

Chapter 11

Privatization

Contents

Background	137
Scope	137
Results in brief	138
Analysis	138
Future work	139

Privatization

Background

11.1 The Province's policy manual defines Privatization as "the transfer of service delivery from the public sector to the private sector." Privatization can take many forms. It can apply to a small operation like driver testing or a large operation such as building and maintaining a school. The most common form of privatization is referred to as "outsourcing" where private providers contract to provide services that the government is currently providing. Another form of privatization would be a long term lease or the outright sale of an asset. The outright sale of an asset usually means that the government is letting private enterprise provide the service.

11.2 In July of 1994 government adopted a policy referred to as the Privatization Policy. The government attached special significance to this area by requesting that monthly status reports on privatization and public-private partnerships be prepared. In January 1996 the original Privatization Policy was amended and included in the Province's Administration Manuals.

11.3 Exhibit 11.1 provides a summary of the privatization projects and public-private partnerships taken from the monthly Privatization Status Reports from May 1993 to August 1996. These reports are prepared by the Department of Finance from information supplied by departments.

Scope

11.4 The objective of our work for this year was to review the government's process for privatization to ensure that the appropriate guidance was given to the departments to enable them to identify potential candidates for privatization.

11.5 We reviewed the original Privatization Policy issued in 1994 and the monthly privatization status reports. We also interviewed staff from the following departments:

- Supply and Services
- Agriculture and Rural Development
- Education
- Natural Resources and Energy
- Environment
- Transportation
- Solicitor General
- Advanced Education and Labour
- Health and Community Services.

11.6 We also reviewed the new Privatization Policy released in January, 1996.

Results in brief

11.7 **In our opinion, at the time of our review, Departments had not been required to take a systematic approach to identify good privatization initiatives. Therefore the methods and the effectiveness of the identification process vary among departments.**

Analysis

11.8 **There should be an effective process in place to identify areas for privatization.**

11.9 The results of our interviews with departments relating to this criterion are summarized under the five questions we posed to departments. The questions asked and responses from the departments were as follows:

a) What process is used to identify privatization initiatives?

- two departments indicated identification came only from unsolicited proposals;
- one department indicated identification came from an ongoing review of operations;
- four departments indicated identification came from senior management; and
- two departments indicated identification came from a combination of unsolicited proposals and senior management identification.

b) Who has responsibility to develop privatization initiatives in your department?

- one department indicated an ad hoc committee was formed to develop them;
- three departments indicated all senior managers were responsible;
- one department indicated responsibility was split between senior managers and their planning section;
- three departments indicated a senior management committee was formed to develop the initiative; and
- one department indicated that the responsibility varied depending on the initiative.

c) How many privatization proposals have you advanced in the last two years?

- five departments indicated they had one to three proposals;
- three departments indicated they had four to six proposals; and
- one replied they had seven to ten proposals.

d) Does the Privatization Policy issued by the government in July, 1994 help with your privatization initiatives? (Note: This

policy was revised and improvements made after these interviews.)

- one indicated it was very helpful;
- four indicated it was somewhat helpful; and
- four indicated it was not helpful.

e) What incentive is there for your department to pursue privatization initiatives?

- one department indicated that the incentive was to contribute to departmental objectives;
- three indicated the incentive was to save money;
- three indicated it was to improve service and save money; and
- two indicated there were no incentives.

11.10 Development of initiatives is largely identified through the budgeting process or suggestions from outside the department not through a rigorous internal review. Major initiatives such as the Moncton North School and the Miramichi Young Offenders Facility appear to be driven at least in part by the government's freeze on capital spending.

11.11 Recently the government has undertaken a review of departmental operations. The review is referred to as the "Quality Service Initiative". Departments were given a framework in which to rethink their operations. One of the guiding principles of this initiative is to ensure that "public policy objectives will be achieved through the most efficient and effective mix of public, private, and non-profit sector involvement". However in our interviews, only two departments mentioned that the Quality Service Initiative played any part in the development of new privatization projects. So far no direct linkage to the privatization initiative has been established.

11.12 Our conclusion is that, at the time of our review, Departments had not been required to take a systematic approach to identify good privatization initiatives. Therefore the methods and the effectiveness of the identification process vary among departments.

Future work

11.13 This is an important initiative of Government. We will maintain the privatization chapter and select one or more projects for examination for the next few years if warranted.

11.14 The new Privatization Policy guidelines are very extensive. The guidelines are split into four policies totalling 53 pages. Under the policies, the Board of Management (BOM) may authorize the preparation of a detailed privatization plan. Part A of the plan asks for documentation of the:

- Background

- Stakeholder Analysis
- Current Employee Status
- Commercial and Financial Evaluation
- Economic Development Impact
- Social Policy, Environmental Impact
- Policy Review Standards and Practices
- Contractual and Legal Review
- Conclusions/Recommended Course of Action, and
- Communications Strategy.

11.15 Part B of the detailed plan deals with evaluation of proposals. The required documentation is similar to Part A with two additional requirements, as follows:

- Recommended Approach to Implementation, and
- Monitoring and Evaluation.

11.16 An important aspect of any initiative is a post evaluation of it to see if planned results have in fact been achieved and what lessons can be learned from its successes or failures. The monitoring and evaluation required under Part B of the detailed plan addresses this area. We want to ensure success measures have been established for the initiative, if the initiative has been objectively evaluated against these measures and whether the results of this evaluation is adequately communicated to decision makers.

11.17 Medicare Administration and the Data Centre privatization initiative appear to be good candidates for review in the coming years.

Exhibit 11.1

*Privatization and Public-Private Partnership Projects
Summarization of Status Reports*

	Completed Project	Description
<p>Advanced Education and Labour</p> <p>- Projects completed 3</p> <p>- Projects in process 6</p> <p>- Projects deemed unsuitable 5</p>	<p>Community Academic Services Program-CASPs</p> <p>Language Training Services</p> <p>Private Sector Training</p>	<p>Literacy training through Literacy New Brunswick, Inc</p> <p>Privatization of language training for government employees. Contract has been signed with Memramcook Institute effective July 1, 1995.</p> <p>A corporation was set up in order to promote and market N.B. training outside the Province. Effective July, 1994.</p>
<p>Agriculture and Rural Development</p> <p>- Projects completed 1</p> <p>- Projects in process 2</p> <p>- Projects deemed unsuitable 3</p>	<p>Engineering Services</p>	<p>A proposal was approved by the BOM on Nov. 25/93 whereby common user fees for Engineering Services in the Maritime provinces will be established effective April 1, 1994.</p>
<p>Communications New Brunswick</p> <p>- Projects completed 0</p> <p>- Projects in process 0</p> <p>- Projects deemed unsuitable 1</p>		
<p>Economic Development and Tourism</p> <p>- Projects completed 1</p> <p>- Projects in process 2</p> <p>- Projects deemed unsuitable 0</p>	<p>Tourism Toll Free Line</p>	<p>Toll free tourism information call centre began April, 96.</p>

		Completed Project	Description
Education			
- Projects completed	1	Moncton North School (Evergreen Park School)	Greenarm Corporation of Fredericton and the Minister of Supply and Services have executed a development agreement for the construction and operation of the Evergreen Park School in Moncton. The school opened in August 1996 with the beginning of the school year.
- Projects in process	0		
- Projects deemed unsuitable	2		
Environment			
- Projects completed	0		
- Projects in process	0		
- Projects deemed unsuitable	0		
Finance			
- Projects completed	0		
- Projects in process	2		
- Projects deemed unsuitable	0		
Fisheries and Aquaculture			
- Projects completed	1	Bas Caraquet Marine Haulout	Cabinet approved on June 13 1996 the privatization of the Bas Caraquet Marine Haulout to the current operator.
- Projects in process	0		
- Projects deemed unsuitable	2		
Health and Community Services			
- Project completed	1	Adoption and Post Adoptive Disclosure Services	Policy and Priorities Committee approved, on October 12, 1994, the drafting of amendments to the Family Services Act which would permit the establishment of private, non-profit agencies to be involved in assessments of adoptive applications, the provision of pre-decision counselling to birth parents and the release of post adoption information.
- Projects in process	3		
- Projects deemed unsuitable	0		

	Completed Project	Description
Human Resources Development - Projects completed 0 - Projects in process 1 - Projects deemed unsuitable 0		
Justice - Projects completed 2 - Projects in process 1 * - Projects deemed unsuitable 1 * Project with Solicitor General	Corporate Name Search (NUANS) Transcript of Court Documents	Effective December 1, 1996 all requests for NUANS reports will be referred to the private sector. Decision has been made by senior management to privatize transcripts for civil matters.
Mental Health Commission - Projects completed 0 - Projects in process 1 - Projects deemed unsuitable 0		
Municipalities, Culture and Housing - Projects completed 1 - Projects in process 1 - Projects deemed unsuitable 2	Appraisal Services	The department's one appraiser has been terminated and the function transferred to the private sector. Commenced May, 1993.
Natural Resources and Energy - Projects completed 3	Various Parks Moose Draw	Now being encompassed as part of the departmental Service Quality Initiative and program review. Park Policy is being worked on and should be ready early in the new calendar year. Phone lines used for Moose Draw registration.

	Completed Project	Description
Natural Resources and Energy - continued - Projects in process 4 - Projects deemed unsuitable 4	Fish Summary	Data of interest to fishermen such as regulations, maps etc. are supplied by the private sector.
New Brunswick Liquor Corporation - Projects completed 1 - Projects in process 0 - Projects deemed unsuitable 0	Retail Outlets	On May 18/94, the BOM approved the Corporation's Strategic Plan to further rationalize its network of retail outlets in conjunction with its agency program.
Regional Development Corporation - Projects completed 0 - Projects in process 0 - Projects deemed unsuitable 0		
Solicitor General - Projects completed 3 - Projects in process 2 - Projects deemed unsuitable 1	Community Residential Centre Miramichi Youth Centre Food Service - Correctional Services	The BOM has given approval for the John Howard Society to begin the management of a facility in Fredericton January 10, 1994. In August 96, a development agreement was entered into with Wackenhut Corrections to design, build, maintain, finance, own and leaseback the Youth Centre in Miramichi City. Site preparation has commenced with occupancy scheduled for January, 1998. A pilot project whereby the Federal Westmorland Institute delivers meals to the Dorchester facility began June 1994.

		Completed Project	Description
Supply and Services			
- Projects completed	8	Energy Efficiency Management	An Expression of Interest was received from the private sector to submit a proposal for the privatization of this function. On Dec. 15/93, the BOM approved in principle the establishment of an Energy Efficiency Fund to self-finance energy efficiency projects in provincial buildings, hospitals and schools.
		Information Technology (Data Centre)	The BOM and Cabinet approved the outsourcing of the Data Centre in late April to Unisys and Datacor. Final contractual documents have been signed with only a few transitional details to be worked out. Commenced May, 1995.
		Micro Graphics Reproduction-Data Centre	Incorporated into the Data Centre privatization project. July 93.
		Consulting Services	Legislation governing selection of consultants enacted in 1993.
		Postal Services	On March 26, 1996, DSS signed a contract with Canada Post for the processing of large government mail-outs. DSS is prepared to transfer responsibility for these mailings whenever Canada Post can start.
		Printing Services/Printing and Copying Services	An implementation plan for privatization on a phased out basis within three years was approved by the Board of Management on January 15, 1995.
		Printing Services/Forms Automation	This is being phased in as contracts run out.
		Software Development and Maintenance	This is ongoing as projects are completed.
- Projects in process	1		
- Projects deemed unsuitable	3		

		Completed Project	Description
Transportation			
- Projects completed	4	Snow Control	Some snow control activities have been tendered to the private sector and more will be done this winter. The Department is encouraging those municipalities for which the Department currently carries out snow control activities to use the private sector instead. July, 1993.
		Seeding	Seeding of areas around road construction sites has been contracted out since July of 1993
		Striping	Painting of lines on roads has been contracted out since July of 1993.
		Whitehead Ferry	Coastal Transportation began operation of the ferry October 1, 1995.
- Projects in process	1		
- Projects deemed unsuitable	6		
Total Projects Completed		30	
Total Projects in Process		26	
Total Projects deemed unsuitable		30	
Total Projects		86	