

# **Final Report**

**2008-604**

## **Evaluation of the Canadian General Standards Board**

**Office of Audit and Evaluation**

**November 19, 2009**





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## **MAIN POINTS**

### **What we examined**

- i. The Canadian General Standards Board (the CGSB or the Program) operates under the responsibility of the Services and Specialized Acquisitions Management Sector of the Acquisitions Branch in the Department of Public Works and Government Services Canada (PWGSC).
- ii. The mandate of the CGSB is to provide registration, certification, standards development and related services in support of economic, regulatory, procurement, health, safety and environmental interests.
- iii. The CGSB is funded through a combination of cost-recovery practices (approximately 75% of total budget) and A-base (approximately 25% of total budget). The A-base provides funding for services that are provided to PWGSC. All other government departments and agencies, as well as private organizations, using CGSB services pay according to rates set by the Program. In 2007-2008, the reported revenues for the CGSB were \$2.8M and the Program received \$0.9M in A-base funding. Reported expenditures were \$3.7M. Composed of approximately 45 indeterminate staff, the CGSB also relies on a network of approximately 4,000 volunteers who sit on various standards development and technical advisory committees.

### **Why it is important**

- iv. The federal government has been involved in standards development for over 70 years. Today, the CGSB is the only federal standards development organization accredited by the Standards Council of Canada. The Program provides standards-related services to government and private sector clients including registration, certification of products/services and certification of personnel. The CGSB is a unique centre of expertise within the Government of Canada on standards development and standards-related matters.

### **What we found**

- v. There is strong federal support for one of CGSB's services. The certification program for the procurement and materiel management community is well supported by federal policy and aligns closely with government priorities. However, for other CGSB services, the support is not as strong. Even though PWGSC is mandated under the *DPWGS Act* to provide standards services to federal government departments and agencies, and the CGSB has the authority to provide these services to departments, other levels of government and the private sector, the CGSB is still considered an optional service under the Treasury Board's *Common Services Policy*. This means that the CGSB is required to offer standards services, but that departments and agencies can access the CGSB or any other service provider operating within the National Standards System in order to meet their needs. Other government departments (in the regulatory context) and PWGSC (in the context of materiel management) are encouraged to use standardization tools but are not actually required to do so.

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vi. *Performance (Success)*. The CGSB offers a quality service to its clients and clients indicate they are generally satisfied with the service they are receiving. PWGSC's Acquisitions Branch also benefits from an abundance of standards developed for the Branch through A-base funding.

vii. The CGSB is improving its efficiency and is offering more services at a lower cost. However, some services are better cost-recovered than others. The revenue from some services is being used to supplement other services. Clients of some services are being charged more than the cost of the service, thereby supporting other services.

viii. The CGSB should be covering the full costs of the Program with a combination of both A-base funding and revenues. There are substantial differences between the CGSB's reported expenditures and the full costs of the Program as determined by an independent review of actual full Program costs. As previously mentioned, CGSB's reported expenditures for 2007-2008 totaled \$3.7M. The actual full costs of the CGSB for 2007-2008 were approximately \$5M. Therefore, the costs not covered by A-base or by revenues were approximately \$1.3M. Currently, the only service consistently recovering full costs is the certification of personnel.

ix. The bulk of CGSB revenues come from service fees. The average rate charged by the CGSB is considerably lower than the average rate charged by other service providers. The CGSB is not basing its pricing on current market price or on a full cost-recovery model. To recover full costs, the CGSB would have to increase its revenues by up to 50%.

x. For 2007-2008, the value of services rendered to PWGSC's Acquisitions Branch (worth \$1.04M) exceeds the A-base budget provided to the CGSB to perform these services (\$922K). In other words, if PWGSC's Acquisitions Branch were to purchase these services from the private/not-for-profit sector, the costs to the Branch would likely increase. Nevertheless, these savings (\$118K) are relatively small when compared to the current \$1.3M costs of the Program that are not being covered by A-base funding or revenue.

## **Management Response**

The Acquisitions Branch accepts the evaluation findings and intends to act on the recommendations of the evaluation by implementing their Management Action Plan detailed as follows.

## **Recommendations and Management Action Plan**

Based on the key findings and conclusions contained in this report, the Office of Audit and Evaluation recommends that the Assistant Deputy Minister, Acquisitions Branch:

**Recommendation 1:** Ensures that the CGSB modifies its funding model so that it is fully cost-recovered.

**Management Action Plan 1.1:** In-depth analysis of funding model. CGSB management has conducted an in-depth analysis of the funding model based on the potential billable hours of all three divisions of the CGSB. The billable hour baseline data used was that of fiscal year 2008–2009. As each division of the CGSB is significantly different in the service delivered, a blended rate taking all three divisions into account was ruled out.

That is, each division was analysed based on their unique service provided to their particular clientele and a daily rate was established for each.

OPI/OSI<sup>1</sup>: Assistant Deputy Minister, Acquisitions Branch/Chief Financial Officer  
Implementation date: April 1, 2009

**Management Action Plan 1.2:** Increase CGSB daily rate. Following completion of the analysis of its funding model, CGSB officially increased its daily rate in order to fully cost-recover all their expenses for services provided to clients outside Acquisitions Branch. Official notices had to be sent to clients as per contractual obligations (60 days written notice).

OPI: CGSB  
Implementation date: June 2009

**Management Action Plan 1.3:** Minimize operational expenses. Analysis of detailed operational expenses was undertaken in order to identify areas where expenses could be decreased. The following areas will be looked at for potential cost reductions: Programs & Systems (eliminating IT charges for obsolete programs), Professional Services (maximizing in-house auditing services to decrease professional charges), payroll (sharing internal resources between divisions).

OPI/OSI: CGSB/Chief Financial Officer  
Implementation date: In progress. April 1, 2010.

**Management Action Plan 1.4:** Funding for services to the Acquisitions Branch. In order to fully cost-recover all expenses for services provided to clients outside the Acquisitions Branch, CGSB has to ensure that all services delivered to our clients are funded. For 2009-2010, CGSB is to obtain an allocation from the Acquisitions Branch in order to fund all the services delivered to the Acquisitions Branch (\$1.6 million). For 2010-2011, an official memorandum of understanding is to be signed between CGSB and the Acquisitions Branch to fund all services provided to the Acquisitions Branch.

OPI: CGSB  
Implementation date: For allocation, fiscal year 2009-2010, October 2009; for signed memorandum of understanding, fiscal year 2010-2011, April 1, 2010

**Management Action Plan 1.5:** Final costing model for Drinking Water Program. The current costing model under the new Drinking Water Program has been established based on data from pilot projects. Actuals are to be accumulated and costing model developed in order to ensure a full cost-recovery model for this program. Invoicing for services delivered to client is to be initiated in October 2009 towards reaching revenue projections.

OPI: CGSB

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<sup>1</sup> OPI/OSI: Office of Primary Interest/Office of Secondary Interest

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Implementation date: October 2009

**Management Action Plan 1.6:** Monthly Financial Analysis. Each division manager and the CGSB Director are to complete a monthly financial analysis in order to review actual revenue and expenses against annual projections. This exercise is required in order to identify potential issues and related solutions in order to ensure full program cost recovery.

OPI/OSI: CGSB/Chief Financial Officer  
Implementation date: Ongoing

**Management Action Plan 1.7:** Minimize Outstanding payments. A detailed collection process is to be fully implemented in order to minimize outstanding payments and maximize collection prior to fiscal year end. However, given that clients have a 30-day grace period in which to settle their accounts, there is always an overlap from one fiscal year to the next.

OPI: CGSB  
Implementation date: October 2009

**Management Action Plan 1.8:** Business volume. Close monitoring of business volume fluctuation is to be maintained in order to adjust the operational model accordingly. Impact of recent fee increase is to be measured in order to identify potential losses that could affect the annual revenue projections.

OPI: CGSB  
Implementation date: Ongoing

**Recommendation 2:** Develops a strategic plan that is supported by a risk assessment.

**Management Action Plan 2.1:** A three-year strategic plan is under development for 2009-2012. The strategic plan will incorporate a risk assessment and will be aligned with the Branch Strategic Plan for the same period.

OPI/OSI: Assistant Deputy Minister, Acquisitions Branch/Corporate Services, Policy and Communications Branch  
Implementation date: Winter 2009-2010

**Management Action Plan 2.2:** Gather information. In preparation for the revised strategic plan, gather information from various sources; standardization environment/documents, PWGSC strategic plan, Branch strategic plan, Branch Business Plan, other countries, analysis of plans and priorities, review of Speech from the Throne (last three consecutive years), align with Program Activity Architecture (PAA).

OPI: CGSB  
Implementation date: October 2009



**Management Action Plan 2.3:** Management draft. CGSB management team is to identify key goals and objectives to be incorporated within the three-year strategic plan.

OPI/OSI: CGSB/Policy, Risk, Integrity and Strategic Management Sector (Acquisitions Branch)

Implementation date: October 2009

**Management Action Plan 2.4:** Support from the Policy, Risk, Integrity and Strategic Management Sector. CGSB to seek support from the Policy, Risk, Integrity and Strategic Management Sector in the development of our strategic plan.

OPI/OSI: n/a

Implementation date: October 2009

**Management Action Plan 2.5:** Seek employee's input. A "Visioning Session" is to be scheduled with all employees in order to present the draft strategic plan and seek their input.

OPI: CGSB

Implementation date: November 2009

**Management Action Plan 2.6:** Risk Assessment. Develop risk assessment for CGSB operations. Ensure Legal Services are involved in the process.

OPI: CGSB

Implementation date: November 2009

**Management Action Plan 2.7:** Final Strategic Plan. Completion of three-year strategic plan, including risk assessment.

OPI: CGSB

Implementation date: Winter 2009-2010

**Recommendation 3:** Ensures that the results of the evaluation along with the changes to the funding model and new strategic plan are taken into consideration in the strategic review of PWGSC.

**Management Action Plan 3.1:** The methodology for the strategic review of PWGSC is beyond the scope of the Acquisition Branch's sole decision-making mandate. However, as CGSB is one program line within the Acquisitions Branch, it should be examined in the context of any such review, as would other program deliverables.

OPI/OSI: Assistant Deputy Minister, Acquisitions Branch/Corporate Services, Policy and Communications Branch

Implementation date: Fiscal year 2010-2011

## **INTRODUCTION**

1. This report presents the results of the evaluation of the Canadian General Standards Board (CGSB). The Audit and Evaluation Committee of Public Works and Government Services Canada (PWGSC) approved this evaluation as part of the 2008-2011 Risk-Based Multi-Year Audit and Evaluation Plan.

## **PROFILE**

### **The Standards Environment**

2. The emergence of voluntary standards (standards) in Canada has had a significant impact on the economy of the country. The development of, and compliance to, standards requires the cooperation of industry sectors as well as coordinating bodies. Standards outline requirements or guidelines for products, organizational systems, processes or persons. Standards are developed in committees of stakeholders, through a consensus building process. Standards may define performance levels for products, safety requirements or address social interests. Once a standard is available, stakeholders can choose to certify or test their product, organizational system, process or person to that standard. Certified items are included on registration lists, which are made available to the public.
3. Registration, certification and standards development activities facilitate trade and exchange by ensuring a certain level of consistency and predictability across a range of suppliers and producers. The benefits of standardization processes include: reduction of risk and harm to consumers, reduction of research and development costs for organizations involved in the standards development process as well as for standard users, improved access to global markets and ease of trade. A World Trade Organization report cites a notable study conducted by Moenius (1999) entitled *Information versus product adaptation: the role of standards in trade*, which examines the benefits of standards. The study found that the amount of trade between two countries was directly proportional to the amount of standards the two countries shared<sup>2</sup>.
4. The CGSB is the only standards development organization in the Government of Canada. The CGSB operates in a complex national and international standards system that is overseen, in Canada, by the Standards Council of Canada (a Crown corporation) and, internationally, by the International Organization for Standardization (also known by the acronym ISO). The Standards Council of Canada accredits service providers in the National Standards System. The National Standards system is the network of organizations and individuals involved in voluntary standards development, promotion and implementation in Canada. It consists of more than 350 organizations and 15,000 volunteers. In addition to the

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<sup>2</sup> World Trade Organization. *World Trade Report 2008*. Economic Research and Statistics Division. 2008.

CGSB, the Standards Council of Canada accredits three other standards development bodies: le Bureau de normalisation du Québec (Quebec provincial government); the Canadian Standards Association (non-profit organization); and Underwriters Laboratories of Canada (non-profit organization). In addition to the CGSB, the Standards Council of Canada or other accreditation bodies accredit a number of organizations. These accredited organizations are mostly for-profit, private sector bodies.

## **Background**

5. Established in 1934, the CGSB has a long history of involvement in the National Standards System. Originally established under the *National Research Council Act* as the Canadian Government Purchasing Standards Committee, the CGSB's roots were in the development of standards and specifications for the federal government. Transferred to the Department of Defense Production (the predecessor of the Department of Supply and Services) in 1965, the CGSB soon expanded its activities to include certification and registration services to federal government clients. In the early 1970s, the CGSB was largely involved in developing standards and specifications, as well as testing and certifying the quality of products and services for the federal government. Due to a combination of the closure of Public Works Laboratories in 1977 and growing interest from the private sector in federally-tested, -certified and -registered products, the CGSB expanded its certification and registration services to make them available to the public. Currently, the CGSB provides registration, certification and standards development services to PWGSC, other federal government departments and agencies, provincial governments and private sector clients.
6. The mandate of the CGSB is to provide registration, certification, standards development and related services in support of economic, regulatory, procurement, health, safety and environmental interests.
7. Exhibit 1 provides a profile of CGSB services:

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**Exhibit 1. CGSB Service Profile**

<b>Service Type</b>	<b>Registration Services</b>	<b>Certification of Products/Services</b>	<b>Certification of Personnel</b>	<b>Standards Development</b>
<b>Main Clients</b>	Private sector  (approximately 95% of total volume of work)	Private sector (approximately 90% of total volume of work)	Treasury Board Secretariat (only client)	Government of Canada (90% of total volume of work)
<b>Accredited by the Standards Council of Canada</b>	Yes	Yes	No	Yes
<b>2007-2008 Reported Revenues (in 1,000s)</b>	\$882	\$751	\$270	\$875 (\$188 from the sale of standards; \$687 from the development of standards)
<b>2007-2008 Reported Expenditures (in 1,000s)</b>	\$1,065	\$579	\$166	\$1,473 (\$269 for the sale of standards; \$1,205 for the development of standards)
<b>Services</b>	Registration of management systems to the following: ISO 9001, ISO 14001, OHSAS, HACCP (Ontario and Alberta), Municipal Drinking Water Licensing Program (Ontario).	Certification of the following products/services: paints, office furniture, medical gloves, remanufactured toner cartridges, carpet and underlay, dockside monitoring, security guard training, polyethylene vapour barriers, breather type sheathing membrane, laboratory acceptance program and Canadian air transport security screening contractors.	Administration of the Certification Program for the Federal Government Procurement and Materiel Management Community.	Development and maintenance of standards and/or specifications in these key areas: building and construction, office equipment and supplies, communications and information technology, food, Government of Canada forms, health care technology, paints, paper and paper products, personnel qualifications and competencies, protective clothing, textiles, transportation fuels and transportation of dangerous goods.
<b>Other Service Providers</b>	Canadian and international private sector bodies.  Other accredited registration organizations.	Canadian and international private sector bodies.  Other accredited certification organizations.	No other service providers offer this certification.	Other accredited standards development organizations.

## **Authorities**

8. The CGSB operates under the following authorities:
  - *Department of Public Works and Government Services Act* (1996)
  - Order in Council 1998-0657 (1998)
  - *National Flag of Canada Manufacturing Standards Act* (1985)
9. *Department of Public Works and Government Services Act*: Section 7.1.c says, “In exercising the powers or performing the duties or functions assigned to the Minister under this or any other Act of Parliament, the Minister shall plan and organize the provision of materiel and related services to departments including the preparation of specifications and standards, the cataloguing of materiel, the determination of aggregate requirements for materiel, the assuring of quality of materiel, and the maintenance, distribution, storage and disposal of materiel and other activities associated with the management of materiel.”
10. *Department of Public Works and Government Services Act*: Section 15.g says, “The Minister may, on request of a department, board or agency of the Government of Canada, provide it with architectural and engineering services, including services in respect of the adoption and application of related codes, standards, procedures, guidelines and technologies.”
11. The Order in Council 1998-0657 is an “Order authorizing the Department of Public Works and Government Services to provide standards development, registration, certification and related services to any government, body or person in Canada or elsewhere, on request.”
12. *National Flag of Canada Manufacturing Standards Act*: Section 2, Subsection 1 says, “On or before June 28, 1985, the Canadian General Standards Board shall establish standards for manufacture of the national flag of Canada corresponding to the intended use of the flag under varying conditions, including indoor use, outdoor use, one-event-only use and such other uses as the Board may determine that the national flag of Canada may reasonably be subjected to.”
13. *National Flag of Canada Manufacturing Standards Act*: Section 2, Subsection 2 says, “The Canadian General Standards Board shall, at least once every three years, review the standards and corresponding uses referred to in subsection (1) for the purpose of ensuring their adequacy relative to technological advances in the production of materials and dyes used in the manufacture of flags.
14. In addition to the authorities listed above, and the policies and guidelines governing the operations of all federal government programs, the following are applicable to the CGSB:
  - *Standards Council of Canada Act* (1985)
  - Treasury Board *Common Services Policy*

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- PWGSC Supply Manual
  - *Federal Accountability Action Plan*
  - *Treasury Board Policy on Learning, Training, and Development*
  - *Fourteenth Annual Report to the Prime Minister on the Public Service of Canada*
15. The *Standards Council of Canada Act* provides authority to the Standards Council of Canada to accredit standards development organizations, registration and certification providers in Canada, as well as oversee the National Standards System. The *Standards Council of Canada Act* also identifies the Standards Council of Canada as the unique Canadian member of the International Organization for Standardization.
16. The CGSB is listed as an optional service under the *Common Services Policy*. Under this policy, the CGSB supplies services to Government of Canada departments and agencies, which these federal organizations can choose to use. Optional services are funded “mainly by full cost-recovery through a revolving fund or net-voting authority”.
17. The PWGSC Supply Manual is used by procurement professionals and provides guidance with regards to the procurement of goods and services. The Supply Manual encourages the use of standardization tools in the procurement of goods and services and refers to the CGSB as a resource for these purposes.
18. The *Federal Accountability Action Plan* outlines some key actions that the Government of Canada will undertake in order to implement the Federal Accountability Act. One action is “cleaning up the procurement of government contracts”. This action commits the Government of Canada to “provide accreditation and training for procurement officers”.
19. The *Treasury Board Policy on Learning, Training, and Development* is intended to outline the learning, training and development requirements of federal departments. An expected result of the policy is that “specialists in finance, human resources, internal audit, procurement, materiel management, real property, information management, and other domains as may be specified, will meet professional standards established by the employer”.
20. In the *Fourteenth Annual Report to the Prime Minister on the Public Service of Canada*, the Clerk of the Privy Council outlines action plans on public service renewal. This includes a medium-term plan to “develop specific development programs for functional communities”.

## **Stakeholders**

### *Government*

21. The government procurement community uses standards and specifications in the procurement of goods and services. Procurement professionals are encouraged to use lists of certified products and services in their selection of particular goods for purchase. These professionals also participate on standards development committees. The government procurement community has access to the Certification Program for the Federal Government Procurement and Materiel Management Community that is designed to raise the professionalism of the federal procurement and materiel management community.
22. Governments can also use standards as a regulatory instrument. Where appropriate, government regulators can use standards developed by the CGSB in the following ways: incorporate standards directly or by reference into statutes; reproduce standards directly or incorporate by reference into regulations; and use standards as guidelines to elaborate rules found in statutes and regulations. Regulators can also use the CGSB to set requirements for registration or certification by the CGSB.
23. Government officials can participate in CGSB standards development committees. Governments can also choose to benefit from registration to various management, environmental or system standards by registering to them.

### *Manufacturers*

24. Manufacturers of products can choose to certify their products or services to CGSB, national or international standards. Manufacturers can also self-declare that a product, service or process meets a standard. Certifying with the CGSB ensures the manufacturer that its product complies with the referenced standards and that it will be included on the CGSB website.
25. Manufacturers also participate as volunteers on standards development committees or technical advisory committees. These volunteers provide their perspective in the development of standards and ensure that standards are pertinent, realistic and viable.

### *Consumers, Academia and Public Interest Groups*

26. In general, the standards system improves the health and safety of consumer products. Standards systems are critical for trade as well as the purchase and exchange of goods both nationally and internationally. Canadian consumers who access certified products can be assured that the product has been tested with rigorous methods that have been developed with consumers' interests in mind.

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27. Consumers, academics and members of public interest groups participate as volunteers on standards development committees to ensure that their interests are paramount in the development of a given standard.

*Other Jurisdictions*

28. Each national standards system is overseen by a single organization, which represents its country's interests as a member of the international system coordinated by the International Organization for Standardization. While governments worldwide support the standards systems within their countries and internationally, the structure of individual national standards systems varies greatly among countries.
29. The standards system that is most similar to Canada is in New Zealand. The Standards Council is the governing body for standards in New Zealand and operates as an autonomous Crown entity under the Ministry of Commerce. Standards New Zealand is the operating arm of the Standards Council working under the *Standards Act* of 1988. Standards are developed by expert committees made up of volunteers nominated by organizations (public and private) that have an interest in the subject covered by the standard. Since it is an autonomous Crown entity, the organization is expected to recover funds by charging fees from its clients, including "public" funding provided by government agencies that require services.
30. Some countries, such as the United States, have a centralized standards oversight body. The American National Standards Institute is a non-profit organization that oversees and accredits over 200 standards development organizations across the country. The American National Standards Institute then helps these organizations attain the level of American National Standards. Standards development is paid for by organizations wishing to develop particular standards. The American National Standards Institute accredits conformity assessment bodies that certify personnel, management systems and products. Government bodies with interests in the standards system can choose to be a member of the American National Standards Institute where government input can be integrated into the organization.
31. The *National Technology Transfer Advancement Act* of 1995 requires all United States federal government agencies that use standards to first go to the private sector to verify if a relevant standard exists. The agency can take on a private sector standard or ask the private sector to develop one. It is then referenced in regulation and has the force of law. Any federal department that does not use a private sector standard has to report to the National Institute of Standards and Technology and justify why they did not choose to use a private sector standard.
32. Other countries, such as Germany and the United Kingdom, have oversight bodies that also develop standards and that are independent from government. These countries both offer unique standards systems and are integrated into the European Union Standards System. There are efforts to harmonize standards and conformity



assessment processes to strengthen current standards rather than create an overabundance of new standards. This is happening in the European Union with the New Approach Directives, which were designed to envelop the health, safety and environmental requirements of 15 member states into one European-wide legislative package.

33. Germany's Deutsches Institut für Normung develops and pays for standards. A senior manager at Deutsches Institut für Normung explained that the organization is funded mainly by the sale of standards. The German government, among other stakeholders, is a purchaser of German standards.
34. In the United Kingdom, the British Standards Institute is loosely linked with government. The Institute has established itself as the recognized United Kingdom National Standards Body by means of a Memorandum of Understanding with the United Kingdom government. There is also a Memorandum of Understanding that encourages government ministries and agencies to use standards in procurement, but there is no formal agreement. The Institute prides itself on its distance from government—suggesting that its independence ensures the neutrality of the standards it develops and that the United Kingdom government does not want the Institute to be part of the government as a regulatory tool. As it stands, the Institute is complementary to government. Its funding comes primarily from the sale of standards. It does not have a “pay-to-play” approach, as does Canada, where clients pay up front to have standards developed.
35. South Africa has a single, federally run, standards development organization called the South African Bureau of Standards, which functions as part of the Department of Trade and Industry. This department provides appropriations to the Bureau to fund the core business units of developing and publishing national standards, and developing technical regulations based on national standards. These monies are used to “create and strengthen operational and technological core competencies and capacity to support the relevant national initiatives”. In many cases, certification is mandatory for goods and services that the government purchases. Inspections and tests are funded by the fees charged to the clients requesting the services.

#### *Resources*

36. The CGSB is funded through a combination of cost-recovery practices (approximately 75% of total budget) and A-base (approximately 25% of total budget). The A-base provides funding for services that are provided to PWGSC. All other government departments and agencies, as well as private organizations, using CGSB services pay according to rates set by the CGSB.
37. In 2007-2008, the reported revenues for the CGSB were \$2.8M; the net vote (A-base) was \$0.9M. Reported expenditures were \$3.7M.

38. Composed of approximately 45 indeterminate staff, the CGSB also relies on a network of approximately 4,000 volunteers who sit on various standards development and technical advisory committees.

### **Logic Model**

39. A logic model is an essential tool in conducting an evaluation study. It is a visual representation that ties together a program's activities, outputs and outcomes, provides a systematic and visual method of illustrating the program theory and shows the logic of how a program is expected to achieve its objectives.
40. A logic model of the CGSB was developed based on document review and meetings with Program managers. It was subsequently validated with Program managers. The logic model of the CGSB is provided in Exhibit 2.

### *Activities*

41. The activities section of the logic models lists the activities the CGSB carries out that contribute to the achievement of outputs and outcomes.
42. The CGSB carries out four distinct services:
- *Registration of organizations to national and international standards* (Registration Services). CGSB staff promotes its services and educates potential clients about national and international management system standards. Interested clients contact the Program and hire the CGSB to conduct compliance audits against these standards. Once an organization has demonstrated that it meets a standard, the CGSB includes its name on a database of registered organizations.
  - *Certification of products/services to various standards or specifications* (Certification of Products/Services). CGSB staff promotes its services and educates potential clients about certification. Clients contact the CGSB, which facilitates the conduct of product testing through CGSB-certified labs or, for certified service providers, conducts conformity assessments against a suite of standards. Once test results or conformity assessments demonstrate that products/services have met the standards or specifications, the CGSB includes their names in a database of registered products and organizations.
  - *Certification of personnel*. The CGSB is the unique administrator of the Treasury Board Secretariat Certification Program for the Federal Government Procurement and Materiel Management Community. This program allows procurement professionals to gain professional certification by completing certain requirements consisting of a combination of courses, experience and work. Under this program, the CGSB conducts information workshops that promote certification. The

CGSB coordinates the Technical Advisory Committee of the certification program that outlines the conditions for certification. The CGSB also coordinates and chairs the Review Panel, which determines if a given candidate has met the requirements for certification. The CGSB maintains an information website, registers potential candidates for certification and provides successful candidates with a certificate.

- *Standards development services.* Standards are developed by consensus building committees of materially-affected individuals. The CGSB coordinates the establishment and maintenance of standards development committees for organizations that sponsor the development of standards. The CGSB assists in the writing of standards, which are then reviewed by committees. The CGSB also reviews and recommends the adoption of international standards, with or without modification. Once a standard is approved, the CGSB publishes the titles in a catalogue. Individual standards can be purchased. It is the role of the Program to identify existing CGSB standards that are old and should be reviewed. As part of its standards development activities, the Program also publishes Government of Canada forms and maintains the website where these are available.

43. Additionally, the CGSB is an active participant in the national and international standards system. The CGSB participates in various advisory committees at the Standards Council of Canada and at the International Organization for Standardization as a representative for the Standards Council of Canada. The CGSB also acts as a secretariat to some international standards setting committees. The Program provides advice and expertise in the standards environment within government.

#### *Outputs*

44. Outputs are concrete and direct results of activities. The main outputs resulting from the activities include certifications for products, organizations, services and people as well as standards. The CGSB is expected to maintain and communicate up-to-date standards-related knowledge.

#### *Immediate Outcomes*

45. At the immediate outcomes level, it is expected that the CGSB is meeting client needs in the areas of registration, certification and standards development. It is also expected that the priorities of the federal government in the areas of standards are met by the CGSB.
46. Additionally, the CGSB's participation on national and international committees represents Canadian interests nationally and abroad.

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*Intermediate Outcome*

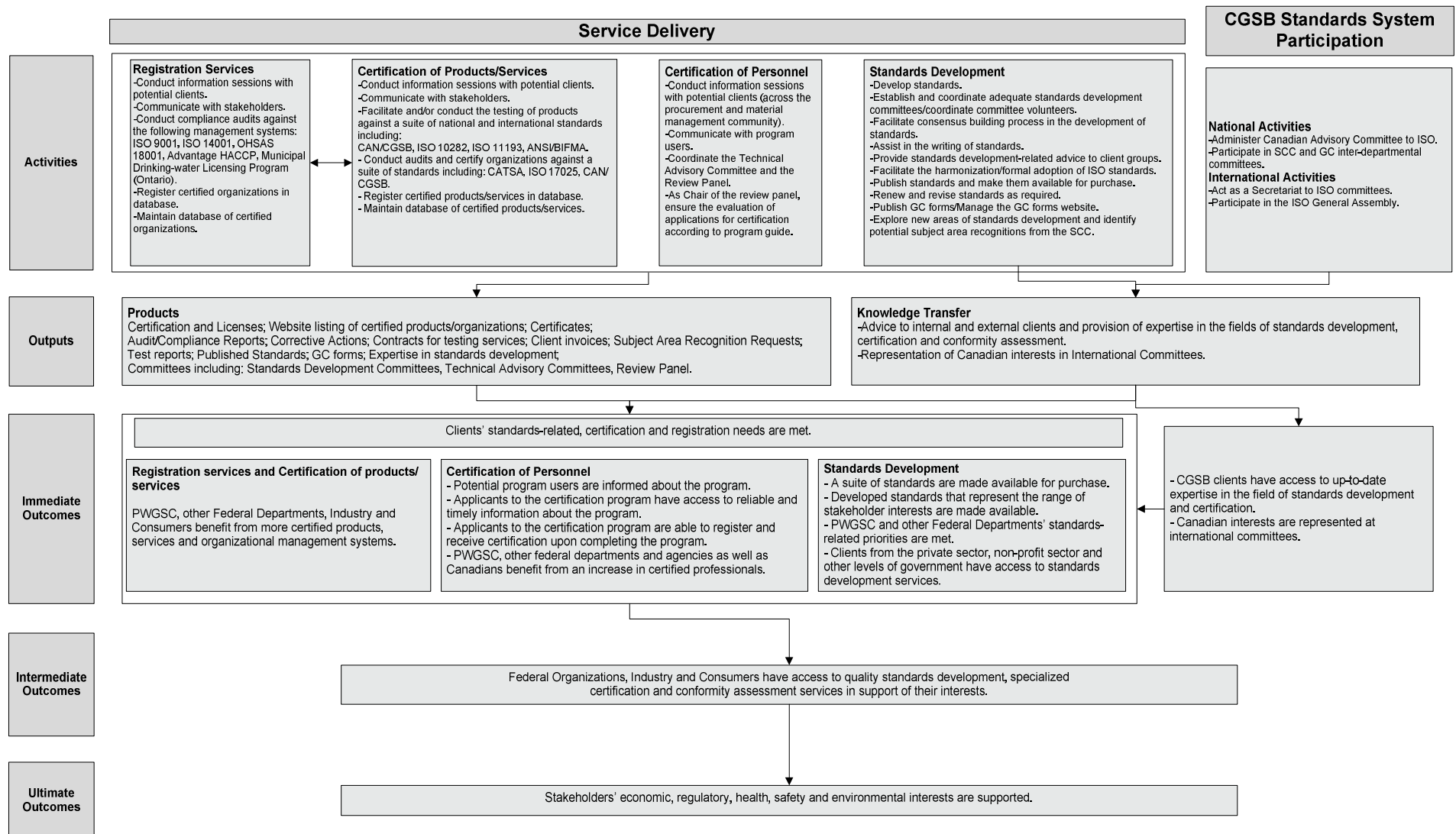
47. The outcome for the CGSB is access to quality standards development and related services for federal organizations, industry and consumers.

*Ultimate Outcome*

48. As a service provider within the standards system, the CGSB supports the stakeholders' economic, regulatory, health, safety and environmental interest.

# 2008-604 Evaluation of the Canadian General Standards Board Final Report

## Exhibit 2. Logic Model of the Canadian General Standards Board



## **FOCUS OF THE EVALUATION**

49. The evaluation assessed the relevance and performance of the CGSB. An evaluation matrix, including evaluation issues, questions, indicators and data sources, was developed during the planning phase (Appendix A). More information on the approach and methodologies used to conduct this evaluation is in the section: *About the Evaluation* at the end of this report.

### **Objective**

50. The two objectives of this evaluation are:
- To determine the CGSB's relevance: the continued need for the Program, its alignment with Government priorities and its consistency with federal roles and responsibilities.
  - To determine the CGSB's performance: the Program's achievement of its expected outcomes and a demonstration of the efficiency and economy of the Program.

### **Scope**

51. The evaluation of the CGSB provides an independent assessment of the relevance and performance of the CGSB business lines including: Standards Development and Specifications, Conformity Assessment and Personnel Certification. The management and day-to-day operations of the CGSB were evaluated only insofar as they contributed to the relevance and performance of business lines.

### **Evaluation Questions**

#### *Relevance*

52. Evaluation Issue: Is the CGSB consistent with departmental/government-wide priorities; and does it address a continuing need?
53. Evaluation Questions:
1. To what extent is the CGSB appropriate to PWGSC/Government of Canada policies and priorities?
  2. Is there an ongoing need for a centralized registration, certification and standards development organization as it is now provided through the CGSB?

#### *Success*

54. Evaluation Issue: Is the CGSB achieving its intended outcomes?
55. Evaluation Questions:

1. To what extent is the CGSB achieving its stated objectives and desired outcomes?

2. To what extent is the CGSB delivered efficiently?

#### *Cost-effectiveness*

56. Evaluation Issue: Is the CGSB cost-effective?

57. Evaluation Questions:

1. Is the CGSB cost-effective from a government-wide perspective?

2. What activities or programs should or could be transferred in whole or in part to the private/not-for-profit sector?

## **FINDINGS AND CONCLUSIONS**

58. The findings and conclusions presented below are based on multiple lines of evidence used during the evaluation.

## **RELEVANCE**

### **To what extent is the CGSB appropriate to PWGSC/Government of Canada policies and priorities?**

59. As required by the *Department of Public Works and Government Services Act*, the Minister must provide standards development and related services to federal government departments and agencies in support of materiel management. The CGSB has the authority to conduct its activities in registration, certification and standards development. The CGSB has the authority to provide services to clients outside the federal government from a 1998 Order in Council. Additional authorities previously listed outline any further requirements for the Minister.

60. The CGSB's development and maintenance of a national flag manufacturing standards is referenced in legislation. The *National Flag of Canada Manufacturing Standards Act* requires the CGSB to establish and maintain a standard related to the manufacture of the flag of Canada.

61. The certification of personnel services offered by the CGSB aligns closely with government policy as does the CGSB's role as the unique administrator of a Treasury Board of Canada Secretariat-funded program. The CGSB is not currently accredited by the Standards Council of Canada for its certification of personnel services but will be seeking accreditation as the program matures.

62. The *Federal Accountability Action Plan* commits the Government of Canada to provide accreditation for procurement officers. Additionally, the *Policy on Learning, Training and Development* supports the training of professionals with specific reference to procurement professionals meeting standards established by

the employer. The *Fourteenth Annual Report to the Prime Minister on the Public Service of Canada* outlines the importance of developing specific developmental programs for functional communities. The Certification of Personnel Division's activities in the certification of the federal government procurement and materiel management community corresponds to this federal priority.

63. There is also policy support for the broader standards environment. The *Cabinet Directive on Streamlining Regulation* (2007) makes reference to the important role standards can play in the regulatory environment. Federal government bodies are encouraged to use standardization tools as a best practice. Regulators have access to the CGSB and other accredited standards development organizations that regularly provide standard development services to government clients.
64. Standards are an important part of the regulatory environment and are among the many instruments that can be used by regulators to meet their needs. As an integrated part of the National Standards System, the CGSB, along with other service providers, supports the regulatory environment. The evidence shows that regulators have flexibility in their options to pursue standards as a tool to meeting their needs, as well as to choose any Standards Council of Canada-accredited standards development body to assist them in their standards-related activities. The current regulation directive, *Cabinet Directive on Streamlining Regulation*, emphasizes both national and international standards. This represents a departure from 'made in Canada' standards that were emphasized by its predecessor, the *Government of Canada Regulatory Policy* (1999).
65. As part of the National Standards System, the CGSB contributes to achieving the objectives of the regulatory system by providing standards services to federal and provincial government clients. An example of where regulators are using the CGSB as a tool in supporting regulatory interests is the CGSB standard entitled *CAN/CGSB 32.311 Organic Production Systems—General Principles and Management Standards*. At the request of Agriculture and Agri-Food Canada, the CGSB began revising the national standard for organic agriculture in January 2002. The Canadian Food Inspection Agency references the standard in its *Organic Products Regulations*, which will come into force in June 2009. The standard is at least equivalent to the organic agriculture requirements of some of Canada's largest trading partners including the European Union, Japan and the United States. Other accredited service providers also develop standards in support of regulatory interests.

**Is there an ongoing need for a centralized registration, certification and standards development organization as it is now provided through the CGSB?**

66. Federal government departments and agencies have access to many registration, certification and standards development service providers. Currently, federal government departments and agencies use both the CGSB and other registration, certification and standards development organizations to meet their standards-related needs.



67. The *North American Free Trade Agreement* has hastened the expansion of certification services by removing barriers that previously gave standards development bodies exclusive rights to certify products/services to their standards. Currently, accredited certification organizations, within Canada or abroad, can certify products to standards that are referenced in federal government procurement contracts.
68. The CGSB registration services are mainly provided to clients outside the federal government. Clients seeking registration to international management systems standards ISO 9001 (quality) and ISO 14001 (environmental) are primarily from the private sector. However, registration services are also provided to other levels of government. For example, under an agreement with the Ontario Ministry of Environment, the CGSB is the sole certification body that provides registration services under the Municipal Drinking Water Licensing Program. Another example of a provincial agreement is the CGSB's registration of Alberta and Ontario food processing plants to the Hazard Analysis Critical Control Points (HACCP) management system standard for food safety.
69. The *Cabinet Directive on Streamlining Regulation* encourages the use of standardization tools to facilitate cooperation with provincial and territorial governments. Standardization tools can have a coordination function when regulatory interests span across federal-provincial jurisdictions. For example, as food safety is both a federal and provincial responsibility, the Canadian Food Inspection Agency encourages the registration of federally-inspected facilities to HACCP. The provision of HACCP registration services for provincially-registered facilities can be considered to follow the *Cabinet Directive on Streamlining Regulation*. The provision of certification services to management systems in municipal drinking water processing facilities extends beyond federal responsibilities with regards to drinking water but the CGSB has the authority to provide these services. In these types of cases, the CGSB is limited to certifying processes, and both financial and legal risks associated with these activities are reviewed in the agreement process for major contracts.
70. The PWGSC Supply Manual encourages the purchase of certified products, which can be certified by any accredited certification organization. Certification of products/services has a client base that is largely outside of the federal government. Interviews with product certification clients indicate that clients have the perception that certification with the CGSB is a requirement for selling to the government.
71. The Standards Council of Canada publishes a listing of recognized standards development "subject area responsibilities" for each of the accredited standards development organizations. In a consensus building process, these organizations agree to take on specific responsibilities while ensuring that they have adequate expertise, capacity and interest. Currently, the range of subjects is divided amongst Canada's four accredited standards development organizations. The subject area responsibility indicates that each standards development organization is likely to

have adequate knowledge and experience in a particular set of subjects. Clients can select any accredited organization regardless of the subject area responsibility.

72. The subject area responsibilities for the CGSB include subjects that are: directly related to government procurement such as petroleum and related products; directly related to federal government operations such as Government of Canada forms; and, outside the immediate scope of federal government jurisdiction such as hearing aids. Other service providers' subject area responsibilities may also include subjects that are of interest to the federal government.

### **Conclusions with respect to RELEVANCE**

73. *Evaluation Issue:* Is the CGSB consistent with departmental/government-wide priorities; and does it address a continuing need?
74. PWGSC has the authority and is required to provide standards services to federal government departments and agencies. Departments and agencies are accessing CGSB services for standards development. However, there are no requirements for federal departments and agencies to use CGSB services.
75. CGSB activities in the certification of products/services and registration support the larger National Standards System. The PWGSC Supply Manual recommends purchasing certified products/services. This indirect support indicates that the federal government values certification, registration and standards development organizations. The CGSB's clients are choosing to use the CGSB even though, with one exception<sup>3</sup>, there are no requirements for federal government or private industry to use the CGSB to meet these standards-related needs.
76. There is strong federal support for some CGSB activities. In particular, the CGSB is required by legislation to develop and maintain standards for the manufacture of the flag of Canada. Additionally, the personnel certification division's role in administering the Certification Program for the Federal Government Procurement and Materiel Management is supported by a clear federal priority for training and certification of functional communities including procurement professionals.
77. Other policy support for the CGSB is indirect. The *Cabinet Directive on Streamlining Regulation* emphasizes the importance of the National Standards System in the regulatory context and recommends the use of standardization tools. The CGSB plays an active role in helping regulators meet their needs and the CGSB has developed expertise in its specific subject areas. Federal government departments and agencies are able to access the CGSB to meet their standards-related needs.

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<sup>3</sup> The Treasury Board Secretariat is the exclusive client of the certification of personnel's program in support of procurement officers and the materiel management community.

## **SUCCESS**

### **To what extent is the CGSB achieving its stated objectives and desired outcomes?**

#### *Registration Services*

78. Since 1995, registration services have continually been increasing their client base. One of the largest areas of activity for registration services is the registration of management systems to international standards: ISO 9001 (quality), ISO 14001 (environmental) and OHSAS 18001 (occupational health and safety). There are over 100 organizations currently registered to these standards, many of which are registering multiple sites. Approximately 65% of these organizations are from Ontario or Quebec, 15% are from other areas in Canada and 20% are located in the United States or elsewhere.
79. The number of clients maintaining registration to these standards has doubled since 1995. Currently, the CGSB registers over 200 sites to international management system standards. However, in recent years, there has been a slower rate of increase of organizations registering multiple sites.
80. In recent years, the CGSB has expanded its services to include registration of food safety systems to HACCP for both Alberta and Ontario food production facilities. It also provides registration services under the Municipal Drinking Water Licensing Program for Ontario.
81. Performance metrics collected by the CGSB for its registration services indicate that clients are consistently satisfied with the service they receive and that projects are delivered generally on time and on budget. Client interviews conducted in the context of this evaluation corroborate these findings.
82. Client interviews also highlighted that, for some clients, the cachet associated with federal government registration was an important reason for choosing to use the CGSB instead of other service providers. The evaluation was unable to measure the importance or value of this cachet.

#### *Certification of Products/Services*

83. Approximately 80% of companies certifying products or services with the CGSB are Canadian. More than 75% of these companies are located either in Ontario or Quebec. In terms of quantity of products/services certified, the most significant CGSB-certified products are paints (35% of products certified), office furniture (25% of products certified) and medical gloves (15% of products certified). The most significant CGSB-certified services in terms of volume are security guard companies (50% of certified services) and dockside monitoring companies (30% of certified services).

84. Performance metrics indicate that clients of certification services are satisfied with the services they are receiving. Many of the clients interviewed in the context of this evaluation have a long history with the CGSB. When asked why they chose the CGSB as a provider of certification services, some mentioned that it was, at the time, a requirement for doing business with the government. Though these clients are generally satisfied with the service they are receiving from the CGSB, some question the value of certification. Costs seem to be an issue with these clients, who question the value added of the certification process. Some of the interviews with clients suggested that the CGSB may not be as responsive to the market as other certification organizations.
85. Though not a client of CGSB certification services, the federal government purchases some certified products/services. Currently, the CGSB certifies approximately 500 products/services to different standards. These are listed on the CGSB website.

#### *Certification of Personnel Services*

86. The CGSB has been offering services in the certification of personnel since 2006. An individual can take one to three years to fulfill the requirements for certification. To date, four people have been certified and over 550 are enrolled in the certification program.
87. As part of its agreement with the Treasury Board Secretariat, the CGSB promotes and administers the Certification Program for the Federal Government Procurement and Materiel Management Community. The CGSB received an excellent satisfaction rating in a client feedback survey administered by the Program. As part of the evaluation, an interview with the Treasury Board Secretariat confirmed satisfaction with the services received from the CGSB. The Treasury Board Secretariat indicated a concern with the overhead that is charged by CGSB as part of the Memorandum of Understanding between the Treasury Board Secretariat and the CGSB.
88. The CGSB has conducted several workshops across federal government departments to promote the certification program. CGSB surveys conducted following workshops indicate that the workshops are of high quality and generate high interest in the program. Of the approximately 300 respondents to the workshop questionnaire, 80% said they intended to enroll in the program following the workshop.

#### *Standards Development*

89. The CGSB maintains a catalogue of several hundred CGSB standards. These standards are developed either from the ground up or are adopted (with or without modification) through balanced consensus building committees. The CGSB's performance metrics for standards development services indicate that clients are satisfied with the service they are receiving.

90. In recent years, trends in standards development at the CGSB have shifted slightly. In 2007-2008, the Program held over 50 committee meetings for various standards, while they held approximately 35 in 2003-2004. However, the CGSB is working on half as many standards in 2007-2008 (40) than in 2003-2004 (over 80). Interviews with key informants and Program management indicate that this is due to the increased complexity of standards development. Compared to earlier years, more work is needed on each standard.
91. As part of a requirement for accreditation by the Standards Council of Canada, the Standards Council of Canada conducts annual audits of the CGSB to ensure that CGSB processes and activities conform to standards. As part of its accreditation as a standards development organization, the CGSB must demonstrate that its volunteer committees are balanced. An analysis of the CGSB volunteer database shows that the Program has access to over 4,000 individuals for standards committee work. These individuals come from a wide-range of backgrounds including academic, interest groups, consumers, manufacturers, industry representatives and government of all levels.
92. The A-base budget that the CGSB receives to provide services to PWGSC allows the Program to undertake standards-related work for PWGSC in several areas such as: fuels and lubricants; textile test methods; forms and forms management; security guards; and furniture. Standards developed by the CGSB through the A-base are often referenced in the procurement of goods. Based on an analysis conducted by the Program, the A-base funds standards development work in support of the PWGSC's Acquisitions Branch.
93. If the CGSB were charging the Acquisitions Branch for the standards development services rendered to the Branch, based on 2007-2008 billing rates, the value of services would total \$932K. The CGSB received an A-Base budget of \$837K in 2007-2008 for these services.

#### *Business Support Activities*

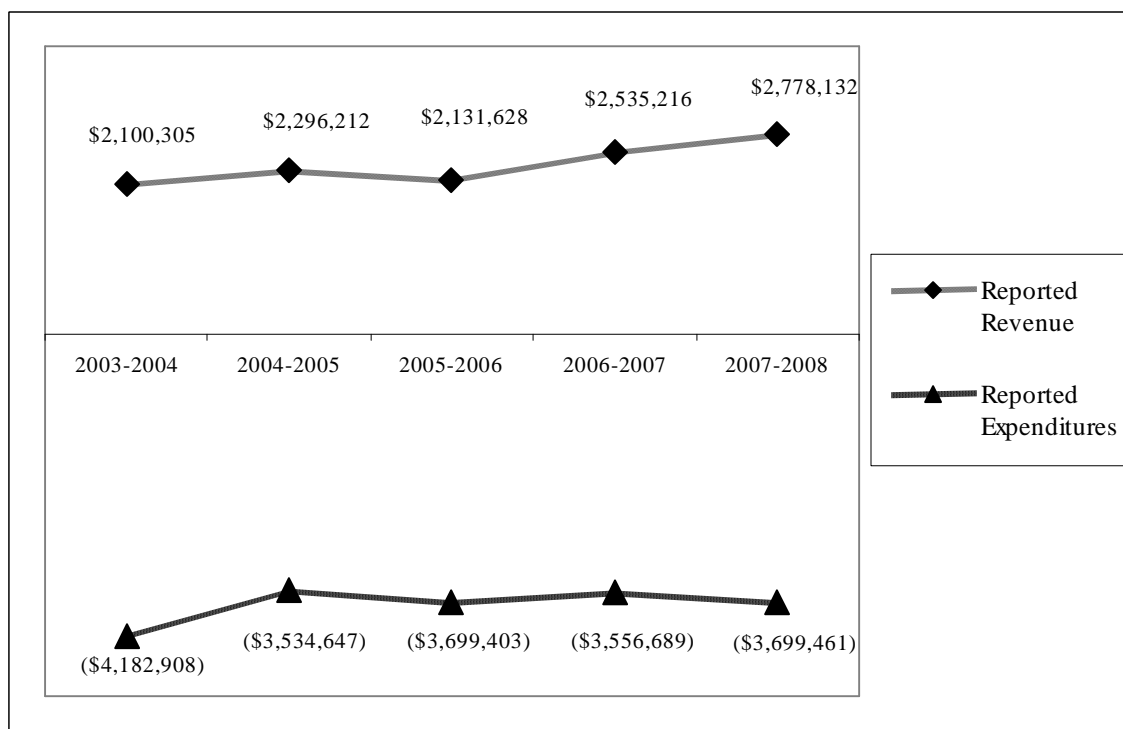
94. As an accredited member of the Standards Council of Canada, the CGSB participates in various advisory committees on standards development and certification. All accredited members are required to participate in these committees and to represent their clients' interests in these national fora.
95. As part of its role as an advisory committee member, the CGSB is also asked to represent Canada at the international level as a member on various International Organization for Standardization committees and in the General Assembly. This role is shared with other accredited standards development organizations on a rotating basis. The CGSB's participation on committees allows the Program to be an active participant in the standards community and in the forefront of the standards development issues pertinent to CGSB interests.

96. In addition to activities at national and international fora, the CGSB operates within a competitive standards business environment. In order to secure the viability of the organization, the CGSB participates in promotional and marketing practices. The Program identifies areas for development, provides information workshops, maintains and actively pursues selected business lines. The evaluation was unable to determine the degree to which these processes were systematic. The drivers for business development appear to be mainly opportunity-driven. The evaluation found evidence that new projects of significant materiality underwent analysis for financial and legal risks.

**To what extent is the CGSB delivered efficiently?**

97. The CGSB generates revenue from the following activities: payment for services in the areas of certification and registration of organizations, including the cost of auditing services; payment for services in the areas of certification of products/services; payment of direct and indirect costs associated with administering the certification of personnel; sale of standards or specifications; and payment for direct and indirect costs of providing services in standards development. The CGSB reports its revenues through the standard financial reporting systems used by PWGSC's Acquisitions Branch.
98. CGSB expenditures include: salaries, regular operating expenditures, professional services, lab fees for product testing and direct costs incurred in the offering of its services. These expenditure categories are standard financial reporting categories used by the PWGSC's Acquisitions Branch.
99. An analysis of trends in reported revenues (excluding net vote) and reported expenditures provides a measure of the efficiency of the Program. The following exhibit shows the reported revenues and reported expenditures for each fiscal year from 2003-2004 to 2007-2008.

**Exhibit 3. Reported Revenues (excluding net vote) and Reported Expenditures for the CGSB from 2003-2004 to 2007-2008**



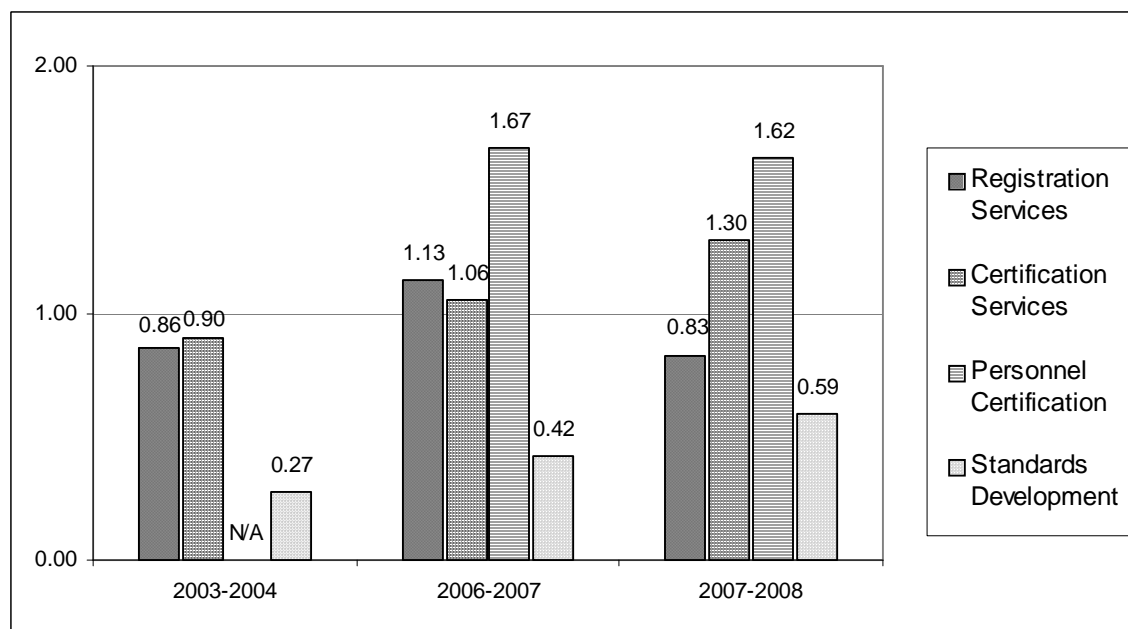
Financial Reports, PWGSC: 2003-2004 to 2007-2008

100. With the exception of 2005-2006, CGSB reported revenues have been consistently increasing since 2003-2004. Meanwhile, the CGSB reported expenditures have remained relatively stable during the same period. The rise in reported revenues are, in part, due to an increase in rates charged by the CGSB for standards development services. The 2003 CGSB rate of \$800/day has increased to the current rate of \$1,000/day (\$133/hour) for standards development services. However, this increase represents only a proportion of the total increase in revenue. Overall, the increase in revenue indicates that the Program is increasing its volume of services while maintaining relatively stable expenditures. This suggests that the Program has improved its efficiency in the past five years.
101. The drivers of improved efficiency are highlighted in the examination of reported revenues and expenditures by the specific CGSB services. See Exhibit 4.

**Exhibit 4. Ratio of Reported Revenue (excluding net vote) to Reported Expenditure by CGSB Service per Fiscal Year<sup>4</sup>**

<sup>4</sup> Detailed data was missing for 2004-2005 and 2005-2006. Certification of personnel services were not in place in 2003-2004.

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Analysis of Financial Reports, PWGSC: 2003-2004 to 2007-2008

102. Exhibit 4 shows the ratio of reported revenue to reported expenditure by CGSB service. Ratios higher than a value of '1' indicate that reported revenues exceed reported expenditures. Ratios lower than a value of '1' indicate that reported revenues are lower than reported expenditures.
103. Exhibit 4 shows that most CGSB services are improving their reported revenue to reported expenditure ratio with the exception of registration services, which has seen a significant drop in this ratio between 2006-2007 and 2007-2008. It also shows which CGSB services are contributing to an increase in overall efficiency. Certification of personnel services has reported revenues that exceed reported expenditures. The same is true, though to a lesser extent, for certification of products/services.
104. By contrast, registration services and standards development services have reported revenues that are below reported expenditures. Standards services conducted in support of PWGSC's Acquisitions Branch are funded through the A-base budget and do not generate revenue. As the A-base is excluded from the revenue to expense ratio calculations, a low ratio is expected for standards development services.
105. The revenue generated by registration services does not cover the direct expenditures incurred in providing this service. The extra revenue generated by other services within the CGSB is being used to balance the CGSB budget. This is an acceptable practice; the low ratio is being used only to highlight the efficiency of particular CGSB services.



## **Conclusions with respect to SUCCESS**

106. *Evaluation Issue:* Is the CGSB achieving its intended outcomes?
107. The CGSB is providing good, quality services to a range of clients. The Program is thus meeting stakeholders' standards-related needs. However, other than client perceptions on the value added because the CGSB is a federal government program, the evaluation did not find further evidence demonstrating the value of the CGSB's registration, certification and standards development services over other organizations.
108. In general, the CGSB has been successful in increasing the volume of its business and has expanded its services to include new products and services. PWGSC, other government organizations, industry and consumers are benefiting from more certified products/services and people, and more organizations registered to management system standards.
109. The analysis of CGSB's financial reports shows that the Program has been improving its efficiency over the past five years. Additionally, financial reports show reported revenues equal reported expenditures.
110. The balance of reported revenues to reported expenditures is achieved by transferring revenues amongst business lines within the Program. The revenue generated from the certification of products/services and particularly from the certification of personnel, enables the Program to cover a portion of expenditures in registration services and standards development. For some services, the cost charged to clients is higher than the cost of service delivery by the CGSB. This revenue is being used to support registration services and standards development.

## **COST-EFFECTIVENESS**

### **Is the CGSB cost-effective from a government-wide perspective?**

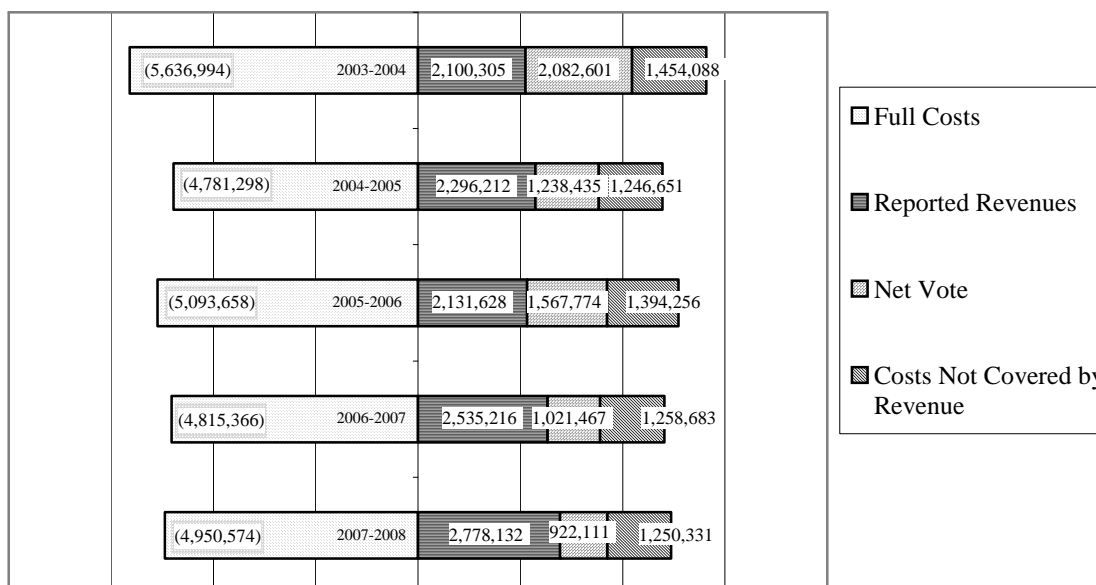
111. The *Common Services Policy* requires optional services to recover the full costs of delivering the services. As the CGSB is funded through a mixed funding model, A-base has been calculated as revenue for the Program.
112. Interviews with costing professionals at PWGSC and an independent costing expert confirm that the following cost elements should be included when determining the full costs to the Government of Canada of the CGSB: salaries, regular operating expenditures, professional services, accommodation, employee benefits and corporate support costs. Some of these cost elements are not included in the PWGSC financial reporting system used by the CGSB and are not captured by the Program budgeting tool used by the CGSB and the Finance Branch.
113. The evaluation found that there was a discrepancy between the CGSB's reported expenditures and the actual full costs of the Program, as noted above. This is due to the reporting system used by the CGSB. As some cost elements are absent from the

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revenue reporting system, it is not possible for the CGSB to account for the full costs of the Program in balancing its annual budget.

114. The evaluation found that the costs of the Program that are not covered by revenue are substantial. The following exhibit illustrates this gap by showing the full costs of the CGSB compared to the reported revenues and net vote. This exhibit also shows the costs that are not covered by revenue.

**Exhibit 5. Full Costs, Reported Revenue, Net vote and Costs Not Covered by Revenue for the CGSB from 2003-2004 to 2007-2008**

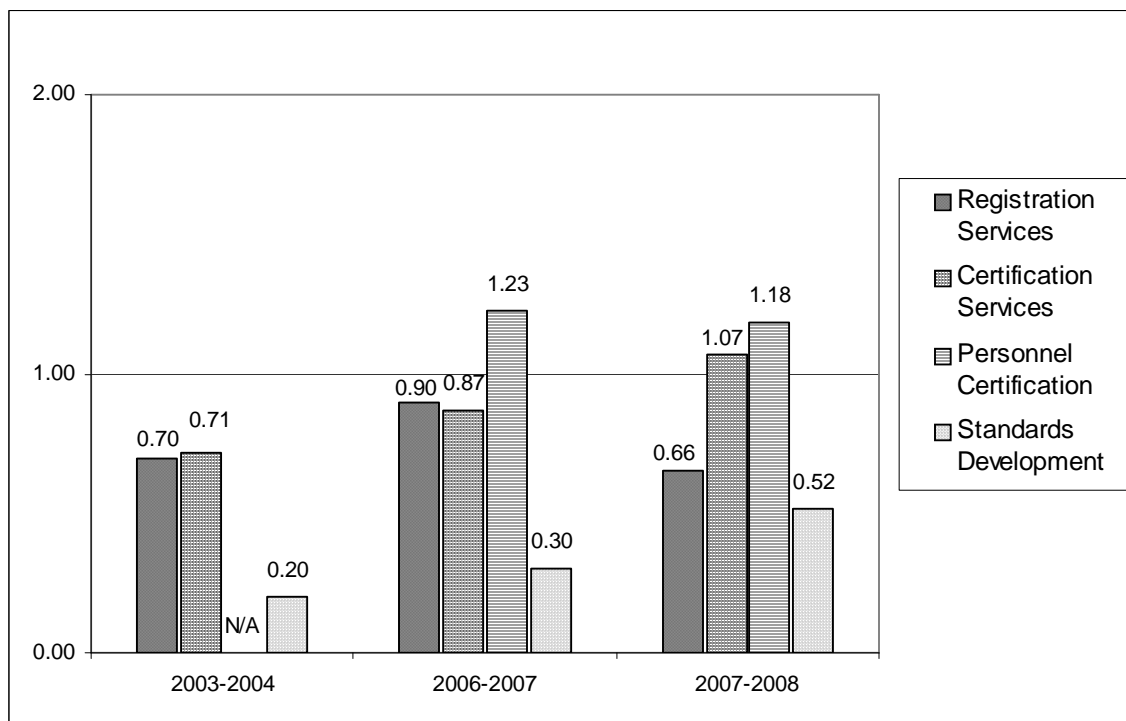


Financial Reports, PWGSC: 2003-2004 to 2007-2008

115. In 2007-2008, the total costs to the federal government of the CGSB were approximately \$5M. In the same year, the reported revenues and net vote totaled \$3.7M. The exhibit above shows that CGSB revenues and A-base are not covering full costs. The CGSB costs the federal government approximately \$1.3M annually.

116. The following exhibit shows the reported revenue to cost ratio for the CGSB by fiscal year.

**Exhibit 6. Ratio of Reported Revenue to Full Cost by CGSB Service per Fiscal Year<sup>5</sup>**



Analysis of Financial Reports, PWGSC: 2003-2004 to 2007-2008

117. When considering the full costs of the Program, most services are not generating revenue to cover costs. The only service consistently generating enough revenue to cover full costs is the certification of personnel. The agreement between certification of personnel services and the Treasury Board Secretariat provides funds to cover overhead costs.

**What activities or programs currently provided by the CGSB could or should be transferred in whole or in part to the private/not-for-profit sector?**

118. The literature review shows that Canadian organizations have access to a registration, certification and standards environment both in Canada and abroad. This environment is made up of government and non-government service providers.

119. The pricing structure for the CGSB was established in 2003 and was based on costing and market analysis at that time and has since been updated. The current CGSB rate of \$1,000/day (\$133/hour) for standards development services is lower than the average of sample rates charged in 2008 by other accredited standards development organizations in Canada. The current average rate of other accredited

<sup>5</sup> Certification of personnel services were not in place in 2003-2004.

standards development organizations is \$1,111/day for standards development services.

120. The CGSB rates of registration services and certification of products/services are considerably lower than other service providers. The CGSB charges an average of \$140/hour for registration and certification services, while an average of sample rates from other service providers was \$170/hour. This represents a daily rate difference of \$225.
121. Assuming all other factors remain the same, including A-base funding, the CGSB would have to increase its revenue by up to approximately 50% to cover full costs. Under this model, the Program would have to charge approximately \$1,500/day for standards development and \$210/hour for certification of products/services and registration services. These rates are considerably higher than other service providers.
122. A consideration in determining which segments of the CGSB could or should be transferred to the private/not-for-profit sector is the value of services provided to PWGSC's Acquisitions Branch that are funded through A-base. For illustrative purposes, if PWGSC were to pay the average rate charged by other service providers for the same services, in 2007-2008, the total value of services would have been \$1.04M. This is \$118K over the A-base received for the same year.

### **Conclusions with respect to COST-EFFECTIVENESS**

123. *Evaluation Issue:* Is the CGSB cost-effective?
124. The CGSB financial reporting mechanisms are not capturing the full costs of the Program. Some cost elements that should be included in full costing are not included in the financial system that the CGSB is using to report its revenues and expenditures. As a result, the CGSB is not recovering the full costs of the Program and it is costing \$1.3M annually. The CGSB would have to increase its revenues by up to 50% to cover the full costs of the Program.
125. The CGSB is charging less than other service providers for the same services, particularly in the areas of registration, certification of products/services and standards development. As the private sector makes up a large part of CGSB's client base, PWGSC is contributing funds to support registration services and certification of products/services for these private sector clients. If the CGSB were to correct its pricing structure to cover full costs, the rates by the CGSB would be considerably higher than non-government sector organizations offering the same services.
126. The value of services rendered to PWGSC's Acquisitions Branch exceeds the A-base budget provided to the CGSB for these services. If PWGSC's Acquisitions Branch were to purchase these services from the private/not-for-profit sector, the costs to the Branch would likely increase. The savings provided to the Branch do not outweigh the current carrying costs of the Program.

## **GENERAL CONCLUSIONS**

127. PWGSC has the authority to provide standards services to federal government departments and agencies, other levels of government and to the private sector. Some specific services offered by the CGSB, such as the standards development in the manufacture of the flag of Canada and certification of personnel services, are supported by government legislation and policies. Certification of personnel services also aligns closely with federal government priorities.
128. The evaluation found that the CGSB offers quality services to both government and non-government clients. Federal departments and agencies, other levels of government, as well as private sector organizations are using the CGSB to meet its standards-related needs. These clients are generally satisfied with the service they are receiving from the CGSB.
129. In Canada, federal government departments and agencies have access to a robust national standards system of registration, certification and standards development organizations, which includes the CGSB. The evaluation did not find evidence to demonstrate the added value of the CGSB over non-government service providers, and departments and agencies are not required to use the CGSB. Though not providing a fundamentally different type of service to its clients when compared with other service providers, the CGSB has developed a set of expertise in specific subject areas and/or business lines which makes the CGSB occupy a unique role in the national standards system. This is a result of the collaborative and coordinated approach of the national standards system and not necessarily a result of the CGSB's association with the federal government. The same expertise could, over time, be developed by any accredited standards development organization. This calls to question the relevance of the CGSB to the federal government.
130. The CGSB's prices are lower than other service providers and the Program is not recovering its full costs. In 2007-2008, the CGSB cost the federal government \$1.3M, as CGSB's clients are paying less than what it costs the government to offer these services. This raises concerns that the CGSB is financially supporting certification and registration services for private sector clients.
131. The A-base is funding services that would cost PWGSC's Acquisitions Branch more if it were to use another service provider for the same services. However, the savings are relatively small when compared to the current \$1.3M costs of the Program that are not being covered by revenue or A-base.

## **MANAGEMENT RESPONSE**

The Acquisitions Branch accepts the evaluation findings and intends to act on the recommendations of the evaluation by implementing their Management Action Plan detailed as follows.

## **RECOMMENDATIONS AND MANAGEMENT ACTION PLAN**

Based on the key findings and conclusions contained in this report, the Office of Audit and Evaluation recommends that the Assistant Deputy Minister, Acquisitions Branch:

**Recommendation 1:** Ensures that the CGSB modifies its funding model so that it is fully cost-recovered.

**Management Action Plan 1.1:** In-depth analysis of funding model. CGSB management has conducted an in-depth analysis of the funding model based on the potential billable hours of all three divisions of the CGSB. The billable hour baseline data used was that of fiscal year 2008–2009. As each division of the CGSB is significantly different in the service delivered, a blended rate taking all three divisions into account was ruled out. That is, each division was analysed based on their unique service provided to their particular clientele and a daily rate was established for each.

OPI/OSI<sup>6</sup>: Assistant Deputy Minister, Acquisitions Branch/Chief Financial Officer

Implementation date: April 1, 2009

**Management Action Plan 1.2:** Increase CGSB daily rate. Following completion of the analysis of its funding model, CGSB officially increased its daily rate in order to fully cost-recover all their expenses for services provided to clients outside Acquisitions Branch. Official notices had to be sent to clients as per contractual obligations (60 days written notice).

OPI: CGSB

Implementation date: June 2009

**Management Action Plan 1.3:** Minimize operational expenses. Analysis of detailed operational expenses was undertaken in order to identify areas where expenses could be decreased. The following areas will be looked at for potential cost reductions: Programs & Systems (eliminating IT charges for obsolete programs), Professional Services (maximizing in-house auditing services to decrease professional charges), payroll (sharing internal resources between divisions).

OPI/OSI: CGSB/Chief Financial Officer

Implementation date: In progress. April 1, 2010.

**Management Action Plan 1.4:** Funding for services to the Acquisitions Branch. In order to fully cost-recover all expenses for services provided to clients outside the Acquisitions Branch, CGSB has to ensure that all services delivered to our clients are funded. For 2009-2010, CGSB is to obtain an allocation from the

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<sup>6</sup> OPI/OSI: Office of Primary Interest/Office of Secondary Interest

Acquisitions Branch in order to fund all the services delivered to the Acquisitions Branch (\$1.6 million). For 2010-2011, an official memorandum of understanding is to be signed between CGSB and the Acquisitions Branch to fund all services provided to the Acquisitions Branch.

OPI: CGSB

Implementation date: For allocation, fiscal year 2009-2010, October 2009); for signed memorandum of understanding, fiscal year 2010-2011, April 1, 2010)

**Management Action Plan 1.5:** Final costing model for Drinking Water Program. The current costing model under the new Drinking Water Program has been established based on data from pilot projects. Actuals are to be accumulated and costing model developed in order to ensure a full cost-recovery model for this program. Invoicing for services delivered to client is to be initiated in October 2009 towards reaching revenue projections.

OPI: CGSB

Implementation date: October 2009

**Management Action Plan 1.6:** Monthly Financial Analysis. Each division manager and the CGSB Director are to complete a monthly financial analysis in order to review actual revenue and expenses against annual projections. This exercise is required in order to identify potential issues and related solutions in order to ensure full program cost recovery.

OPI/OSI: CGSB/Chief Financial Officer

Implementation date: Ongoing

**Management Action Plan 1.7:** Minimize Outstanding payments. A detailed collection process is to be fully implemented in order to minimize outstanding payments and maximize collection prior to fiscal year end. However, given that clients have a 30-day grace period in which to settle their accounts, there is always an overlap from one fiscal year to the next.

OPI: CGSB

Implementation date: October 2009

**Management Action Plan 1.8:** Business volume. Close monitoring of business volume fluctuation is to be maintained in order to adjust the operational model accordingly. Impact of recent fee increase is to be measured in order to identify potential losses that could affect the annual revenue projections.

OPI: CGSB

Implementation date: Ongoing

**Recommendation 2:** Develops a strategic plan that is supported by a risk assessment.

**Management Action Plan 2.1:** A three-year strategic plan is under development for 2009-2012. The strategic plan will incorporate a risk assessment and will be aligned with the Branch Strategic Plan for the same period.

OPI/OSI: Assistant Deputy Minister, Acquisitions Branch/Corporate Services, Policy and Communications Branch

Implementation date: Winter 2009-2010

**Management Action Plan 2.2:** Gather information. In preparation for the revised strategic plan, gather information from various sources; standardization environment/documents, PWGSC strategic plan, Branch strategic plan, Branch Business Plan, other countries, analysis of plans and priorities, review of Speech from the Throne (last three consecutive years), align with Program Activity Architecture (PAA).

OPI: CGSB

Implementation date: October 2009

**Management Action Plan 2.3:** Management draft. CGSB management team is to identify key goals and objectives to be incorporated within the three-year strategic plan.

OPI/OSI: CGSB/Policy, Risk, Integrity and Strategic Management Sector (Acquisitions Branch)

Implementation date: October 2009

**Management Action Plan 2.4:** Support from the Policy, Risk, Integrity and Strategic Management Sector. CGSB to seek support from the Policy, Risk, Integrity and Strategic Management Sector in the development of our strategic plan.

OPI/OSI: n/a

Implementation date: October 2009

**Management Action Plan 2.5:** Seek employee's input. A "Visioning Session" is to be scheduled with all employees in order to present the draft strategic plan and seek their input.

OPI: CGSB

Implementation date: November 2009

**Management Action Plan 2.6:** Risk Assessment. Develop risk assessment for CGSB operations. Ensure Legal Services are involved in the process.

OPI: CGSB

Implementation date: November 2009



**Management Action Plan 2.7:** Final Strategic Plan. Completion of three-year strategic plan, including risk assessment.

OPI: CGSB

Implementation date: Winter 2009-2010

**Recommendation 3:** Ensures that the results of the evaluation along with the changes to the funding model and new strategic plan are taken into consideration in the strategic review of PWGSC.

**Management Action Plan 3.1:** The methodology for the strategic review of PWGSC is beyond the scope of the Acquisition Branch's sole decision-making mandate. However, as CGSB is one program line within the Acquisitions Branch, it should be examined in the context of any such review, as would other program deliverables.

OPI/OSI: Assistant Deputy Minister, Acquisitions Branch/Corporate Services, Policy and Communications Branch

Implementation date: Fiscal year 2010-2011

## **ABOUT THE EVALUATION**

This evaluation had two objectives:

- To determine the CGSB's relevance: the continued need for CGSB, its alignment with Government priorities and its consistency with federal roles and responsibilities.
- To determine the CGSB's performance: the CGSB's achievement of its expected outcomes and a demonstration of the efficiency and economy of the Program.

### **Approach**

The evaluation was conducted in accordance with the Evaluation Standards of the Government of Canada and the Office of Audit and Evaluation of PWGSC. The evaluation took place between June 2008 and November 2008 and was conducted in three phases: planning, assessment and reporting. To assess the evaluation issues and questions, the following lines of evidence were used:

*Document Review:* The initial document review was conducted to gain an understanding of the Program and its context to assist in the planning phase. This included the examination of the "Strategic Review of the Canadian General Standards Board" (2006) presentation. Because the methodologies used in this review were not sufficiently documented, the evaluation team did not rely on this report in the development of evaluation findings or conclusions. In addition to this document, over 50 documents were reviewed in the planning phase. Data from these documents were collected in a matrix and subsequently analysed. The data collection tool was tested and a method was adopted to ensure that the data was captured in a systematic and consistent manner. A second phase of the document review was conducted to collect and assess Program data (such as financial, performance measurement and other types of data already collected by the Program). The analysis of Program data contributed to assessing the relevance and performance of the Program.

*Literature Review:* A literature review was conducted to contextualize the Program both nationally and internationally, as well to identify alternative delivery models through an analysis of other jurisdictions. Additionally, the review identified key policies and supporting documentation regarding standards related issues. Key documents included in the literature review are in Appendix B.

*Key Informant Interviews:* The evaluation team conducted interviews of senior level executives in the Government of Canada, as well as standards-related organizations abroad (n=7).

*Client Interviews:* A sample of CGSB clients was interviewed (n=21). The qualitative analysis of the interviews provided information about the performance of the Program from the perspective of Program users.

*Costing Analysis:* Based on the document review, the review of financial files and the literature review, the costing analysis reviewed the financial aspects of the Program. Based on the Treasury Board Secretariat *Guide to Costing*, the PWGSC *Procedures on Costing*, as well as consultations with the Program's financial advisor and costing experts within PWGSC, the full costs of the CGSB were calculated. Further analysis was based on these figures. An independent costing expert in Government of Canada finance was hired to review the costing exercise and subsequent analyses. A summary costing table is in Appendix C.

### **Limitations of the Methodology**

*Document Review:* The Program provided the evaluation team with a large volume of documents at the beginning of the data collection phase. Additional documents were provided throughout the course of the evaluation. Efforts were made to ensure that all data provided by the Program were reviewed and documented. Due to the large volume of data provided by the CGSB, the large volume of data available for literature review and the complex nature of the standards environment, the evaluation team prioritized documents based on the comprehensiveness and objectivity of the document. As a result, some documents were relied on more heavily than others. However, every effort was made to systematically identify and categorize data from all documents. Data from documents was also verified with supporting evidence from other documents or research methodologies.

*Literature Review:* Very little independent research on standards has been conducted and published. Efforts were made to include only materials that were neutral and based on systematic and scientific research methods. However, standards system stakeholders generated most of the available documents, which could mean that the documents are biased in favour of standards system stakeholder interests.

*Key Informant Interviews:* A small sample of key informants was contacted for interview. It should be noted that these informants represent their own opinions and experiences within the standards system.

*Client Interviews:* The sampling technique identified a wide range of CGSB clients so that the broadest range of experiences would be documented. Efforts were made to ensure that key clients were interviewed. However, a small sample of total clients was interviewed. As such, the results of the interviews are not necessarily statistically representative of all CGSB clients. In addition, only current clients of the CGSB were contacted for interview, which could bias the interview results in favour of the CGSB.

*Costing Analysis:* The financial data provided by the CGSB's financial advisor did not include detailed reports for CGSB services for the years 2004-2005 and 2005-2006. As such, detailed analysis of services was not conducted for these years.

The Treasury Board Secretariat *Guide to Costing* recommends that the Program staff be integrated in the costing exercise. The Program provided some financial information but referred the evaluation team to the financial advisor, who assisted the evaluation team by

providing the financial reports that were used in the costing analysis. Staff from the PWGSC Finance Branch has reviewed the costing analysis.

### **Reporting**

We documented our findings in a Director's Draft Report, which was internally cleared through Audit and Evaluation's Quality Assessment function. We provided the Program's Director General with the Director's Draft Report with a request to validate facts and comment on the report. A Chief Audit Executive's Draft Report was prepared and provided to the Assistant Deputy Minister, Acquisitions Branch, for acceptance. The Draft Final Report was presented to PWGSC's Audit and Evaluation Committee for the Deputy Minister's approval. The Final Report will be submitted to the Treasury Board Secretariat and posted on the PWGSC website.

### **Project Team**

Staff of the Office of Audit and Evaluation conducted this evaluation under the direction of the Director of Evaluation and the Chief Audit Executive of the Office of Audit and Evaluation, Oversight Branch. The PWGSC Library undertook additional research for the evaluation team. Consultants were hired to conduct the client interviews and verify, as well as contribute to, the costing analysis.

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## APPENDIX A

Evaluation Questions	Indicators	Data Sources
<b>Relevance: Is the Canadian General Standards Board consistent with departmental/government-wide priorities; does it address a continuing need?</b>		
1. To what extent is the CGSB appropriate to PWGSC/GC policies and priorities?	<ol style="list-style-type: none"> <li>Degree of overlap of the CGSB with other federal government investments in the National Standards System.</li> <li>The CGSB role supported by Government of Canada.</li> </ol>	<ol style="list-style-type: none"> <li>Literature review <ul style="list-style-type: none"> <li>National Standards System stakeholders: Health Canada Codex Alimentarius in Canada (Health Canada); Standards Systems: A Guide for Canadian Regulators (Industry Canada); Graphic representation of the National Standards System (Standards Council of Canada)</li> <li>ISO - About ISO; About the IEC</li> <li>Other jurisdictions: Standards New Zealand Standards Council: Statement of Intent 2007-2010; American National Standards Institute About ANSI; South African Bureau of Standards website; DIN website and research papers.</li> </ul> </li> <li>Document review <ul style="list-style-type: none"> <li>PWGSC acts, policies and guidelines</li> <li>TBS policies and guidelines</li> <li>SCC acts, policies and guidelines</li> </ul> </li> <li>Key informant interviews <ul style="list-style-type: none"> <li>Senior PWGSC officials</li> <li>Senior officials from National and International Standards system (including Industry Canada, SCC and ISO)</li> </ul> </li> </ol>
2. Is there an ongoing need for a centralized standards development, certification and registration organization as it is now provided	<ol style="list-style-type: none"> <li>Inclusion of standards and accreditation components into key government priorities.</li> <li>Value added of CGSB services to government and non-government stakeholders.</li> </ol>	<ol style="list-style-type: none"> <li>Program interviews <ul style="list-style-type: none"> <li>Program management</li> </ul> </li> <li>Literature review <ul style="list-style-type: none"> <li>National Standards System stakeholders: Cabinet Directive on Streamlining Regulation (TBS); Mobilizing Science and Technology to Canada's Advantage (Industry Canada); Standards Council of Canada Act (Industry Canada)</li> <li>Academic Literature: Consensus-based standards development processes -- serving the needs of the environment and public-health community (Kupfer, G &amp;</li> </ul> </li> </ol>

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Evaluation Questions	Indicators	Data Sources
through the CGSB?		<p>Prince, D); The Economics of Standards: Theory, Evidence, Policy (Blind, K) The Economics of Standardization (Swann, P); The economic Arsenal of the global economy.( Zuckerman, A.)</p> <p>3. Document review</p> <ul style="list-style-type: none"> <li>• 1998 - 0657 Order in Council</li> <li>• Business case / evidence in support of 1998 – 0657 Order in Council</li> <li>• Department of Public Works and Government Services Act</li> <li>• Business case / supporting document with regards provision of CGSB services within PWGSC</li> </ul> <p>4. Key informant interviews</p> <ul style="list-style-type: none"> <li>• CGSB clients</li> <li>• Senior officials from National and International Standards system (including PWGSC, Industry Canada, SCC and ISO)</li> </ul>
<b>Performance : Is the CGSB achieving its intended outcomes?</b>		
1. To what extent is the CGSB achieving its stated objectives and desired outcomes?	<p>1. Type, nature and scope of CGSB projects including CGSB standards development; certification of products, services and management systems; and, certification of persons.</p> <p>2. Scope of standards developed / # of committee meetings per standard. Trends in scope of standards developed.</p> <p>3. # and type of products/services certified. Trend in # and type of products/services certified.</p> <p>4. Scope and quality of presentations to potential program users (by organization/region). (Program survey)</p>	<p>1. Program interviews</p> <ul style="list-style-type: none"> <li>• Senior program management</li> </ul> <p>2. Document review</p> <ul style="list-style-type: none"> <li>• Project files</li> <li>• Website listings of certified products, organizations and management systems.</li> <li>• Human resources plan</li> <li>• Marketing plan</li> <li>• Process guides</li> <li>• Audit manuals (SCC, ISO)</li> <li>• Audit reports (SCC, ISO)</li> <li>• Program survey of workshops</li> </ul> <p>3. Key informant interviews</p> <ul style="list-style-type: none"> <li>• Clients of the CGSB</li> <li>• Senior officials from National and International Standards system (including PWGSC, Industry Canada, SCC and ISO)</li> </ul>

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Evaluation Questions	Indicators	Data Sources
	<p>5. Client profile including renewal rates (per CGSB activity sector): by industry sector; client location; organizational size; etc. Trends in client profile including renewal rates (per CGSB activity sector): by industry sector; client location; organizational size; etc.</p> <p>6. % of PWGSC priorities in standards-related issues identified and addressed.</p> <p>7. Trends in registration and program completion rates for certification of federal government procurement and materiel management program.</p> <p>8. Composition of voluntary committees. % of total standards development committees that are balanced and representative.</p> <p>9. Extent and scope of CGSB participation on national and international standards-related priority setting committees.</p> <p>10. Evidence that 'best practices' are systematically identified and implemented.</p> <p>11. Strategic relationship management framework developed and implemented.</p>	
<p>2. To what extent is the CGSB delivered efficiently?</p>	<p>1. Profile of projects including: type, estimated time to completion, estimated budget, actual time to completion, actual budget.</p>	<p>1. Program interviews</p> <ul style="list-style-type: none"> <li>• Program management</li> </ul> <p>2. Document review</p> <ul style="list-style-type: none"> <li>• Project files</li> </ul>

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Evaluation Questions	Indicators	Data Sources
	2. % of projects delivered on time, on budget (according to agreed plans, includes change controls).  3. Trends in input-to-output ratio.	<ul style="list-style-type: none"> <li>• Financial files</li> <li>3. Costing Analysis</li> <li>• TBS Guide to Costing (2008)</li> </ul>
<b>Performance: Is the CGSB cost effective?</b>		
1. Is the CGSB cost effective from a government-wide perspective?	1. Effectiveness/appropriateness of costing and pricing method.  2. Trends in input-to-outcome ratio.  3. Profile of clients per CGSB activity sector (i.e. client type (government, private), source of funding per client transaction)  4. Degree to which the CGSB provides good financial stewardship: <ul style="list-style-type: none"> <li>• Quality and effectiveness of cost minimization strategies.</li> <li>• Quality of market research.</li> </ul> 5. Extent to which the CGSB represents a cost-effective use of the tax dollars provided to it: <ul style="list-style-type: none"> <li>• Cost of service delivery compared to benchmarks for the total cost of ownership in government and industry.</li> <li>• Cost of service delivery for PWGSC compared to market costs for</li> </ul>	1. Program interviews <ul style="list-style-type: none"> <li>• Program management</li> </ul> 2. Document Review <ul style="list-style-type: none"> <li>• Financial files</li> <li>• Costing and pricing models / research</li> <li>• Website listings of clients</li> <li>• Market research</li> </ul> 3. Literature Review <ul style="list-style-type: none"> <li>• Pricing benchmarks (industry)</li> </ul> 4. Key informant interviews <ul style="list-style-type: none"> <li>• CGSB clients</li> <li>• Senior officials from National and International Standards system (including PWGSC, Industry Canada, SCC and ISO)</li> </ul> 5. Costing Analysis <ul style="list-style-type: none"> <li>• TBS Guide to Costing (2008)</li> <li>• Expert opinion on costing exercise</li> <li>• Expert modelling of cost projections</li> </ul>



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Evaluation Questions	Indicators	Data Sources
	<p>equivalent services.</p> <ul style="list-style-type: none"> <li>Assessment of value-added to government of CGSB services compared to non-government market equivalents.</li> </ul>	
<p>2. What activities or programs currently offered by the CGSB could or should be transferred in whole or in part to the private/not-for-profit sector?</p>	<ol style="list-style-type: none"> <li>Appropriateness of alternative models of delivery.</li> <li>Projected comparative cost-effectiveness of transfer of activities or programs to private/voluntary sector.</li> </ol>	<ol style="list-style-type: none"> <li>Literature Review <ul style="list-style-type: none"> <li>Comparative analysis of other jurisdictions</li> </ul> </li> <li>Document Review <ul style="list-style-type: none"> <li>Financial files</li> <li>Costing and pricing models</li> </ul> </li> <li>Key informant interviews <ul style="list-style-type: none"> <li>Senior officials from National and International Standards system (including PWGSC, Industry Canada, SCC and ISO)</li> </ul> </li> <li>Costing Analysis <ul style="list-style-type: none"> <li>TBS Guide to Costing (2008)</li> <li>Expert opinion on costing exercise</li> <li>Expert modelling of cost projections</li> </ul> </li> </ol>

## **APPENDIX B**

### **Principal Documents Consulted**

#### *Authority and Governance*

Department of Foreign Affairs and International Trade. *North American Free Trade Agreement*. 1994.

Department of Justice. *Department of Public Works and Government Services Act*. 1996.

Department of Justice. *Federal Accountability Act*. 2006.

Department of Justice. *National Flag of Canada Manufacturing Standards Act*. 1985.

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Arthur, Brian, W. "Competing technologies, increasing returns, and lock-in by historical events". *Economic Journal*. 99, 3-4 (1989). 116-131.

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*Standards Systems: A Guide for Canadian Regulators*. 1998. Ottawa, ON: Strategic Policy Branch.

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Swann, Peter. “The Economics of Standardization.” Final Report for *Standards and Technical Regulations Directorate Department of Trade and Industry*. 2000.

United Nations. ECE. *Stakeholder Perspectives: Standards Development Organizations: Draft Proposal* Centre for Trade Facilitation and Electronic Business. Bureau. 2006.

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Zuckerman, Amy. “The economic arsenal of the global economy”. *Management Review* 86,1. (1997).

*CGSB Program Documentation*

CGSB Accomplishment Reports  
CGSB Annual Reports  
CGSB Annual Financial Management reports  
CGSB Performance Measurement Framework  
CGSB Process and Procedures Documents  
CGSB Service Line Business Plans  
CGSB Strategic Plan  
Inter-departmental committees Terms of Reference

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## APPENDIX C

### Summary Costing Table and Explanation of Costing Analysis

	CGSB Division	Reported Expenditures	Reported Revenues	Net Vote	Actual Full Costs
<b>2007-2008</b>	Directors Office	(415,833)	0	415,832	(598,594)
	Certification Services	(578,922)	750,773	(171,851)	(701,858)
	Registration Services-Quality	(728,503)	519,229	209,274	(913,801)
	Registration Services-Environment	(336,663)	363,075	(26,412)	(431,942)
	Strategic Standardization	(268,501)	187,770	80,732	(361,339)
	Standards Development	(1,204,747)	687,143	517,605	(1,558,205)
	Personnel Certification	(166,292)	270,142	(103,850)	(228,475)
<b>2007-2008</b>		<b>(3,699,461)</b>	<b>2,778,132</b>	<b>922,111</b>	<b>(4,950,574)</b>
<b>2006-2007</b>	Directors Office	(461,570)	0	461,568	(593,176)
	Certification Services	(636,978)	672,537	(35,559)	(773,603)
	Conformity Assessment Division	(6,671)	6,669	1	(9,191)
	Registration Services-Quality	(645,429)	763,108	(117,680)	(824,079)
	Registration Services-Environment	(334,806)	347,119	(12,315)	(413,710)
	Strategic Standardization	(237,823)	216,015	21,808	(317,625)
	Standards	(1,133,827)	363,369	770,457	(1,585,925)

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	<b>CGSB Division</b>	<b>Reported Expenditures</b>	<b>Reported Revenues</b>	<b>Net Vote</b>	<b>Actual Full Costs</b>
	Personnel Certification	(99,585)	166,399	(66,813)	(135,648)
<b>2006-2007</b>		<b>(3,556,689)</b>	<b>2,535,216</b>	<b>1,021,467</b>	<b>(4,815,366)</b>
<b>2005-2006</b>		<b>(3,699,403)</b>	<b>2,131,628</b>	<b>1,567,774</b>	<b>(5,093,658)</b>
<b>2004-2005</b>		<b>(3,534,647)</b>	<b>2,296,212</b>	<b>1,238,435</b>	<b>(4,781,298)</b>
<b>2003-2004</b>	Directors Office	(435,450)	(25,845)	461,292	(553,191)
	Product Conformity	(821,535)	737,011	84,526	(1,033,036)
	Registration Services-Quality	(1,010,685)	866,954	143,731	(1,240,497)
	Registration Services-Environment				0
	Strategic Standardization	(475,838)	169,334	306,503	(644,172)
	Standards	(1,439,400)	352,851	1,086,549	(1,978,342)
	Personnel Certification				0
<b>2003-2004</b>		<b>(4,182,908)</b>	<b>2,100,305</b>	<b>2,082,601</b>	<b>(5,636,994)</b>

Reported Expenditures, Reported Revenue and Net Vote from Year End Financial Reports. Actual Full Costs prepared by Office of Audit and Evaluation  
Note: In 2003-2004, Product Conformity is Certification Services. In 2006-2007, Certification Services and Conformity Assessment Division is "Certification Services". In all years, Registration Services-Quality and Registration Services-Environment are "Registration Services". In all years, Strategic Standardization and Standards are "Standards Development".

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In order to determine full cost of the CGSB Program for PWGSC, a series of costs were considered.

Direct costs include payroll expenditures, regular operating expenditures, professional services expenditures and corporate costs (which are comprised of maternity leave, severance pay and payment in lieu of leave on separation). These expenditures were reported in the financial management reports provided by Finance Branch.

In addition to these expenditures, the following indirect costs were considered:

Accommodation costs: Represent 13% of payroll expenditures. Percentage to be applied was provided by Finance Branch.

Employee benefits: Represent a percentage of payroll expenditures. As per the TBS Guide to Costing, the Secretariat publishes on an annual basis the percentage to be applied to salary costs for these employee benefits. Percentages were taken from the instructions on the preparation of the Annual Reference Level Update (ARLU) and are as follows:

2007-2008	18.5%
2006-2007	19%
2005-2006	20%
2004-2005	21.5%
2003-2004	Was not provided in the ARLU instructions, therefore 20% was applied

Insurance costs<sup>7</sup>: Percentages were taken from the instructions on the preparation of the ARLU and are as follows:

2007-2008	7%
2006-2007	7.5%
2005-2006	8%
2004-2005	8%
2003-2004	Was not provided in the ARLU instructions, therefore 8% was applied as in the 2 previous years

Corporate Support Costs: Consist of “basic” corporate support activity costs incurred by Finance, Human Resources and Corporate Services in headquarters. The Cost-Based Management Directorate (within the PWGSC Finance Branch) provided the figures.

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<sup>7</sup> Formerly called health care costs