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Department of Communicatio

1990-91 Annual Management Report

Summary of Program and Administrative Performance

May 1991

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1990-91 Annual Management Report

**Summary of Program
and Administrative Performance**

May 1991

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I Introduction

A Memorandum of Understanding was signed on June 19, 1989 by the Department of Communications (DOC) and the Treasury Board under the Increased Ministerial Authority and Accountability (IMAA) regime. The memorandum set out the authorities and accountability mechanisms which will govern the relationship between the two parties over the next three years, as well as the results for which the Department would be accountable over the term of the agreement.

This second Annual Management Report (AMR) describes our achievements in 1990-91 with respect to the program and administrative policy targets specified in the accountability annexes to the IMAA MOU. This AMR also reports on variances from last year's performance and explains them where it is relevant to do so.

The material is divided into five sections. The first three sections measure performance with respect to our responsibilities in the areas of 1) spectrum management; 2) telecommunications; and 3) cultural affairs and broadcasting. These are the three major substantive activities or program areas of the Department. Within the latter two sections, the material is presented at the sub-activity level as this unit of aggregation is more appropriate for these areas of responsibility. The document typically considers policy analysis and development work undertaken during the past year as well as upcoming policy and legislative issues, recent trends in program service, workload and productivity levels, and evidence of continued program relevance and effectiveness.

This is followed by a review of performance with respect to our administrative policy targets in such areas as program and resource management, personnel, official languages, and audit and evaluation. The final section contains a brief summary of the conclusions that we have drawn from this accountability review.

II Spectrum Management and Regional Operations

The radio frequency spectrum is that portion of the electromagnetic spectrum used for all communications through the airwaves. It is a vital natural resource, essential to such services as broadcasting, mobile radio, satellite, cellular, telecommunications and public safety. It is a finite resource offering significant economic, social and cultural benefits to Canadians. The Department of Communications manages the radio frequency spectrum to ensure its use and development are in the best interest of Canadians.

The growth in mobile radio services and the increasing application of mobile technologies is creating an unprecedented demand for spectrum. This demand will move at a faster pace over the next ten years than that witnessed in the last decade. Factors such as the 1994 launch of MSAT (mobile satellite services), the introduction of public digital cordless telephone service (currently being tested experimentally in Ottawa and other cities), the implementation of affordable personal communications services, and increased use of wireless technology (e.g., wireless local area networks) will challenge the Department's ability to manage the spectrum in an effective and efficient manner.

This challenge stems from the increased spectrum congestion in urban areas. For example, Toronto's last FM channel was recently assigned. In this context, a continual effort must be made to become more efficient in our use of the spectrum, to anticipate and prepare for new technologies and services which have spectrum implications, and to develop the technologies and applications that can make use of current unoccupied portions of the spectrum. This will require that additional resources be invested in international negotiations, research and development and standards development.

Program Operation

The Department ensures that Canada has access to its fair share of the radio frequency spectrum and can use it to meet its own needs through international negotiations and agreements over the use of the spectrum, the establishment of spectrum allocation and utilization policies, technical compatibility criteria and the setting of

technical standards and regulations for radio equipment and systems, in national and international fora. It ensures the compatible accommodation of as many users and uses of the radio spectrum as possible. Our diverse client base includes various sectors of the economy such as transportation, telecommunications, manufacturing and broadcasting to name a few.

International Negotiations and Standards Development

Last year, the Department participated in numerous working groups in preparation for the World Administrative Radio Conference (WARC 92). This conference is one of the most important frequency allocation conferences of the last two decades. Decisions from this international meeting will have significant implications on current and future uses of spectrum and on Canadian communications companies well into the 21st century. Worth noting is that the Department has taken the lead in preparing Canada's spectrum positions without the benefit of additional resources to compensate for the substantial costs incurred.

As well, several bilateral arrangements were signed that will ensure equitable access to newly allocated Radio Frequency Spectrum in the border areas. Negotiations were continued with the Canadian communications industry to define an acceptable North American standard for digital based radio systems. In addition, the department has developed a program to facilitate the preparation of domestic and Canada/U.S. spectrum allotment plans to introduce Digital Audio Broadcasting and Advanced Television in North America. Furthermore, it continued to promote the "common image format" approach to the development of universal high definition television picture standards, thereby further drawing together the international community towards a common HDTV standard.

Assigning Frequencies to Clients

A key dimension of the spectrum management program is its radio station licensing function. Performance standards are set for radio licence application processing times. As the number of spectrum users increases, finding frequencies for assignment that are compatible with all other users becomes more complex and time consuming. In 1990-91, the processing of land-fixed radio applications was 14% below target, an increase of 2% over 1989-90. In addition, the processing times for all other service categories lag established performance targets.

To effectively reverse the trend of declining service levels, the department requires additional resources to deal with the current workload, develop tools to cope with the challenge of future technology and address the pressures of legislated and international commitments. Over time, this declining service will become quite unacceptable to the department's fee paying clients. Developments to streamline the delivery of spectrum management programs will help, but will be insufficient to compensate for the reduction of service levels.

Maintaining Spectrum Quality

Another key dimension of the spectrum management program is maintaining the quality of the spectrum for Canadian use. To ensure that those granted access to the spectrum are able to operate with a minimum of harmful interference, spectrum quality is monitored, client consultation is undertaken and, on occasion, enforcement action is taken.

An approximate indicator of spectrum quality is the ratio between the number of radiosystem interference complaints received and the number of new land-fixed radio licensees. (This latter population does not represent the total number of new users as multiple land-mobile radiostations could be associated with each land-fixed licence.) Interference complaints expressed as a percentage of all new land-fixed licences have remained stable over the last three years at approximately 36%.

In 1990-91, the Department conducted an extensive survey of potential users of the land-fixed/mobile radio service in order to determine the rate of unlicensed operation in this service. Private enterprise was the target group for the survey. All non-commercial and common carrier organizations were excluded. A statistically

sound sampling and measurement technique was employed nationally to determine the compliance rate for both fixed and mobile classes of stations.

The survey results indicate that the land mobile station population is several points below the acceptable standard and the land-fixed population is within the acceptable standard. Corrective action will be taken to improve the compliance rate of the mobile population.

Cost Recovery

All spectrum management costs, including overheads, are being recovered through licence fees. Although radio licence revenues continue to grow each year, resources devoted to spectrum management have declined in real terms due to downsizing and the lack of inflation protection for non-salary expenditures, which has affected our client service. With the communications industry expectation of timely service, the Department will experience increased pressure, from fee paying clients, to either improve service or decrease licence fees.

This pressure will augment in the future with the imposition of new demands. For example, public awareness and concern about antenna structures, and the legal obligation of the department to ensure that environmental assessment reviews are conducted will place a heavy demand on resources. Without additional resources, new demands will further erode service to the fee paying client.

Program Effectiveness

During the period 1988-1990, the Department of Communications carried out a comprehensive program evaluation of the Radio Frequency Spectrum Management Program (RFS). This was one of the largest and most complex evaluations ever undertaken by the Department. It focused on issues such as the need for the program, its impacts and effects, and possible cost-effective alternatives to the program. It should be noted that there have been significant changes in the environment since the studies were completed — in particular revisions to the licence fee structure.

The evaluation found that:

- Government must continue to regulate the allocation and utilization of spectrum. The primary reasons have to do with the potential for interference among spectrum users and the large number of international commitments required to manage the spectrum.
- An organizational review conducted in 1988 determined the structure to be appropriate and effective. At this point, there is no reason to suspect that the 1991 structure is less appropriate or less effective.
- Overall, the Program appears to be achieving its objectives. For example, relatively few applications for licences were rejected by the Department and the needs of most whose applications were rejected were met with acceptable alternatives. The primary focus of the Department is on the prevention of interference but it has nevertheless been successful in resolving interference problems.
- Clients were generally satisfied with the Program. Significant minorities expressed concern about several things, however, including: the cost and complexity of the application process, the lack of opportunities to comment prior to changes in regulations, inconsistencies in the enforcement of rules and regulations, and the adequacy and timeliness of notification of changes to rules, regulations and procedures. The aforementioned general fee increase and declining levels of service over the past three years, however, would suggest that there may be higher levels of dissatisfaction at the present time.
- Licence fees do not appear to have negative impacts on licensees as the majority two thirds feel the fees are reasonable and fair. This evidence, however, was collected before the recent increases in licence fees for municipalities, therefore it would be reasonable to expect that fewer licensees would feel this way at this time.

The evaluation concluded that the Radio Frequency Spectrum Management Program is well managed, achieving its objectives and needed. However, more attention should be paid to client services, questions of economic efficiency and cost-recovery. An important area for further study is the question of the most appropriate organization for managing the RFS into the next century. The evaluation also recommended that the true costs of the spectrum be assessed; and, a study to address this is currently underway. Alternative pricing policies are also being considered. In addition, the Department is exploring for more frequent client surveys.

III Technology, Research and Telecommunications

Policy Development

The strategic framework and direction required in order for efforts to improve and extend telecommunications and related services to all Canadians requires policies to be developed, promoted and safeguarded in both national and international fora. This framework ensures that industry support efforts as well as research and development, are well focused and coordinated. The policy development sub-activity is also charged with developing the Department's approach to addressing national science and technology policies related to communications technologies, and with formulating strategies to address the opportunities and threats presented by emerging communications technologies and industrial and economic trends.

A number of policy development activities have been undertaken throughout the year. The most significant ones relate to the completion of the drafting of legislation to give effect to the telecommunications policy framework, the decision to privatize Telesat Canada, the Vision 2000 initiative and the initiatives to increase technology transfer.

Telecommunications Policy

In relation to the seven provinces directly affected by the Supreme Court's Alberta Government Telephones Decision which recognizes the jurisdiction of the federal government over telecommunications, federal-provincial discussions on how best to ensure that regional interests are taken into consideration in policy formulation and the regulatory process have resulted in agreements with Alberta, Manitoba, Nova Scotia, New Brunswick and Prince Edward Island. Discussions with the remaining provinces are well advanced.

The federal telecommunications policy is based on the recognition that the telecommunications industry, which is largely Canadian owned and privately held, constitutes an essential instrument of our economic and social development.

Vision 2000

Vision 2000 was created in 1989 as a joint industry/university/government initiative to foster strategic R&D alliances which could accelerate the development of advanced personal communications technologies and position Canadian industry in key niche markets. Over the past year the Department provided strong support to various Vision 2000 working groups in such areas as policy development, regulatory review, R&D and spectrum allocation requirements. This work culminated in a planning document entitled "Framework for the Evolution of Personal Communications in Canada", which was approved by Vision 2000 Inc., the non-profit industry-led steering committee.

The Department is also assisting Vision 2000 members in the set up of specific R&D project consortia related to the overall theme of personal communications. To date, more than 25 R&D projects worth a total of \$30 million have been identified, including applications for satellite, land and sea uses. DOC is participating in 15 of these projects and is contributing \$7 million to them. These involve all major Canadian telecommunications industry players as well as universities.

Privatization of Telesat Canada

The Minister of Finance has confirmed that the sale of Telesat Canada will occur within the current fiscal year. Guidelines concerning bidding eligibility for the company and a statement of policy outlining the future rights and obligations of a privatized Telesat are being drafted.

Intellectual Property and Technology Transfer

Given the pending dissolution of Canadian Patents and Development Ltd. (CPDL), the Department has implemented two initiatives to increase technology transfer from the DOC laboratories to the private sector and others. The first initiative is the new departmental policy on intellectual property. This incorporates recent recommendations by the National Advisory Board for S&T (NABST) such as the delegation of accountability for intellectual property to laboratory managers. Secondly, a DOC Technology Transfer Office has been established to help transfer technologies from DOC labs to Canadian businesses through marketing and commercialization services, as well as to undertake the ongoing tasks associated with repatriating DOC's intellectual property from CPDL. These activities will help support broader federal objectives with respect to competitiveness.

Spectrum Policy

A comprehensive Discussion Paper on key issues related to spectrum policies provided the basis for the first phase of public consultations. In January 1991, the Canadian Preparatory Committee composed of industry and government participants approved a comprehensive draft of the Canadian frequency allocations proposals for the 1992 World Administrative Radio Conference (WARC). These proposals, which cover a wide range of radio services were published for comments and will serve as the basis for bilateral discussions with other countries.

Finally, spectrum utilization policies were issued in 1990 for Part I of the review which covers a range of radio services, including additional spectrum to cellular, spectrum for cordless phones, air-to-ground, and safety services. Policy proposals are being developed for the remaining parts of the spectrum as Part II of the review to be issued in 1992.

Research and Development

DOC's research and development activities are largely carried out in support of the Department. The results of the R&D assist the Department in discharging its mandate in areas such as the development of national and international standards, the advancement of knowledge in communications technologies, the regulation and management of the spectrum, the development of policies and programs to achieve Canada's social and economic objectives for communications, and the improvement and extension of communications services available to Canadians. R&D is also carried out to meet the needs of other government Departments and agencies. For example, the Department conducts a major recoverable R&D program for the Department of National Defence at a support level of \$8 million annually. R&D is also conducted to promote the development and exploitation of advanced technologies by Canadian industry to serve both domestic and world markets. Research is undertaken in-house or through joint projects or partnerships with industry, provincial research organizations and universities.

Current research and development efforts are focused on radio and satellite communications, workplace automation, broadcast technologies, systems interconnection and communications devices and components.

Significant Findings

A number of advances related to the Department's research and development activities were realized during 1990-91. These include development of the MEDIALOG project which enables users to electronically access archives and collections of cultural institutions from a local public station; demonstrations, field tests and an

evaluation of a prototype Digital Audio Broadcasting system; and the establishment of a specialized laboratory to conduct evaluations of proposed advanced television systems (ATV) in partnership with Canadian industry and government organizations and in collaboration with the United States.

Significant technical progress was again made in the area of gallium arsenide monolithic microwave integrated circuits (GaAs MMIC) and high speed digital integrated circuits, miniature hybrid microwave integrated circuits (MHMIC), silicon very large scale integrated circuits (VLSI), optoelectronic and fibre optic devices, and in radiation and reliability studies.

Our efforts also helped move us closer to the implementation of Canada's first Mobile Satellite System. Telesat Mobile Inc. (TMI) issued a contract to Spar Aerospace Limited in December 1990 for the procurement of a spacecraft scheduled for delivery in 1994. An identical spacecraft is to be supplied to the American Mobile Satellite Corporation (AMSC) by Hughes, with Spar manufacturing the communications payload. TMI and AMSC have signed a \$2 million contract with Comsat for the complete functional and interface definitions and specifications for mobile earth terminals, feeder-link earth stations, network control centres and network operations centres. DOC is now conducting a pre-launch MSAT Communications Trial Program for a variety of voice and data services. Demonstrations of MSAT equipment have successfully taken place in such places as Havana, Cuba and on an ice island in the Beaufort Sea. Transportable voice equipment is also being demonstrated. The second International Mobile Satellite Conference (IMSC '90) was held in June 1990. Five hundred participants from 145 organizations took part, and 125 technical papers from around the world were presented.

Research Expenditures

R&D expenditures have remained relatively stable over the past years at approximately \$25M (excluding funding for the MSAT program). A decrease in person-year expenditures resulted from the transfer of 16 PY's from the Canadian Workplace Automation Research Centre (CWARC) to the Quebec Region. Actual expenditures for 1989-90 show that extramural contracts, grants and contributions for Natural Sciences were 43% or \$24.5 million of the total expenditures. The initial target of 43% for this expenditure category was, therefore, met.

Program Effectiveness

The mandate of the DOC Research Laboratories is to foster the orderly development and use of communications, information, broadcast systems, services, and infrastructure to meet Canadian economic, social, and cultural needs. This goal is accomplished through in-house R&D, contracted and collaborative research with industry, policy formulation in areas such as standards and regulations, and increasing scientific and technical expertise within government, industry, and universities. The labs have a total annual operating budget of approximately \$30 million (including MSAT program) and employ approximately 250 person-years.

In an effort to better coordinate DOC activities in standards development work, a DOC Standards Program Office was established to coordinate, analyze and recommend positions in key areas of standardization.

A program evaluation completed in May 1990 found considerable evidence that the Research Labs provide a unique and valuable function within the Canadian communications industry. Ninety-seven percent of the private business and university clients believe that there is a definite need for the Department's labs. Closure of the labs would severely impair Canada's communications industry, since the labs provide unique services that are too costly for the private sector to support. Clients, peers and overseas exchange scientists judged the research and services of the Research Labs to be of world class quality.

The evaluation also pointed to a general lack of awareness about some of the labs' activities within the communications industry, including clients and potential clients, as well as the general public. The evaluation also indicated that there is still a perception within the industry that the labs need to be more oriented towards

industry priorities, conducting more product development work and less basic research. It should be noted, however, that the evaluation did not take into account the value of the services that the labs perform for clients within the Department or elsewhere in the government, who are viewed as the primary clients of the R&D performed by the Research Labs.

The evaluation recommended that in order to maintain the quality and value of their research in the absence of additional resources, the labs should focus on fewer priorities. The evaluation also recommended that the labs could reach a broader audience within the communications industry through more active promotion of their research activities and services. Such active promotion would require additional resources but it would increase the diffusion of information originating within the labs as well as the potential for greater cooperation with Canadian industry. These recommendations are being acted upon: research managers are seeking to enhance the leverage obtained by their resources and promotional materials are being developed.

A final recommendation called for better organization of information collected on research projects, at both the sector and departmental level. Project information and reports would then be accessible for demonstrating accountability or for disseminating important findings throughout the industry. The Department is also acting on this recommendation: databases describing DOC's research technologies are being developed and the library has taken measures in this respect by implementing an improved procedure for obtaining contract reports. As part of this new procedure, the library obtains proposal summaries from all contracts initiated by the Department, and follows-up on contracts that result in the preparation of a report. The evaluation findings are consistent with those of the recently completed Lortie Commission study, which examined R&D programs within the federal government. This comparison further enhances the credibility of the Department's internal evaluation findings and recommendations.

Communications Development

Specialized technical, financial and marketing support and assistance is provided to assist Canadian industry, user groups and other Government Departments and agencies in the development and exploitation of advanced technologies which have significant market potential, or which meet the needs of specific groups.

Program Operation

Statistics show that the workload per PY in the areas of industrial and economic support programs, communications applications, informatics applications and international marketing has increased significantly in the last fiscal year.

In 1990-91, the Department continued to support Canadian communications equipment manufacturers through collaborative R&D, technology licensing, technology and commercial assessments, and procurement strategies. Major achievements include the completion of a five year (January 1986 through March 1991), \$41 million agreement with SPAR Aerospace, an initiative which resulted in the viability of a Canadian prime contractor for communications satellites. During this period, employment at SPAR nearly doubled, while the sub-contractor program generated over 600 person-years of work. In terms of long-term space planning, the Department completed feasibility studies on advanced satellite communications systems and began a \$3 million definition phase for the next generation of satellites of which 40% of the costs are funded by Canadian industry. Particulars of the next long term Space Plan (1992-97) are currently being negotiated both interdepartmentally and with industry and universities.

During the last fiscal year, the Department spent \$2.3 million to encourage the development of new applications of advanced informatics and communications technologies to meet identified user needs. This funding satisfies less than one fifth of the eligible demands made on the programs. Specific project achievements over the year include the signing of a Memorandum of Understanding with the CBC and the Ontario Ministry of Culture and Communications to carry out a teletext field trial over the next two years; "Blissphone" trials for the handicapped in Toronto, Ottawa and St. John's; and the completion and

commercialisation of a C-Band telephony terminal, currently being used by Energy, Mines and Resources Canada and soon to be used by the governments of the Yukon and the Northwest Territories.

The Department develops and manages R&D projects involving the transfer of technologies from DOC laboratories, Canadian universities or off-shore sources to the Canadian communications industry. In 1990-91, DOC managed 24 major R&D projects valued at approximately \$12 million. Projects completed during the year include the transfer of an advanced wide-area packet switching network to IP Sharp Associates of Toronto, which will enhance the company's current private data communications network; a digital interactive television system to Cablesare Inc. of London; and a "very fast package exchange system" for high-speed communications transactions to Computer Network Architecture Inc. of Nepean, Ontario. Just under half of the funding for these projects came from the National Research Council's Industrial Research Applications Program (IRAP). The remainder came from provincial governments, other federal Departments and the private sector.

DOC provides international marketing support to at least 20% of the Canadian companies exporting communications products. In 1990-91, marketing support activities were directly responsible for approximately \$130 million worth of international sales for Canadian companies. These include contracts with Morocco (\$50 million contract for Bell Canada International); Saudi Arabia (\$20 million contract for Glenayre); the Philippines (\$22 million contract for SaskTel); and Indonesia (\$13 million contract for Canadian Marconi).

Program Effectiveness

Last year's Annual Management Report presented details of two evaluations of the Manitoba and Quebec Subsidiary Agreements on Communications Enterprises. Both evaluations found that the majority of the projects (87% to 91%) had positive benefits, and would not have occurred without ERDA funding.

A comprehensive program evaluation of the Department's international relations function, based on seven background studies, examined eight activity areas carried out by a wide range of branches, concentrating on DGIR. The studies found that the work presently carried out by the Department in international relations is well done. Areas of particular strength are participation in multilateral telecommunications conferences, contributions to Canada/US trade negotiations, and consultations with clients on items directly related to work plans. Criticism of the international relations function resulted primarily from the increasing importance of international factors brought about by increasing globalization and the development of trading blocks. The integrated report of the evaluation includes an implementation strategy designed to strengthen areas of weakness in the short term, and to restructure the function to better meet the needs of both clients and the Department in the future.

The economic benefits of these types of support to industry and user groups take several years to be realized and are therefore difficult to quantify. Nevertheless, the Department is currently taking steps to improve information on program results, effectiveness and efficiency, by designing an evaluation program in this sub-activity. This will also build the nucleus for an ongoing performance monitoring system. The expected completion date for this system is 1992-93.

During 1990-91, we completed a joint evaluation with External Affairs of the Telecommunications Executive Management Institute of Canada (TEMIC). TEMIC's objectives are to enhance the knowledge and skills of telecommunications executives and managers from developing countries to, firstly, assist them in the development of their facilities, services and human resources and, secondly, to promote international cooperation and trade for the telecommunications equipment and services industries in Canada.

Since the evaluation found that TEMIC was very successful in meeting its objectives and that the participation of the Government of Canada was very important in all aspects of the operations, the government participation has been renewed with financial commitment of \$825,000 over 5 years.

The evaluation also found that TEMIC has achieved both direct and indirect trade benefits for its members from private companies, post-secondary institutions and the federal government; TEMIC is unique and does not duplicate other activities and is providing an important service for both Canada and the Canadian telecommunications industry. The Treasury Board Decision which allocated the contributions of DOC and DEA to TEMIC for a period of five years states that these contributions should be 50% of the actual costs. The report concludes that the principle of equal contributions to TEMIC from the government and private sectors has been met. However, the evaluation found some dissatisfaction with the apparent inequity of the membership structure and fees.

The report makes several recommendations that may increase trade benefits achieved by TEMIC, including fine-tuning the selection process for Fellows, expanding curricula sessions that focus on funding support and implementing follow-up programs with both the Fellows and the Posts.

Government Telecommunications Agency

The Government Telecommunications Agency (GTA) is responsible for planning and coordinating telecommunications services for Departments, branches and agencies of the Government of Canada. The consolidation of the government's telecommunications requirements allows the capture of economies of scale from shared services, volume, discounts and network optimization.

As part of the process to launch GTA as one of the first five Special Operating Agencies, a submission was made to Treasury Board including a Business Plan for 1990-91 which reflects the activities proposed for the transition period and a Framework Document spelling out the relationship between GTA and DOC. The submission was approved in mid-November, retroactive to April 1, 1990.

The strategies for fulfilling its mandate as a Special Operating Agency in the longer term have been addressed in the GTA Business Plan for 1991-1995. The plan includes a description of the GTA internal environment, an analysis of the external telecommunications and information environment and the potential impact of it on GTA and its government clients, an outline of GTA strengths and weaknesses, critical success factors, financial projections, specific performance indicators and regional business miniplans.

In this context, GTA's mission statement was formulated as follows: to bring information and telecommunications products and services to the Government for effective delivery of services to Canadians. As a Special Operating Agency, GTA will progressively increase the economy, efficiency and effectiveness of its services while demonstrating increased value for money through overall savings to the federal government as a whole.

Program Operation

The Government Telecommunications Agency has met or exceeded most of its operational targets in 1990-91. It has also marginally improved its operations over 1989-90. For example:

- GTA's long distance rates from Ottawa to various Canadian cities are 7 to 44% lower than Direct Distance Dialing (DDD) per minute costs.
- The target for administrative overhead was 10% of total service costs. Administrative overhead decreased from 9.3% in 1989-90 to 8.6% in 1990-91.
- The principal common services provided by the GTA are the Government Intercity Voice network in association with the Local Telephone Services (Centrex/EEWD) which handled approximately 62 million network calls in 1990-91, 9 million more than in previous years. In concert with the increase of 17% in network traffic, there was a decrease of 6.5% in the cost of provisioning the network facilities during this period, from \$62 million to \$58 million. At the same time, there were major reductions in the commercial long-distance rates. The net result was a 31% savings for the government compared to DDD rates in

1990-91 for the voice network. The Local Telephone Services contributed savings estimated at \$37 million, equal to a 23% savings for the government.

- ❑ Other GTA services, while not individually offering savings in the order of 30%, do offer significant savings to the federal government in the range of 15 to 20%.
- ❑ GTA continues to adopt new technologies and provides new services to better meet client needs. For example, the Government Electronic Messaging and Document Exchange Service (GEMDES), which attained a clientele of some 8,000 users in this second year of operation, was significantly improved in the past year. Another example is the extension of the Government Packet Network (GPN) which has expanded during the past year to more than 140 serving areas, with the addition of nine new serving areas and seventeen new GPN dial access points. It now counts more than 70 federal clients, representing a user base of approximately 30,000.
- ❑ The Government Satellite Network (GSN) service, using Very Small Aperture Terminal (VSAT) technology, was launched offering savings opportunities both in the use of the network and the sharing of terminals.

Program Effectiveness

The 1987-88 evaluation concluded that GTA is meeting its mandate in providing cost-effective government telecommunications. It also concluded that administration, billing and consulting services could be improved. Further to this recommendation, a working group was established in 1989-90 to look at all aspects of billing in order to improve timeliness. Work has proceeded on GEMDES billing problems, with very positive results and increased client satisfaction. Also, the Consolidated Management Service (CMS) was implemented on a trial basis in Moncton, Montreal, Ottawa, Calgary and Vancouver. The service provides client Departments with on-line service order entry, automated inventory, Centrex/EEWD equipment, features and billing reconciliation and management report capabilities. Widespread implementation of the service is expected in the fall of 1991.

Organizational changes brought to GTA reflect recommendations made in the Auditor General's 1989 report as well as the 1989 report of the Advisory Committee on Information Management (ACIM).

IV Arts and Heritage

Museums and Heritage

The objective of this sub-activity is to safeguard Canada's cultural, social, industrial and natural heritage and make it accessible to Canadians. Responsibilities are shared with the four national museums, the National Archives and the National Library.

Policy Development

Following the ratification of the Canadian Museum Policy by the Minister of Communications in 1990, Treasury Board approved the terms and conditions of the programs outlined in the new policy. On July 1, 1990, the new Act respecting museums was proclaimed. With the new Act the respective Boards of Trustees will govern the development of the four federal museums and their affiliates.

The federally appointed Task Force on Canadian Military History Museum Collections submitted a report containing 23 major recommendations and 47 sub-recommendations. Of these, 16 recommendations and sub-recommendations are addressed to the Minister of Communications. The others concern the Department of National Defence, the Department of Veterans Affairs and the Department of the Environment; the Canadian Museum of Civilization Crown Corporation and the Canadian War Museum; one of its sub-museums; and the Organization of Military Museums of Canada and other military museums across Canada.

The recommendations relate to legal matters, several government policies and programs, the operations of service organizations such as the Canadian Heritage Information Network (CHIN) and the Canadian Conservation Institute (CCI), and cultural organizations such as the National Archives of Canada. In addition to proposing that the Canadian War Museum be given autonomous status, that its existing facilities be renovated and expanded, and that an additional building be constructed near the National Aviation Museum, the report recommends that the votes for the existing grant programs and the funds allocated to the Canadian Museum of Civilization be increased.

A Discussion Paper, being developed in cooperation with the Department of Environment and the Secretary of State will address a heritage strategy. The paper will provide the basis for detailed consultations with the heritage community.

To protect archaeological sites and artifacts and to enable aboriginal peoples to participate in the management of their archaeological heritage, an archaeology policy was announced in May 1990 and draft legislation was released for consultation in December 1990. Individuals, groups and institutions involved in archaeological resources and their preservation were asked to comment on the legislation.

Program Operation

In 1988-89, the federal government's contribution to the operational budgets of museums and museum-related organizations amounted to \$98 million, an increase of 5% over 1987-88 and 30% over 1984-85. All provincial and territorial governments together, on the other hand, spent \$154 million in 1988-89. As a result of a higher rate of increase in museum spending by the provinces and territories, the federal government's share of overall public sector support for museums operation has declined from 40% in 1984-85 to 37% in 1988-89.

Overall support levels to museums have increased over the past three fiscal years due to the growth of expenditures under the Museum Assistance Program (MAP) from \$8.5 to \$12.5 million. MCP grants are ranging from \$1.6 to \$1.7 million per year while the value of Canadian Heritage Information Network (CHIN) services has remained stable at \$3.7 million. It is worthwhile to point out that in 1990-91, revenues of \$403,504 were generated by CHIN which represent a decrease of 5% from the previous year and 77.7% of the revenue generation target in spite of a significant increase in revenues generated by national clients (from \$21,292 to \$100,876). This is due to a decrease in revenues generated by international clients. CHIN maintained 122 databases in 1990-91, up from 118 in 1989-90.

The Prairies have benefitted the most from the MAP program due to a large number of museums per capita. Use of the Program in the Atlantic Region has dropped off in recent years while Quebec increased its share relative to its traditional use.

Under the Movable Cultural Property program, tax revenues are foregone in return to donations to art galleries and museums. A broad estimate of the value of foregone taxes for 1990-91 would be \$12 million representing 20% of the \$60,000 face value of donations per that year.

The Canadian Conservation Institute has again been very active in 1990-91. CCI's conservation services are focusing increasingly on complex and long-term treatment projects. In light of the CCI program evaluation (reported in last year's AMR) CCI management has reviewed the activities of the Institute to ensure that they meet its defined mandate. Members of the conservation community surveyed during the evaluation study called for a widening of the program scope to encompass the treatment of archival materials. Consequently, for archives and libraries, CCI now treats individual objects of notable significance that present unusual conservation problems; however, it cannot deal with the exceptionally large volumes of documents and books in those institutions' collections. Finally, CCI is developing programs that will meet the initiatives identified in the new Museum Policy.

The Exhibition Transportation Service of the Heritage Services component carried over \$1.5 billion in art and artifacts, an increase of about 15% over last year.

Program Effectiveness

The six major programs under this sub-activity have been evaluated at least once. Last year's AMR reported the three last evaluations.

Support to the Arts

The objective of support to the arts is to foster and make accessible artistic and creative expression. National policies and strategies are developed to assist Canadian artists and their management and production support systems; to assist representative national service organizations; and to support audience development and access. Direct financial assistance is provided under the Cultural Initiatives Program (CIP) for training and management development, the production and presentation of cultural festivals and events, and the construction or improvement of performing and visual arts facilities. Since the Minister is responsible for the Canada Council and the National Arts Centre, which share responsibility for support to the arts, portfolio coordination and management tasks are also important.

Policy Development

Efforts in 1990-91 were focused in the Status of the Artist, the design sector, Copyright and the public art and the urban environment. Several priorities have overtaken the finalization of an arts policy framework, including the Status of the Artist initiative, response to the Standing Committee's Report on the National Arts Centre and on-going concerns regarding funding of the arts. However, implementation of one of the main thrusts of the policy framework, which seeks a better balance between the levels of support provided by Government (training, creation, production, distribution and audience development) has already started to be implemented. Initiatives in the areas of training, marketing and audience development will reinforce the Federal Government's support at these levels. Ottawa's traditional emphasis in the arts sector has been towards creation and production.

The Status of the Artist Bill recognizing the contribution which artists make to the excellence of our social life, our cultural identity and to our economy has been tabled in December 1990. The Bill recognizes the specific working conditions of self-employed professional artists. The response to the Report of the Standing Committee on Communications and Culture which committed the Government to the introduction of the Bill, also announced the creation of the Canadian Council on the Status of the Artist (effective in February 1991), as well as other fiscal and structural measures for artists.

DOC met with 60 Canadian designers at a conference in December 1990 in Montebello. This Conference will be followed by discussion on development of Canadian Design policy.

Copyright revision is fundamental to establishing the legal basis on which Canada's cultural, creative and information industries of today and the future will function. Following exhaustive consultations with all parties concerned, the Ministers of Communications and Consumer and Corporate Affairs are collaborating to respond to the needs of this sensitive domain.

The sector has undertaken a national marketing study on the preference and purchasing behaviour of Canadian consumers with respect to the visual and performing arts. The study, carried out in collaboration with the provinces, will be completed in January 1992 and will assist in the creation of marketing strategies. DOC also prepared a consultation paper on public art and the urban environment. This document was tabled at a federal/provincial meeting in October. DOC will also contribute to a task force that will study the future of crafts in Canada.

Program Operation

Contributions under the Cultural Initiatives Program (CIP) totalled \$17.667 million in 1990-91, a decrease of \$315,000 over the previous year. The program was only able to fund 6.1% of the amount requested by applicants. It is estimated that between \$300 and \$500 million in capital assistance will be requested over the next five years, yet program funding available for capital improvements is roughly \$9 million per annum.

The cumulative allocation of CIP since its inception displays a reasonable regional balance despite some inequities over its 11 year operation. For example, the Prairies and Ontario have received slightly less than what would be expected on the basis of population, and British Columbia, Quebec and the Atlantic Provinces slightly more.

In late 1990, a completely new management team was installed at the Confederation Centre of the Arts, one of the foremost cultural institutions in Atlantic Canada which receives funding by DOC and the provinces. In response to impetus from Department of Communications officials, dramatic strides have been made in implementing more stringent financial controls and in rethinking the programming focus of the Centre in light of the Culture Inc. report prepared for the Canada-P.E.I. ERDA sub-committee. Progress has also been made in developing a plan to eliminate the accumulated deficit and avoid any future operating deficits.

Program Effectiveness

The CIP program was last evaluated in 1986. This evaluation confirmed CIP'S logic and effectiveness.

Cultural Industries

The objective of this sub-activity is to increase the availability of and access to cultural products and services, particularly, Canadian ones. Policies, programs and legislation are developed and assistance provided to the sound recording industry, broadcasting industry, film and video producers and distributors, and book-periodical publishers. These efforts help ensure a healthy environment and industry structure in which the work of Canadian artists and creators is developed, produced and distributed to the widest possible markets. The federal agencies which share responsibilities in the cultural industries field are the Canadian Broadcasting Corporation, the National Film Board, Telefilm Canada, and the Canadian Radio-television and Telecommunications Commission.

Policy Development

A number of policy initiatives are under way at present to complement our production programs and help redress the imbalance and abnormalities in the domestic and international markets for Canadian cultural products and services. One of the key problems is the extensive distribution of foreign films, revenues of which are rarely reinvested in Canadian productions. Policy initiatives are being readied to help resolve these structural problems.

On February 1, 1991, a new Broadcasting Act for Canada received royal assent. The new Broadcasting Act establishes a technology-neutral framework which opens doors for new kinds of programming services and its delivery by non-traditional means that can respond to the challenges facing the broadcasting system in the 1990's and beyond.

Direct-to-home satellite services are already appearing, and new technologies such as digital audio and direct broadcast satellites are looming on the horizon. An industry working group has been established to examine ways of introducing new technology to the Canadian broadcasting system, and to propose standards for such technology. The Department has set up an internal working group to fully assess the policy and practical implications of these recommendations.

During 1990-91, the implications of the restructuring of the Canadian Broadcasting Corporation (CBC), were assessed and analyzed. In addition, analysis of the Corporation's request for its annual appropriation, as well as a number of individual Treasury Board Submissions was undertaken.

The CBC program "Le Téléjournal" has been retransmitted daily, via satellite, on the French public channel FR3 since September 1990, and on the TV5 Europe network since April 1991, alternating with the TVA network's news bulletin. TV5 is a French-language television network (satellite-cable) in which five governments participated: Canada, Quebec, France, Switzerland and Belgium. Geographic extension of TV5 is currently a priority, especially into Eastern Europe, Africa and the United States.

Although broadcasting is a federal jurisdiction, an exchange with Quebec on matters affecting French-language broadcasting had been deemed appropriate. The purpose of the Memorandum of Understanding on the Development of French-Language Radio and Television is therefore to allow the Quebec as well as the Canadian Departments of Communications to jointly coordinate the development of French-Language broadcasting by means of consultations with industry spokespersons, as well as recommendations on policies, programs and follow-ups on government programs.

A joint government-industry working group has been established to promote the development of a descriptive video system which makes programming accessible to visually-impaired viewers compatible with the Canadian Broadcasting system.

Program Operation

The Publication Distribution Assistance Program, more commonly known as the Postal Subsidy, is in the process of being phased out, to be replaced by a \$110 million program of direct assistance beginning in 1993. From its 1989-90 level of \$209.5 million, the Postal Subsidy sustained a cut of \$35 million in 1990-91 which was managed through selective rate increases and a better targeting of beneficiaries. The replacement program's resources will focus on books paid circulation magazines and small community weeklies.

The Cultural Industries Development Fund (\$33 million over 5 years) beginning April 1, 1991, will be administered by the Federal Business Development Bank. It will offer investment services (loans) and financial consultation services to eligible enterprises in the publishing, sound recording and film sectors.

The two major vehicles for direct DOC financial assistance to Cultural Industries are the Book Publishing Industry Development Program (BPIDP) and the Sound Recording Development Program (SRDP). Grants and contributions under these programs (\$8 and \$5 million for 1990-91, respectively) are focused on the concentration of firms in these industries in Quebec and Ontario. This distribution is considered appropriate.

Demand pressures outstrip the supply of funds. Seventy-four percent of the funds requested from DOC under SRDP were satisfied in 1990-91 (81% in 1989-90); the comparable figure for BPIDP in 1990-91 was 55% (51% in 1989-90).

Program Effectiveness

During 1990-91, an assessment of the importance of government and regulatory measures to assist broadcasting in the fulfillment of the objectives for the Canadian broadcasting system was undertaken. Several of these relate to the policy objective of giving Canadians the choice of competitive Canadian-produced programming in all categories. During 1990-91, an assessment of the importance of Section 19.1 of the Income Tax Act and the effect of Simultaneous Substitution concluded that these measures together benefited Canadian stations by increasing revenues by about 10%. Telefilm, which administers the Canadian Broadcast Program Development Fund, launched a comprehensive review of the Fund's performance to date. The branch participated in developing the terms of reference for this review.

The 1989-90 AMR reported on the National Film Board's (NFB) evaluation which found strong evidence of the continued need and relevance for the unique role played by the NFB. The Annual Management Report also reported on the Manitoba Sub-Agreement on Communications and Cultural Enterprises' evaluation which found overall favourable results.

The evaluation of the Book Publishing Industry Development Program was initiated in January 1991 with results expected in early Fall of 1991.

An evaluation of the Sound Recording Development Program (SRDP) recently completed examined the SRDP in relation to a number of considerations that can be grouped under four headings: relevance of the Program, achievement of objectives, impact on the industry and recipients and alternative solutions. The approach of the evaluation was to consider the Francophone and Anglophone markets separately. The evaluation report consolidates two studies carried out by two separate companies, the conclusions of which were basically the same.

The evaluation found that the program has mainly contributed to increasing the quality of recordings. This is an important result because better quality means more airplay and, consequently, more sales. Other major findings were the lack of marketing resources devoted to recording projects, lack of marketing and management training and resources within individual companies, and lack of access to national distribution networks for medium and small sized companies. These problems must be tackled if SRDP contributions are to be efficient and effective. It is also important to note that the program funds were allocated only to the best projects, to avoid spreading the money too thinly. Consequently, the SRDP needs more specific and focused objectives, more money to devote to marketing activities, better export marketing activities oriented especially towards the American market, and a better focused training component. Results of the evaluation will contribute to the development of the new SRDP.

V Administrative Performance

Implementation of the MOU

All increased authorities obtained through the IMAA MOU were delegated to the appropriate managers. Existing processes, wherever applicable, were used to monitor these delegations, and information is being gathered periodically to monitor expenditure trends.

Publication of the Strategic Information Management Plan was delayed by four months due to the problems encountered in the approval process. The Report was sent to Treasury Board at the end of October 1990. We understand that it is highly regarded by the Treasury Board and vendor community.

Furthermore, the Department has completely integrated its planning activities with respect to Human Resources and Official Languages; in previous years, the Department produced two separate planning documents, the Multi-Year Human Resource Plan and the Official Languages Plan, which resulted in a segregated planning approach. The Department has now integrated these two important planning activities by setting objectives and reporting on accomplishments through the Annual Management Report.

Treasury Board approved the establishment of the Government Telecommunications Agency as a Special Operating Agency (SOA). The fundamental authority of exemption from PY control was approved, along with other authorities. The creation of two new SOA's was also announced for DOC. Work has commenced on establishing both CHIN and CCI as SOA's through the preparation of Framework Documents, Business Plans and TB submissions.

Program and Resource Management

It should be noted that the ratio of corporate management resources to DOC total resources has decreased from 5.5% of dollars in 1988-89 to 4.5% of dollars in 1990-91. In terms of PY's, the ratio remains stable around 10.8%.

General measures of restraint arose in 1990-91 in the form of budget cuts of \$2.7 million which were redirected towards the Gulf War budget and Federal Sales Tax cuts of \$0.5 million as a direct result of the implementation of the GST. As well, the final person year reduction as a direct effect of the May 1985 budget occurred. As reflected in the 1990-91 reference levels, there was a reduction of 33 PY's and \$5.8 million (1.8% of total reference level).

Maximum use of our flexibility provided by the IMAA MOU and strict internal regime of periodic review of resource needs and expenditures have helped ensure the most efficient use of our limited resources.

Human Resources Management

Overall performance in the implementation and administration of personnel policies and services has improved in 1990-91. Employment Equity targets for women were exceeded in all categories, including the management category where the target was surpassed by 3.6%. It is worthwhile to highlight our performance in the scientific and professional as well as in the technical categories where we exceeded our targets by 3.4% and 6.3% respectively. However, the Department encountered certain difficulties in increasing significantly the representation of aboriginals and persons with disabilities. Resource constraints and downsizing have slowed the Department's ability to attain the targets set vis-à-vis these employment equity groups; nevertheless, the Department is committed to a proactive exploration of resourcing as a means of attaining all its employment equity objectives.

In all other areas of Human Resources Management, such as, staff training, performance review and employee appraisals, classification etc., the overall performance has also been fully satisfactory. The Department has also introduced such new measures as classification committees of Assistant Deputy Ministers to assess jobs in the Management Category.

The Department has also successfully linked Human Resources Management with Public Service 2000 by implementing initiatives aimed at improving the management of our resources. Initiatives have included: creation of an Anti-Bureaucracy Committee with a sub-committee focusing on streamlining personnel procedures; promotion of an awards program with the creation of innovative departmental awards aimed at recognizing the contribution of employees; and regular luncheon sessions between employees and the Deputy Minister to exchange ideas and concerns. The Department has made continued and sustained progress in the effective management of its human resources through these initiatives.

Program Effectiveness

In 1990, the Department completed an evaluation of the use of the Mansis system in Central Region. Mansis is a management system designed to facilitate ongoing management as well as implement change throughout an organization. It involves teaching basic managerial and job-related interpersonal skills and providing simple tools. Implementation of this system in the Central Region was completed by the end of September 1988.

The evaluation found that, in general, Mansis has been accepted and was credited with bringing many benefits to the workplace. Both the Mansis training and the implementation of the system itself were positively evaluated by employees. More than half the employees interviewed would choose to keep using Mansis if they were given the choice. The majority of employees would recommend the system to other areas of the Department.

The evaluation concluded that the implementation of the Mansis system in the Central Region has achieved many of the intended objectives and has brought valuable benefits to the workplace.

The evaluation revealed some minor problem areas primarily related to the implementation of the day-to-day mechanics of Mansis. The Regional Management Committee is reviewing the identified areas of concern and will be formulating a plan of action based on the recommendations of the committee members.

Administrative and Information Management

The highly specialized nature of the Department forces us to seek external expertise in such areas as telecommunications, research, museology and conservation. This has resulted in an unavoidable increase of sole source contracting which we awarded for relatively small contracts.

Thirty milestones were established for 14 strategic projects flowing directly from the Strategic Information Management Plan issued in June 1990. The low completion rate resulting of changing priorities within the Department during the year did not have a significant impact on any departmental program. Three major successful projects can be reported: the establishment of the Senior Executive Network, the approval of funding for the replacement of the aging CP-6 operating environment, and Spectrum Management system migration planning.

Our access to information and privacy services which had been well delivered in 1989-90 have even been better delivered in 1990-91. The percentage of access to information requests handled within the prescribed time periods has increased to 87% from 79% in spite of a 5% increase in the workload. Again this year, all privacy requests were handled within the prescribed time period. A breakdown of the requests suggests that there has been a reduction in the more "routine" requests with a corresponding increase in the more "sensitive/complex" requests.

Official Languages

The Department continues to be committed to the implementation of the Official Languages Act, and more specifically to the principles of service to the public, language of work and equitable participation. With respect to service to the public, the Department has made progress in terms of the percentage of employees who provide services to the public and who meet the language requirements of their bilingual position, that is to say, 82.5%. The objective set for this indicator, 87% of employees by 1992, will not likely be met due to the high number of employees (153) who have a statutory exemption.

The Department is making steady progress in terms of enabling employees to work in the official language of their choice in that, 77.5% of supervisors satisfy the linguistic requirements of their positions whereas, last year only 75.3% of them met those language requirements. The objective of 80% will likely be met.

The Department has continued to make great strides towards the equitable participation of both official languages groups in the various employment categories. For example, the target for the francophone participation in the management category was set at 30%; the Department has already surpassed this objective. Furthermore, the efforts made by the Department have paid off in the scientific and professional category where we have met our objective of 26% francophone participation. The Department recognizes however, that proactive measures must be undertaken in the Québec region to arrest the decline in the participation of Anglophones (9.3% last year to 8.7% this year) and to increase the participation of Anglophones in our organization in New Brunswick.

Although weaknesses still exist, the Department will continue to do its utmost to fully implement all aspects of the Official Languages Act.

Evaluation and Audit

The evaluation function at DOC, as noted in a recent Office of the Comptroller General report on its performance, is a well established one. By the end of this MOU, all departmental policies and programs, which have been in operation for a number of years, will have been evaluated. The findings are credible and the recommendations are given serious consideration within the Department.

The audit function needs to undergo changes to better serve the Department in light of major ongoing developments such as PS 2000, the Single Operating Budget concept, Special Operating Agencies and regionalization.

It should be noted that the Program Evaluation and the Internal Audit functions have been placed under the responsibility of a single senior manager as part of the Department's response to the February Budget. An independent review of both functions is currently underway. The purpose of the study is to provide an overall assessment of client satisfaction with the evaluation and audit activities and to determine the types of evaluation and audit products and services which should be offered in the future, in order to meet the Department's new needs and satisfy the central agencies' new requirements in the current context. The review should also lead to concrete, reliable and objective recommendations regarding the most effective way of organizing the evaluation and audit functions in the Department. Of course, officers from the Treasury Board Secretariat and the Office of the Comptroller General have been involved in this project.

VI Conclusions

As the 1990-91 AMR attests, DOC programs continue to be effective and well managed as evidenced by program evaluations and audit reports. Areas cited for need of improvement are being dealt with.

Program delivery remains adequate for the most part although declining numbers of staff undertake growing workloads each year. In some areas, the rate of productivity improvement is still declining and delivery performance remains a problem for certain elements of programs. These situations will have to be redressed and DOC continues to develop strategies aimed at equitable responses. Proposals to deal with these challenges will be advanced in the near future.

Progress toward the achievement of our administrative policy targets has also been satisfactory. Strategies to ensure that we can meet employment equity targets continue to remain a priority. All other personnel, administrative and information management and Official Languages targets are being met.

Corporate and Human Resources management have been prominent areas of activity throughout the past year. The performance of the Department depends very heavily upon management's continued commitment to initiatives that fulfil the promises of renewal entrenched in Public Service 2000. Therefore, improved internal communications, staff development, awards programs and upward feedback have gained profile on the corporate agenda, involving management at all levels.

The newest experimental formulation, the Single Operating Budget, provides for exciting possibilities in the way of reform. DOC is studying the implications for corporate management with regard to these changes and looks forward to a speedy implementation once the plans have been fully articulated.

Our second year under the IMAA regime has validated the usefulness of our MOU and has provided a sound basis both to refine our mechanisms for holding managers accountable for results and to further clarify the authorities for the continued effective management of DOC. In fact, our second round of negotiations with the Secretariat is currently under way to explore additional delegations of authority. We look forward to a favourable conclusion of these negotiations that will permit us to further empower our managers to attain the results for which they are accountable.

