the thirty-year term.

This partnership has allowed for a facility twice the size of what had been projected prior to the partnership, while enabling more aggressive programming and marketing. The city guarantees the debt but has no capital outlay.

The Challenges

The core challenge for the city was learning the new skills and orientation necessary to successfully conduct its business under such different arrangements. Such partnerships require, on the one hand, strong central leadership (the mayor was the key champion here), but, on the other hand, openness to the diversity and complexity inevitably entailed.

Those working on the projects had to lead on how to work effectively in multidisciplinary teams and recognize when it was necessary to turn to – and how to find – outside expertise when the existing partnership resources could not provide it. There was also a much greater reliance on consensus decision-making than many city workers would have been familiar with. This all required significant time and resource commitments from the project lead, the project team and the client department.

There was also a significant challenge in dealing with the tendency to risk-aversion on the part of the private sector. This was not only true of the construction/operation non-profit partner but it was also an issue with financial institutions. Their usual tendency to risk-aversion is augmented by their general lack of familiarity with the public-private partnership process and its various implications and nuances.

Lessons Learned

There were a variety of valuable lessons learned from these P3 experiences. The central, overarching lesson, however, is that municipal governments pursuing such projects must take an open-book approach. The fewer presumptions with which one enters into the process, the more creative is the latitude available for finding innovative solutions to the inevitable challenges.

There are additional lessons:

1. There must be an uncompromising commitment to a fair, transparent process. RFP and RFQ respondents are investing a great deal of time and resources into their efforts. Such contributions must be respected.

2. Effective communication is critical to all stages of the process. This is essential both in building and maintaining the partnership and in winning the support of internal employees.
3. Such projects need the cooperation and accumulated residual wisdom of the work and its processes, held in the experience of internal works and senior management. The success of such P3 projects is dependent on their buy-in.
4. A strong legal framework is required for a procedurally effective arrangement, but it isn't sufficient for the highest standard of partnership. A long-term, successful partnership also requires the all-important, though intangible, quality of goodwill. Partnerships are long-term commitments. They will be judged over the long haul, and those who enter them are best advised to treat them as long-term relationships, with all the nurturing and care thus implied.

CONCLUSION: GUIDELINES FOR MANAGING A MUNICIPAL SERVICE-IMPROVEMENT STRATEGY

Through the roundtables and in conversations with professionals across Canada, a consensus has emerged about the prospects and practices of alternative service delivery in Canadian municipalities.

For all its prospects and promises, ASD remains a complex and controversial strategy in the eyes of many municipal administrators, and they are consequently approaching ASDs with caution. Most participants at these IPAC-TGN events were unsure as to whether this is the way the public wants to go and at what price. Almost all participants agreed that citizen demands for better infrastructures are placing pressures on municipal budgets. The top-level concerns were those of road maintenance/snow removal, public transit and drinking-water treatment. For most participants, finding internal efficiencies has become critical for freeing municipalities to invest more heavily in infrastructure.

There was no doubt that staffs in municipalities are keen to re-examine their services. Many of them have experimented with program reviews, and some examples have been brought to light in this report.

It also emerged that inadequate capacity to liaise with other governments, and, to a certain degree, with the private sector, impeded ASD arrangements. Enabling legislation, accountability, public opinion, collective agreements, and costs did not seem to be insurmountable concerns. Rather, it has become clear that there is a thirst to discuss ASD partnerships more widely and that the notion of "alternative service delivery" has to be recast to include a wider range of innovations. The guidelines below reflect this widely held belief

In collecting view from across the country, the Institute of Public Administration of Canada and The Governance Network have been able to summarize their research and discussions to arrive at a consensus viewpoint:

Guidelines

General Principles
1. Municipal alternative service delivery (ASD) involves the improvement of service delivery or infrastructure through the creation of new organizational arrangements.
2. The goal of such arrangements is to enhance the citizen's service experience, eliminate inefficiencies, and render to the public greater value for money.
3. The following principles should guide discussions about how to improve municipal ASD: accountability, transparency, efficiency and effectiveness, responsiveness, forward vision, rule of law.

Capacity

4. Assess the municipality's desire for change. For example, determine whether the mayor and council are willing to consider organizational service-improvement options such as in-house bidding, creation of arm's-length entities, and partnering with NGOs, voluntary sector and private business.
5. Assess the municipality's capacity to plan and negotiate results-based improved service delivery. Council's confidence in the public administration's ability to deliver substantive and procedural results is vital, and it is unlikely to consider options if it is not confident that the program's objectives meet citizen needs.
6. Assess in-house expertise in project management, working with partners and handling emergency situations. You cannot rely on the service-delivery partner for everything, and you will need to manage the relationships. You, and ultimately your mayor and council, are accountable to the public for results.
7. Assess your own organizational culture. Internal cultures that favour collaboration and continuous service improvement are essential.

Choosing Options/Implementing Strategies

8. Develop long-range objectives related to improving service delivery for the municipality: it is important to know what your goals are.
9. Know the specific drivers in your municipality for new organizational options. Examples could include saving money, improving facilities, meeting citizen demands, meeting provincial legislative requirements, managing amalgamation.
10. Develop a regular process for reviewing identified services. The review should include service standard benchmarking and a determination of the cost of providing services. Use the process of consultation to determine which services should be considered for ASD approaches. Include management, auditors, staff, unions, outside experts, and members of municipal council on the review committee.
11. Analyse a wide range of collaborative and delegated options for each identified service to determine which one – if any – meets the needs of the program. Examples include special operating agencies, hybrid arrangements, where the provision of services is shared between government and NGOs, and partnerships with other governments and sectors. Assess each one against the program's objectives and identified benchmarks. Approach the challenge with an open mind: remember that a one-size-fits-all approach does not work. Ensure that your process of selection is transparent and aims at clear objectives. Consult peers in other jurisdictions.
12. Ensure that the organizational option responds to the drivers of citizen satisfaction for public service: timely service and knowledgeable staff who go the "extra mile," offer an extra smile, provide fair treatment and deliver the required product.
13. Consider available technological solutions. Remember that citizens expect to have a choice when getting service and that implementing technological solutions does not necessarily mean that you can close down an over-the-counter service.
14. When delegating to a service provider or forming a partnership, make sure that all parties understand their responsibilities, accountabilities, performance measures and reporting requirements. Build in procedures for periodic review and for dispute resolution. Contracts should be public.
15. Take careful stock of liability issues.

Managing the Arrangement

16. Focus on relationship-building. Understand differences in organizational culture and learn to mediate them.

17. Ensure that staff is comfortable translating between the accountabilities of the public sector and the market imperatives of partners such as NGOs and the private sector.

18. Monitor the performance of a partner or a delegated service provider on a systematic basis. Contract enforcement is critical and cannot be left to chance. Ensure that evaluations are done by a review committee composed of management, auditors, staff, unions, outside experts, and members of municipal council. Reward success and punish poor performance.

19. Don't expect to save money in the short term.

NOTES

1   [n.a.], "Policy on Alternative Service Delivery [2002]," *Treasury Board of Canada Secretariat* [web site] ([Ottawa]: [Public Works and Government Services], [2004]), at http://www.tbs-sct.gc.ca/Pubs_pol/opepubs/TB_B4asd-dmps1_e.asp#_Toc853881.

2   Thomas Friedman, *The Lexus and the Olive Tree* (New York: Farrar, Straus, Giroux, 2000), pp. 134—35.

3   John Buntin, "Murder mystery," *Governing* 15, no. 9 (June 2002), p. 22.

4   Compare, for example, Jeffery D. Greene, *Cities and Privatization: Prospects for the New Century* (Upper Saddle River, N.J.: Pearson Education, 2002), in which "privatization" is treated as a catch-all to cover pretty much everything, and Adrian Moore and Wade Hudson, "The Evolution of Privatization Practices and Strategies," in Robin A. Johnson and Norman Walzer, eds., *Local Government Innovation: Issues and Trends in Privatization and Managed Competition* (Westport, Conn.: Quorum, 2000), pp. 17—36, who provide a finely grained lexicon.

5   There was a spate of Canadian literature in the mid-1990s on ASD: Michael Skelly, *Alternative Service Delivery in Canadian Municipalities* (Toronto: Intergovernmental Committee on Urban and Regional Research, 1996); *Best Practice Guidelines: Initiating Contracts and Contracting with the Private Sector* (Toronto: Canadian Council for Public-Private Partnerships, 1996); Glenna Carr, *New Directions in Municipal Services: Competitive Contracting and Alternative Service Delivery in North American Municipalities* (Toronto: Intergovernmental Committee on Urban and Regional Research, 1997); Robin Ford and David Zussman, eds., *Alternative Service Delivery: Sharing Governance in Canada* (Toronto: Institute of Public Administration of Canada and KPMG, 1997).

6   Tom Arrandale, "Working on watersheds," *Governing* 15, no. 3 (December 2001), pp. 50—4.

7   Diane Kittower, "Playmakers team up," *Governing* 14, no. 8 (May 2001), p. 90. See also Diane Kittower, "Stepping up to performance measures," *Governing* 12, no. 9 *(*June 1999), pp. 46—51;

8   Kittower, "Playmakers team up," *Governing*, p. 89.

9   Malcolm Morley, "Managing PPPs and risk," *Municipal World* 113, no. 3 (March 2003), p. 11.

10   John Hood and Neil McGarvey, "Managing risks of public-private partnerships in Scottish local government," *Policy Studies* 23, no. 1 (March 2002), pp. 21—35.

11   Damian Grimshaw et al., "Going privately: Partnership and outsourcing in UK public services," *Public Administration* 80, no. 3 (Autumn 2002), pp. 475—502.

12   Damian Grimshaw et al., "New control modes and emergent organizational forms: Private-public contracting in public administration," *Administration Theory & Praxis* 23, no. 3 (2001), p. 424.

13   Ibid., p. 426.

14   James C. McDavid, "Solid-waste contracting-out, competition, and bidding practices among Canadian local government," *Canadian Public Administration* 44, no. 1 (Spring 2001), p. 20.

15 David Adams and Michael Hess, "Alternatives to competitive tendering and privatization," *Australian Journal of Public Administration* 59, no. 1 (March 2000), p. 57.

16 Pauline Vaillancourt Rosenau, ed., *Public-Private Policy Partnerships* (Cambridge, Mass.: MIT Press, 2000), p. 221.

17 It also might be noted that, in addition to the Australian and British cases, there is also a literature on the use of ASD in developing countries. See A. Krishna, "Partnerships between local governments and community-based organizations: Exploring the scope of synergy," *Public Administration and Development* 23, no. 4 (October 2003), pp. 361—71; Frederick Golooba-Mutebi, "Devolution and outsourcing of municipal services in Kampala City, Uganda," *Public Administration and Development* 23, no. 5 (December 2003), pp. 405—18; Jennifer M. Brinkerhoff, "Government-nonprofit partnership: A defining framework," *Public Administration and Development* 22, no. 1 (February 2002), pp. 19—30; Raymond J. Struyk, "Nonprofit organizations as contracted local service providers in Eastern Europe and the Commonwealth of Independent States," *Public Administration and Development* 22, no. 5 (December 2002), pp. 429—37; and Trevor L. Brown, "Contracting out by local governments in transitioning nations: The role of technical assistance," *Administration and Society* 32, no. 6 (January 2001), pp. 728—55.

18 Adams and Hess, "Alternatives to competitive tendering and privatization," *Australian Journal of Public Administration*, pp. 52—3.

19 Kevin Lavery, *Smart Contracting for Local Government Services: Processes and Experience* (Westport, Conn: Praeger, 1999).

20 Ibid., pp. 182—84.

21 Ibid.

22 Morley, "Managing PPPs and risk," *Municipal World*.

23 Christi Clark et al., "Impact of Privatization and Managed Competition on Public Employees," in Johnson and Walzer, *Local Government Innovation*, pp. 191—210.

24 Christopher Swope, "The living-wage wars," *Governing* 12, no. 3 (December 1998), pp. 23—5.

25 Clark et al., "Impact of Privatization and Managed Competition on Public Employees," in Johnson and Walzer, *Local Government Innovation*.

26 Ibid., pp. 203—205.

27 Ibid. and Stephen Moore, "How Contracting Out City Services Impacts Public Employees," in Paul Seidenstat, ed., *Contracting Out Government Services* (Westport, Conn: Praeger, 1999), pp. 211—18. However, these observations might be qualified by the finding that even if workers don't suffer so much financially in privatization, the organizational structure may suffer in ways that have long-term impacts on employees. See David Gowland and Max Aiken, "Privatization – A history and survey of changes in organization structures, cultural and environmental profiles," *Australian Journal of Public Administration* 62, no. 1 (March 2003), pp. 43—56.

28 Margaret M. "Peg" Swanton, "Impacts of Social Mandates in Contracting," in Johnson and Walzer, *Local Government Innovation*, pp. 141—66.

29 Robin A. Johnson and Norman Walzer, "Privatization and Managed Competition: Management Fad or Long-term Systematic Change for Cities," in Ibid, pp. 169—90.

30 Moore and Hudson, "The Evolution of Privatization Practices and Strategies," in Ibid., p. 20.

31 Robert Agranoff and Michael McGuire, *Collaborative Public Management: New Strategies for Local Government* (Washington, D.C.: Georgetown University Press, 2003), pp. 6—8.

32 Ibid., p. 23.

33 Ibid.

34 Ibid., Chapter. 3. Of interest to researchers, though not elaborated here, the authors also explore the historical managerial theories, of which each of these models is a legacy.

35 Ibid., Chapter 4.

36 Again, they go into these matters in much more depth than we are able to here. See Chapter. 8.

37 Ibid., p. 180.

38 Phillip J. Cooper, *Governing by Contract: Challenges and Opportunities* (Washington, D.C.: CQ Press, 2003).

39 Moore and Hudson, "The Evolution of Privatization Practices and Strategies, in Johnson and Walzer, *Local Government Innovation*, p. 22.

40 In this regard, see also Mark Sproule-Jones, "Horizontal management: Implementing programs across interdependent organizations," *Canadian Public Administration* 43, no. 1 (Spring 2000), pp. 93—109.

41 Moore and Hudson, "The Evolution of Privatization Practices and Strategies, in Johnson and Walzer, *Local Government Innovation*, p. 29.

42 Gilles Paquet, "Alternative Service Delivery: Transforming the Practices of Government," in Ford and Zussman, *Alternative Service Delivery*, pp. 31—52, and his *Governance Through Social Learning* (Ottawa: University of Ottawa Press, 1999).

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